
Document 2:

Internet Corporation for Assigned Names and Numbers (ICANN) Draft FY19 Total Budget

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.

TABLE OF CONTENTS

| | |
|--|-----------|
| SUMMARY OF CHANGES | 4 |
| 1 INTRODUCTION | 5 |
| 2 PLANNING AND BUDGET OVERVIEW | 7 |
| 3 ICANN OPERATIONS | 9 |
| 3.1 Financial Overview | 9 |
| 3.2 Funding | 13 |
| 3.3 ICANN Operations Cash Expenses | 16 |
| 3.4 Risks and Opportunities | 18 |
| 3.5 Costs Savings and Activities Not Included in the Draft Operating Plan and Budget | 19 |
| 3.6 Caretaker Budget | 25 |
| 3.7 ICANN Operations FY20 Projections | 26 |
| 4 PTI BUDGET AND IANA BUDGET OVERVIEW | 27 |
| 4.1 IANA Budget Overview | 28 |
| 5 NEW GTLD PROGRAM | 29 |
| 5.1 New gTLD Program: Financial Summary | 29 |
| 5.2 New gTLD Program: Multiyear View | 30 |
| 5.3 New gTLD Program: Variance Analysis | 31 |
| 5.4 New gTLD Program: Operating Expenses Variance Analysis | 32 |
| 6 TOTAL ICANN OVERVIEW | 33 |
| 6.1 FY19 Financial Overview | 33 |
| 6.2 Headcount: Three Year Overview | 34 |
| 6.3 Funds Under Management | 35 |
| APPENDIX A: REGISTRAR FEES | 38 |

Summary of Changes

This section will show changes made to the final budget based on input received from the Public Comment period.

Introduction

This document contains the Internet Corporation for Assigned Names and Number (ICANN) draft Fiscal-Year 2019 (FY19) Operating Plan and Budget. ICANN's FY19 runs:

1 July 2018 - 30 June 2019

COMMUNITY INPUT TO ICANN'S PLANNING PROCESSES

The draft Fiscal-Year 2019 Operating Plan and Budget is being submitted for public comment as required by ICANN's Bylaws, and in accordance with [ICANN's public comment policy](#). Enabling stakeholder engagement in ICANN's planning process, through accessible information and effective interaction, is a fundamental part of ICANN's multistakeholder model. The publishing of the draft version of the FY19 Operating Plan and Budget for public comment is a key element in the transparency and community engagement in ICANN's planning process.

ICANN welcomes and recognizes the past, present and future engagement of all stakeholders into the ICANN's planning process, whether relative to the strategic plan, operating plan, budget or ongoing operational and financial updates.

Need Help Understanding the Budget?

The [ICANN online glossary](#) defines and explains terminology used in this document.

WHAT IS IN THE OPERATING PLAN AND BUDGET?

The Operating Plan and Budget includes:

- ⦿ Highlights of ICANN Operations, excluding the New Generic Top Level Domain (gTLD) Program, which is covered separately
- ⦿ The activities that have already been submitted for public comment and adopted as a part of the Public Technical Identifiers (PTI) FY19 Operating Plan and Budget
- ⦿ Highlights of the New gTLD Program
- ⦿ An overview of ICANN's Total FY19 Budget, combining ICANN Operations and the New gTLD Program
- ⦿ An appendix linking to a list of projects, for each portfolio, with the project-level budgeted costs by category

The draft budget includes data on all projects planned to be carried out during FY19, and displays all costs categories for each project. To make the rationale for each project and activity clear and transparent, each project is also mapped to one of the five objectives of the ICANN Strategic Plan for fiscal years 2016–2020, through the hierarchy of portfolios and goals.

Where useful, comparative information for FY18 is provided, using actual and forecast information.

PTI operations

PTI's FY19 Operating Plan and Budget was submitted for public comment in late 2017 and was adopted by the PTI Board in January 2018.

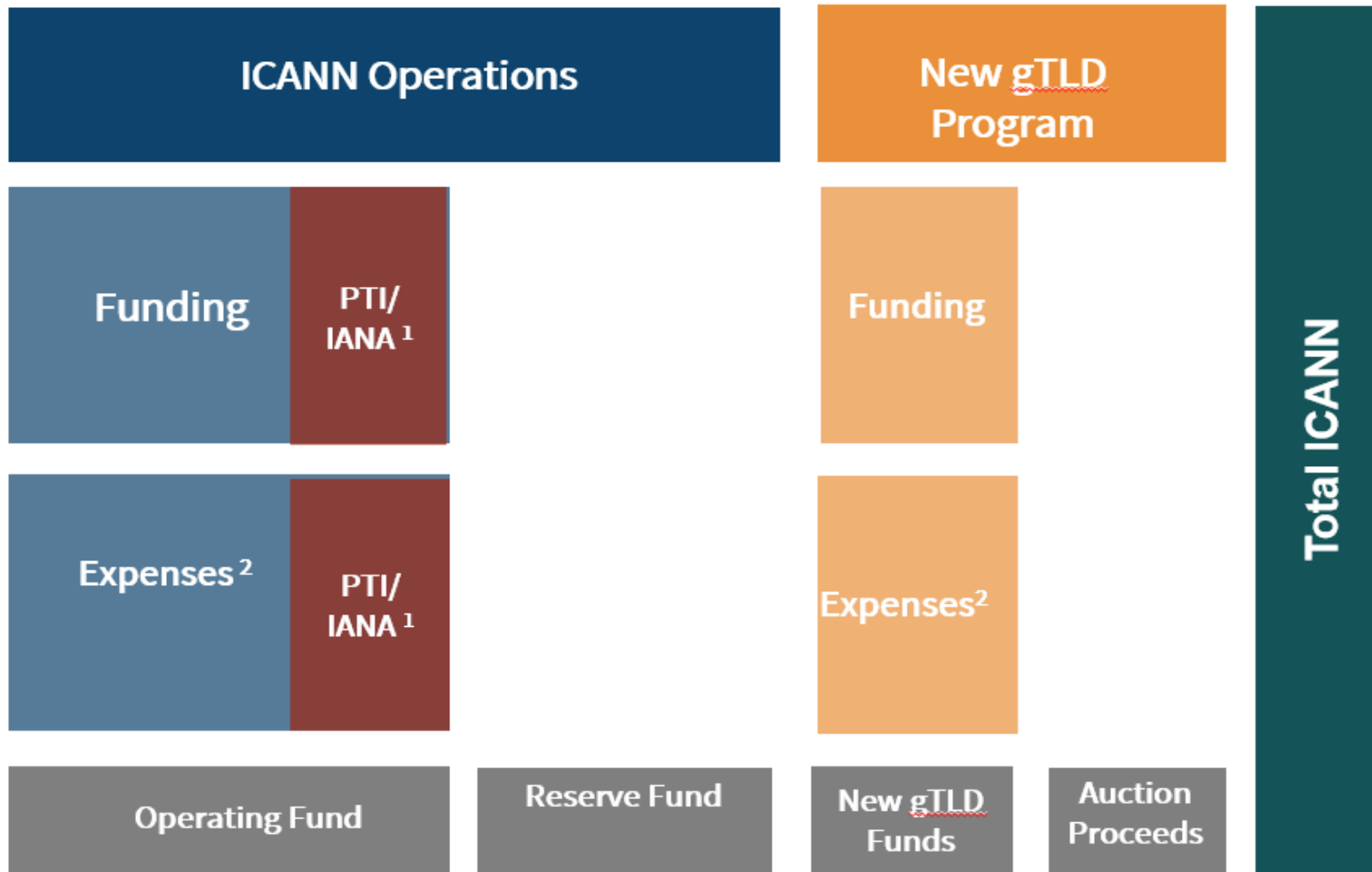
PTI operations are a part of ICANN's total operations and are documented in the Draft FY19 ICANN Operating Plan and Budget.

Additional Budget Requests

The Supporting Organization (SO) and Advisory Committee (AC) additional budget requests will be evaluated after the submission period has ended which is 30 January 2018. The Board will make its decision on these additional budget requests at its May 2018 meeting.

The list of the additional budget request that are adopted by the Board will be published on the [Finance Community Wiki](#).

The diagram below shows the structure of the budget information presented in this document:



¹ IANA Services includes ICANN's and PTI's IANA Expenses

² Excludes depreciation and bad debt expenses

2 ICANN Operations

This section provides an overview of the ICANN Operations funding and cash expenses.

2.1 Financial Overview

2.1.1 Draft FY19 Budget vs Adopted FY18 Budget

This table provides a comparison of the Draft FY19 Budget to the Adopted FY18 Budget as a reference point from the last Budget submitted for public comment. The Draft FY19 Budget reflects funding and expenses that are -\$4.8 million lower than the Adopted FY18 Budget.

| in Millions, USD | Draft FY19 Budget | | | Adopted FY18 Budget | | | Increase/(Decrease) vs. FY18 Budget | | | |
|---|-------------------|-----------------|------------------------|---------------------|-----------------|------------------------|-------------------------------------|----------------|-----------------|--------------|
| | ICANN Operations | IANA - PTI | Total ICANN Operations | ICANN Operations | IANA - PTI | Total ICANN Operations | ICANN Ops | IANA - PTI | Total ICANN Ops | % |
| Funding | \$138.0 | \$0.0 | \$138.0 | \$142.8 | \$0.0 | \$142.8 | (\$4.8) | \$0.0 | (\$4.8) | -3.4% |
| Personnel | 70.8 | 6.0 | 76.8 | 63.8 | 5.8 | 69.5 | 7.0 | 0.3 | 7.3 | 11% |
| Travel & Meetings | 15.0 | 0.7 | 15.6 | 17.2 | 0.6 | 17.8 | (2.3) | 0.1 | (2.2) | -13% |
| Professional Svcs. | 21.8 | 1.5 | 23.4 | 26.2 | 1.4 | 27.7 | (4.4) | 0.1 | (4.3) | -16% |
| Administration ⁽¹⁾ & Capital | 15.9 | 1.9 | 17.8 | 20.7 | 1.8 | 22.5 | (4.8) | 0.1 | (4.7) | -21% |
| Contingency ⁽²⁾ | 4.0 | 0.5 | 4.5 | 4.9 | 0.5 | 5.3 | (0.9) | (0.0) | (0.9) | -16% |
| Cash Expenses | \$127.5 | \$10.6 | \$138.0 | \$132.8 | \$10.0 | \$142.8 | (\$5.3) | \$0.5 | (\$4.8) | -3.4% |
| Increase/ (Decrease) to Net Assets | \$10.5 | (\$10.6) | (\$0.0) | \$10.0 | (\$10.0) | (\$0.0) | \$0.5 | (\$0.5) | \$0.0 | -16% |
| End of Period Headcount | 402.2 | 22.8 | 425.0 | 391.1 | 22.6 | 414 | 11.1 | 0.2 | 11.3 | 3% |

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

(2) The FY19 and FY18 Budgeted contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments.

2.1.2 FY18 Forecast vs Adopted FY18 Budget

This table provides a comparison of the FY18 Forecast to the FY18 Adopted Budget. The FY18 Forecast is the latest data on FY18. The FY18 Forecast reflects funding and expenses that are -\$8.3 million lower than the Adopted FY18 Budget.

| in Millions, USD | FY18 Forecast | | | Adopted FY18 Budget | | | Increase/(Decrease) vs. FY18 Budget | | | |
|---|------------------|-----------------|------------------------|---------------------|-----------------|------------------------|-------------------------------------|--------------|------------------------|---------------|
| | ICANN Operations | IANA - PTI | Total ICANN Operations | ICANN Operations | IANA - PTI | Total ICANN Operations | ICANN Operations | IANA - PTI | Total ICANN Operations | % |
| Funding | \$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 ⁽¹⁾ & Capital | 20.2 | 1.8 | 21.9 | 20.7 | 1.8 | 22.5 | (0.5) | 0.0 | (0.5) | -2% |
| Contingency ⁽²⁾ | 2.7 | 0.5 | 3.2 | 4.9 | 0.5 | 5.3 | (2.1) | 0.0 | (2.1) | -40% |
| Cash Expenses | \$126.5 | \$10.0 | \$136.5 | \$132.8 | \$10.0 | \$142.8 | (\$6.3) | \$0.0 | (\$6.3) | -4% |
| Increase/ (Decrease) to Net Assets | \$8.0 | (\$10.0) | (\$2.0) | \$10.0 | (\$10.0) | (\$0.0) | (\$2.0) | \$0.0 | (\$2.0) | 11167% |
| FY17 Net Asset Excess Allocated to ITI | | | \$2.0 | | | | | | \$2.0 | n/a |
| Increase/ (Decrease) to Net Assets | \$8.0 | (\$10.0) | (\$0.0) | \$10.0 | (\$10.0) | (\$0.0) | (\$2.0) | \$0.0 | \$0.0 | -100% |
| End of Period Headcount | 394.4 | 21.3 | 416 | 391.1 | 22.6 | 414 | 3.3 | (1.3) | 2.0 | 0% |

(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.

2.1.3 ICANN Operations Draft FY19 Budget vs FY18 Forecast

| in Millions, USD | Draft 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 | \$138.0 | \$0.0 | \$138.0 | \$134.5 | \$0.0 | \$134.5 | \$3.5 | \$0.0 | \$3.5 | 2.6% |
| 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 ⁽¹⁾ & Capital | 15.9 | 1.9 | 17.8 | 20.2 | 1.8 | 21.9 | (4.3) | 0.1 | (4.2) | -19% |
| Contingency ⁽²⁾ | 4.0 | 0.5 | 4.5 | 2.7 | 0.5 | 3.2 | 1.3 | (0.0) | 1.3 | 40% |
| Cash Expenses | \$127.5 | \$10.6 | \$138.0 | \$126.5 | \$10.0 | \$136.5 | \$1.0 | \$0.5 | \$1.5 | 1.1% |
| Increase/ (Decrease) to Net Assets | \$10.5 | (\$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 | \$10.5 | (\$10.6) | (\$0.0) | \$8.0 | (\$10.0) | (\$0.0) | \$2.5 | (\$0.5) | (\$0.0) | n/a |
| End of Period Headcount | 402.2 | 22.8 | 425.0 | 393.1 | 22.6 | 415.7 | 9.2 | 0.2 | 9.3 | 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.

The tables that follow provide additional information on the assumptions and variance analysis for the Draft FY19 Budget.

The following table describes Baseline-ICANN Operation's planned cash expenses by function for FY19.

| in Millions, USD | | FY19 Draft Budget ⁽¹⁾ | | | | | FY18 Forecast | | | | | Increase/(Decrease) | | | | | |
|---|-----------|----------------------------------|--------------|---------------|---------------|----------------|--------------------|--------------|---------------|---------------|----------------|---------------------|------------|--------------|----------------|--------------|-------------|
| Executive Group | Executive | End of Period Hdct | Avg Hdct | Perso-nnel | Other | Total | End of Period Hdct | Avg Hdct | Perso-nnel | Other | Total | End of Period Hdct | Avg Hdct | Perso-nnel | Other | Total | % |
| DNS Industry and Engagement | Atallah | 30.0 | 29.5 | \$5.4 | \$2.0 | \$7.4 | 29.0 | 29.0 | \$4.8 | \$2.6 | \$7.5 | 1 | 0.5 | 0.6 | (0.7) | (0.1) | -1% |
| Global Domains Division Ops and Product Mgt. | Atallah | 56.0 | 56.0 | \$9.0 | \$3.2 | \$12.2 | 51.0 | 51.0 | \$8.4 | \$3.9 | \$12.3 | 5 | 5.0 | \$0.6 | (\$0.7) | (\$0.1) | -0.9% |
| IANA | Atallah | 17.0 | 17.0 | \$3.0 | \$1.8 | \$4.8 | 17.0 | 17.0 | \$3.0 | \$1.2 | \$4.2 | - | - | 0.0 | 0.5 | 0.5 | 13% |
| Regional Offices | Bennett | 0.0 | 0.0 | \$0.0 | \$6.6 | \$6.6 | 0.0 | 0.0 | \$0.0 | \$6.0 | \$6.0 | - | - | 0.0 | 0.5 | 0.5 | 9% |
| Operations | Bennett | 16.0 | 16.0 | \$3.2 | \$3.6 | \$6.8 | 17.0 | 17.0 | \$2.9 | \$4.2 | \$7.1 | (1) | (1.0) | 0.2 | (0.6) | (0.3) | -5% |
| Strategic Communications | Burns | 27.0 | 27.0 | \$4.1 | \$6.1 | \$10.3 | 25.8 | 25.8 | \$3.7 | \$5.9 | \$9.6 | 1 | 1.3 | 0.4 | 0.2 | 0.6 | 7% |
| Finance & Procurement and ERM | Calvez | 19.0 | 19.0 | \$3.5 | \$1.7 | \$5.3 | 15.4 | 15.4 | \$3.3 | \$1.7 | \$5.1 | 4 | 3.6 | 0.2 | 0.0 | 0.2 | 4% |
| Office of the CTO | Conrad | 19.0 | 19.0 | \$5.3 | \$3.0 | \$8.3 | 17.0 | 17.0 | \$4.5 | \$3.7 | \$8.2 | 2 | 2.0 | 0.8 | (0.8) | 0.0 | 1% |
| Global Stakeholder Engagement | Costerton | 30.0 | 30.0 | \$6.1 | \$2.0 | \$8.1 | 31.0 | 31.0 | \$5.5 | \$2.5 | \$8.0 | (1) | (1.0) | 0.6 | (0.5) | 0.1 | 1% |
| Meeting Operations | Costerton | 8.0 | 8.0 | \$1.6 | \$3.8 | \$5.3 | 8.0 | 8.0 | \$1.3 | \$3.8 | \$5.1 | - | - | 0.3 | 0.0 | 0.3 | 5% |
| Development and Public Responsibility | Costerton | 7.0 | 7.0 | \$0.8 | \$1.1 | \$1.9 | 8.0 | 8.0 | \$0.9 | \$1.8 | \$2.7 | (1) | (1.0) | (0.1) | (0.7) | (0.8) | -29% |
| Contr. Compliance & Consumer Safeguards | Hedlund | 29.0 | 29.0 | \$4.4 | \$1.0 | \$5.3 | 29.0 | 29.0 | \$4.0 | \$1.4 | \$5.4 | - | - | 0.3 | (0.4) | (0.1) | -1% |
| Governance Support | Jeffrey | 24.0 | 24.0 | \$6.4 | \$2.7 | \$9.1 | 17.3 | 17.3 | \$5.2 | \$3.8 | \$9.0 | 7 | 6.7 | 1.2 | (1.1) | 0.1 | 1% |
| Governmental Engagement | Kamel | 9.0 | 9.0 | \$2.6 | \$0.9 | \$3.5 | 8.0 | 8.0 | \$2.0 | \$1.1 | \$3.2 | 1 | 1.0 | 0.6 | (0.3) | 0.3 | 10% |
| Office of the CEO | Marby | 3.0 | 3.0 | \$1.4 | \$0.5 | \$1.9 | 3.0 | 3.0 | \$1.4 | \$0.6 | \$2.0 | - | - | 0.0 | (0.1) | (0.1) | -5% |
| Policy Development & SO/ AC Engagement | Olive | 35.0 | 35.0 | \$4.9 | \$1.9 | \$6.9 | 34.8 | 34.8 | \$4.5 | \$2.5 | \$7.0 | 0 | 0.2 | 0.4 | (0.5) | (0.1) | -1% |
| Constituent/ Stakeholder Travel | Olive | 0.0 | 0.0 | \$0.0 | \$2.4 | \$2.4 | 0.0 | 0.0 | \$0.0 | \$2.2 | \$2.2 | - | - | 0.0 | 0.2 | 0.2 | 11% |
| Information Technology | Rangan | 24.0 | 24.0 | \$4.7 | \$2.0 | \$6.7 | 28.3 | 28.3 | \$5.1 | \$4.3 | \$9.4 | (4) | (4.3) | (0.4) | (2.3) | (2.7) | -29% |
| Engineering | Rangan | 41.0 | 41.0 | \$7.1 | \$9.6 | \$16.7 | 36.0 | 36.0 | \$6.2 | \$9.3 | \$15.5 | 5 | 5.0 | 0.9 | 0.3 | 1.2 | 8% |
| Global Human Resources and Admin | Schroeder | 24.0 | 24.0 | \$3.8 | \$0.6 | \$4.4 | 22.6 | 22.6 | \$3.3 | \$0.7 | \$4.0 | 1 | 1.4 | 0.4 | (0.1) | 0.4 | 9% |
| Multistakeholder Strategy & Strategic Initiatives | Swinehart | 19.0 | 19.0 | \$3.4 | \$3.5 | \$6.9 | 16.5 | 16.5 | \$3.1 | \$3.3 | \$6.4 | 3 | 2.5 | 0.3 | 0.2 | 0.5 | 8% |
| Ombudsman | Ombudsman | 1.0 | 1.0 | \$0.3 | \$0.3 | \$0.6 | 1.0 | 1.0 | \$0.2 | \$0.3 | \$0.6 | - | - | 0.0 | (0.0) | (0.0) | -2% |
| New gTLD Allocations | | 0.0 | 0.0 | -\$2.0 | -\$1.5 | -\$3.5 | 0.0 | 0.0 | -\$2.5 | -\$2.4 | -\$4.9 | - | - | 0.5 | 0.8 | 1.4 | -28% |
| Corporate (includes attrition and contingency) | | (13.0) | (13.0) | -\$2.2 | \$2.5 | \$0.3 | 0.0 | 0.0 | -\$2.2 | \$3.2 | \$1.0 | (13) | (13.0) | 0.0 | (0.7) | (0.7) | -70% |
| Total | | 425.0 | 424.5 | \$76.8 | \$61.2 | \$138.0 | 415.7 | 415.7 | \$68.7 | \$67.8 | \$136.5 | 9.3 | 8.8 | \$8.1 | (\$6.6) | \$1.5 | -87% |

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

2.2 Funding

This section provides an overview of ICANN's funding, starting with the assumptions that support the FY19 estimates. The best estimate matches the FY19 funding included in the FY19 budget. The high and low estimates provide for a sensitivity analysis of some of the funding items and are the result of variations of the best estimate.

| | Funding Type | Best Estimate | High Estimate | Low Estimate |
|--------------------|------------------------|--|--------------------------|--------------------------|
| Legacy TLDs | Transaction-based Fees | Assumes growth of transaction volume of 3.1% as per historical average | Growth of 4.1% | Growth of 2.7% |
| New TLDs | 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 |

| | Funding Type | Best Estimate | High Estimate | Low Estimate |
|--------------------------------|-----------------------------|--|-----------------------|-----------------------|
| Registrar Accreditation | 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 |
| New gTLD Program | 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 |

The following table describes ICANN's funding by source and type, comparing for each the best estimate for the FY19 budgeted year and for the FY18 current year.

| In Millions, US Dollars | FY 19 Best Estimate | FY18 Forecast | +Incr./-Decr. | % | FY19 Estimates | | FY18 Budget |
|--|---------------------|-----------------|---------------|----------------|-----------------|-----------------|-----------------|
| | | | | | High | Low | |
| Transactions | | | | | | | |
| 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 |
| Sub-total | 90.2 | 86.6 | 3.7 | 4.2% | 91.6 | 89.1 | 94.2 |
| <i>Volume: legacy transactions (millions)</i> | <i>168.7</i> | <i>163.6</i> | <i>5.1</i> | <i>3.1%</i> | <i>170.4</i> | <i>168.1</i> | <i>163.6</i> |
| <i>Volume: New gTLD transactions (millions)</i> | <i>28.4</i> | <i>21.9</i> | <i>6.4</i> | <i>29.4%</i> | <i>30.0</i> | <i>26.3</i> | <i>41.7</i> |
| Sub-total | 197.1 | 185.6 | 11.6 | 6.2% | 200.4 | 194.4 | 205.3 |
| <i>Volume: New gTLD billable transactions (millions)</i> | <i>24.1</i> | <i>18.3</i> | <i>5.8</i> | <i>31.9%</i> | <i>25.5</i> | <i>22.4</i> | <i>35.4</i> |
| <i>New gTLD Billable rate - average</i> | <i>85.0%</i> | <i>83.4%</i> | <i>1.6%</i> | | <i>85.0%</i> | <i>85.0%</i> | <i>85.0%</i> |
| Registry Fixed Fees | 31.1 | 30.6 | 0.5 | 1.7% | 31.3 | 30.7 | 30.8 |
| Registrars accreditation | | | | | | | |
| 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 |
| Sub-total | 13.0 | 13.7 | (0.7) | -5.2% | 13.7 | 12.3 | 14.1 |
| <i>Count of total Registrars - at end of year</i> | <i>2,217</i> | <i>2,217</i> | <i>-</i> | <i>0.0%</i> | <i>2,217</i> | <i>2,051</i> | <i>2,241</i> |
| <i>Incr./Decr.) new Registrars - at end of year</i> | <i>-</i> | <i>(772)</i> | <i>772</i> | <i>-100.0%</i> | <i>-</i> | <i>(166)</i> | <i>(748)</i> |
| Contributions | | | | | | | |
| 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 |
| Sub-total | 3.7 | 3.7 | - | 0.0% | 3.7 | 3.7 | 3.7 |
| ICANN Ops Revenue | \$ 138.0 | \$ 134.5 | \$ 3.5 | 2.6% | \$ 140.3 | \$ 135.8 | \$ 142.8 |

-
- 34 personnel estimated to be hired in FY18 working a full year in FY19 versus a partial year in FY18
 - Personnel costs increases (merit, taxes and fringe benefits)
 - Impact of FY19 planned hires: four new hires

 - 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

2.4 Risks and Opportunities

This section outlines the risks and opportunities to the FY19 budget and provides the potential impact of the risk or opportunity on the FY19 budget assumptions as either lower or higher funding or cost.

| Risks | Potential amount | Probability |
|---|-------------------------|--------------------|
| Funding: lower legacy and new gTLD transaction volumes | -\$0.5 million | Low |
| Funding: lower funding from Registrars fixed fees | -\$0.5 million | Low |
| Expenses: Inability to identify costs savings across the organization | -\$1.5 million | Medium |

| Opportunities | Potential amount | Probability |
|---|-------------------------|--------------------|
| Funding: higher new gTLD transaction growth | +\$0.5 million | Medium |
| Expenses: Higher benefit on cost run-rates of actions initiated in FY18 | +\$1.5 million | Medium |

A risk is defined as lower funding or a higher expense. An opportunity is defined as the opposite.

2.5 Costs Savings and Activities Not Included in the Draft Operating Plan and Budget

As a general principle, ICANN organization (ICANN org) activities and projects result directly or indirectly from Bylaws requirements, and from decisions made by the Board based on community-led policies or recommendations, whether directly or as delegated to the Chief Executive Officer (CEO) and President of ICANN.

The funding for FY18 remains flat at \$133 million, and as we plan for FY19 and beyond, we expect it to stabilize at this level. This means ICANN needs to carefully plan and prioritize during this public comment, as well as make savings in order to not spend beyond ICANN's means.

The ICANN org has proposed planned activities and projects to be reduced or delayed, and some funding has been decreased to account for new priorities or increased fixed costs. Below are some of these activities that are either not included in the draft FY19 Operating Plan and Budget, or at a reduced level compared to prior years. This is for the community's review and discussion.

2.5.1 Potential implementation projects/activities not included in the Operating Plan and Budget

The activities below have not been included in the budget for several reasons, such as:

- Community recommendations have not yet been developed
- The Board has not yet approved these recommendations
- ICANN org has not developed an implementation plan

Implementation of recommendations from review teams

In general, review team recommendations that have not been approved by the Board were not included in the budget. When the Board reviews recommendations, the Board will consider resource requirements as part of their overall review of the recommendations. In some case, review recommendations may be accepted with scheduled implementation; accepted with delayed implementation; or rejected. This approach, which involves discussion with the community, applies to all review recommendations not yet approved by the Board, including: Registration Directory Service (RDS) Review; Competition, Consumer Trust and Consumer Choice (CCT) Review; Second Security, Stability and Resiliency of the DNS Review (SSR2).

Data privacy-related FY19 implementation activities

Data privacy encompasses specific areas of work, such as GDPR implementation and the e-privacy directive, which have resources allocated for FY18, which is when ICANN org anticipates implementation work for GDPR to conclude. Therefore, at this time, no resources have been allocated specifically for GDPR-related implementation work in FY19.

Cross-Community Working Group on Enhancing ICANN's Accountability (CCWG-Accountability) Work Stream 2 (WS2) implementation

After the WS2 Working Group has finalized its recommendations, part of the Board's consideration will need to be the implementation plan including resources needed for the implementation of the recommendations. Upon and until approval, the Board, working with the community, would identify what resources are required to implement these recommendations. Therefore, no resources have been included for any of the implementation work until and unless the Board adopts the recommendations.

Auction Proceeds

Auction proceeds are the proceeds generated from ICANN-authorized service provider auctions as the method of last resort to resolve string contention in the New gTLD Program.

The Cross Community Working Group on New gTLD Auction Proceeds (CCWG-AP) is currently developing recommendations on the mechanism that should be developed for allocating the proceeds. The CCWG's proposal will be the subject of community review and evaluation and will be considered for approval by the Board. The implementation of the recommendations adopted by the Board, and the resulting expenses, have not been included.

The auction proceeds are not being used to support the CCWG's work to decide how the proceeds should be used; this is being funded from the core ICANN budget. However, it is expected that any implementation costs resulting from the CCWG's recommendations would come from auction proceeds.

Implementation of gTLD subsequent procedures

The gTLD Subsequent Procedures Policy Development Process (PDP) Working Group is reviewing existing new gTLD policies to propose any changes or new policies for subsequent procedures. No resources are in the FY19 budget for this implementation work. The Working Group will need to work with the Board to identify necessary resources to support implementation. There are, however, resources planned in FY18 and FY19 to support the PDP Working Group.

2.5.2 Reductions to Engagement and Community Support

Regional capacity building events

Regional capacity building events have been reduced to keep costs for these activities at approximately the same level as previous years (FY17 and 18). This applies equally across all regions and includes events supported or attended by ICANN org, as well as requests from the community. The ICANN org prioritizes events and activities that directly support ICANN's technical mission and policy work.

Ongoing PDPs

Funding will not be available for any new or additional request for accelerated PDP work on priority policy issues, as part of core policy development allocated budget.

Language Services

Given available funding, ICANN org will focus translation resources based on need, rather than standard translation into the six U.N. languages. These needs will be identified by community and org requests.

During ICANN Public Meetings, ICANN org will continue providing interpretation services to the usual major tracks and sessions as normal, but will not provide additional interpretation options.

ICANN org will also continue to optimize materials for translation. For example, as appropriate, ICANN org will work internally and with the community to create executive summaries and other synopses for translation, which will improve understanding and participation while simultaneously reducing costs.

FY19 Additional Budget Requests (ABR)

The additional budget requests envelope has been reduced by more than 50% in FY19 and will likely result in certain support requests not receiving funding. The additional budget request process exists to fund new activities, before becoming a “core funded” activity.

Constituent travel support

Supporting Organizations and Advisory Committees (SO/ACs):

The number of funded seats for SO/ACs constituent travel support and costs remain stable at the same level as FY18.

The FY19 net allocation by group:

| SO/AC | # of seats proposed per meeting in FY19 |
|------------------|---|
| ALAC | 29 |
| ccNSO | 16 |
| GAC | 40 |
| Others unchanged | 83 |

Fellows/Next Gen:

- ⦿ The number of travel seats funded at each of the three ICANN meetings are:
 - ⦿ 30 Fellows (down from 60)
 - ⦿ 15 Next Gen participants (down from 20)

Reductions to Programs:

| Program | # of seats proposed in FY19 | # of seats reduced by (from FY18) |
|------------|-----------------------------|-----------------------------------|
| Fellowship | 30 per meeting | 30 |
| NextGen | 20 per meeting | 5 |

For more details on travel support, please refer to Module 2, Direct Community Support, in Document 4, Operating Plan.

2.5.3 Reductions to Internal Activity or Expenses

ICANN org development activities

Staff development activities, such as offsite meetings, training and education, administrative support, etc., have been reduced, delayed or eliminated in FY19. In addition, requests for administrative support in some offices have not been included in the budget.

IT and Engineering support

A few reductions were proposed to the level of IT and Engineering support, such as:

- ⦿ Less application development support
- ⦿ Less end user support for staff at ICANN meetings
- ⦿ Less audio/video support at ICANN Public Meetings (compared to FY18 level, dependent on the ICANN meeting schedule)

ICANN org sustainability report

There is no funding to conduct an ICANN org sustainability audit and draft report.

Technical Compliance Monitoring

This an internal project to automate the monitoring of the technical requirements included in the registry agreements. A Request for Proposals (RFP) was initiated in late 2017 and the submissions are under review. ICANN org will develop an implementation plan in due time, depending on the RFP results and, if needed, work with the Board to identify necessary resources and funds to support implementation of the project.

2.5.4 Additional Savings From Within ICANN Org

In addition to the above reductions to internal activities or expenses, ICANN org has identified cost savings across all departments. These costs savings are expected to be achieved through an optimized use of ICANN's resources, as well as reductions of activities where necessary. Some of these savings vs requests may represent a reduction of spend year-on-year; others are simply an increase not occurring.

In addition, the draft FY19 budget includes an annual assumption of personnel attrition, resulting from ongoing personnel departures from the organization, voluntary or not, which varies historically between 5% and 10% annually. The effect of such attrition is estimated in total at 15 full-time equivalent, for a total of \$2.2 million. Such estimate is not allocated by department in the Budget as the departure of personnel cannot be predicted for each department.

Separately from, and in addition to, the above activities and projects not included in the Draft FY19 Operating Plan and Budget, ICANN org departments are required to identify costs savings vs the allocation they requested, either distributed by department or collectively. These costs savings are expected to be achieved through an optimized use of ICANN’s resources, as well as reductions of activities where necessary. Some of these savings vs requests may represent a reduction of spend year-on-year, others are simply an increase not occurring.

The draft budget includes \$8.5 million in savings, or 6.5% compared to FY18, found within ICANN org through optimized internal processes and procedures. They are as follows:

| Cost saving | Source of cost saving |
|--------------------|---|
| \$4.5m | Costs savings allocated by department (other than compensation and travel) |
| \$1.5m | Collective costs savings |
| \$1.3m | Reduction from 4% to 2% of average ICANN org staff compensation increases |
| \$1.2m | Travel/Meeting savings (excluding ICANN Meetings specific costs and Constituent Travel) |

If these savings would not be accepted, the total operating expenses would be \$8.5 million higher.

This represents approximately a 6% expense savings embedded into the budgeted amount of expenses.

2.6 Caretaker Budget

[ICANN Bylaws](#) Section 6.2, “Powers and Acknowledgements”, define powers and rights attributed to the Empowered Community. One of these powers is:

“(iii) Reject ICANN Budgets, IANA Budgets, Operating Plans (as defined in Section 22.5(a)(i)) and Strategic Plans (as defined in Section 22.5(b)(i)).”

After approval by the Board, the IANA Budget and ICANN Budget each can only come into effect after giving time for the Empowered Community to consider whether it will raise a petition rejecting the budget. This is typically a 28-day period (21 days to raise a petition; seven days to achieve support). Therefore, even when no petition is raised against the budget, there is a 28-day waiting period for the budget to go into effect.

If the Board approves either the IANA Budget or the ICANN Budget for the next fiscal year with less than 28 days remaining before that fiscal year begins, then a “Caretaker Budget” must be adopted. Under the ICANN Bylaws, there is both a “Caretaker ICANN Budget” and a “Caretaker IANA Budget” (described at Annexes E and F, respectively). The respective Caretaker Budget:

- ⦿ Is required to go into effect if the ICANN Budget or IANA Budget at issue is not able to come into full force and effect at the beginning of a fiscal year
- ⦿ Remains in effect during any Empowered Community Petition Process, if it were initiated
- ⦿ Continues to remain in effect until the budget at issue has been approved by the Board and not rejected by the Empowered Community

Below is an attempt at a pragmatic approach to define the ICANN caretaker budget:

- ⦿ Using the Operating Plan and Budget that the ICANN Board would adopt as a basis, and with respecting the principles of the caretaker budget:
 - ⦿ Suspend the publication of any new positions for hire, from the date of the rejection by the Empowered Community that is the veto date, until a new budget is adopted by the Board
 - ⦿ Reduce by 10% the total amount of allowed expenses for the categories Travel/Meeting and Professional Services of the Board-adopted budget, for the period starting on the date of the rejection by the Empowered Community until a new budget is adopted by the Board, using the monthly breakdown of the adopted budget
 - ⦿ Exclude any expense directly associated with the reason for which the Empowered Community rejected the Board-adopted budget”, if such expense can reasonably be isolated and avoided

2.7 ICANN Operations FY20 Projections

This section provides an overview of FY20 Projections. ICANN org recognizes the need to establish long term financial planning during the upcoming strategic plan development process. The Board requested the ICANN org to develop an approach for long term financial planning, including how to engage and inform the community.

| in Millions, USD | FY17 Actuals Total ICANN Operations | FY18 Forecast Total ICANN Operations | Draft FY19 Budget Total ICANN Operations | Draft FY20 Projection Total ICANN Operations |
|--|--|---|---|---|
| Funding | \$134.6 | \$134.5 | \$138.0 | \$140.0 |
| 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 ⁽¹⁾ & Capital | 27.4 | 21.9 | 17.8 | 17.9 |
| Contingency ⁽²⁾ | 0.0 | 3.2 | 4.5 | 4.5 |
| Cost Reductions to Identify | | | | (3.1) |
| Cash Expenses | \$128.5 | \$136.5 | \$138.0 | \$140.0 |
| Increase/ (Decrease) to Net Assets | \$6.1 | (\$2.0) | (\$0.0) | \$0.0 |
| Funding from FY17 Savings (Approved by Board) | | \$2.0 | | |
| Increase/ (Decrease) to Net Assets | \$6.1 | (\$0.0) | (\$0.0) | \$0.0 |
| End of Period Headcount | 378 | 416 | 425 | 425 |

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

(2) The FY18, FY19 and FY20 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

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

3 PTI Budget and IANA Budget Overview

The planning process for PTI Budget and the IANA Budget is incorporated into the ICANN planning process. The PTI and IANA multiyear plans are a part of ICANN's Five-Year Operating Plan. The adopted version of the PTI Operating Plan and Budget becomes a component of ICANN's FY19 Operating Plan and Budget.

To further enhance the understanding and transparency of its activities, and ultimately its accountability in the management of funds in the public interest, the CCWG-Accountability recommended the following:

“PTI should submit a budget to ICANN at least nine months in advance of the fiscal year to ensure the stability of the IANA Services. It is the view of the CWG-Stewardship that the IANA Budget should be approved by the ICANN Board in a much earlier timeframe than the overall ICANN budget.”

Consultations were conducted on PTI's final FY19 Operating Plan and Budget. After developing a final draft, it was published for Public Comment from 9 October 2017 through 26 November 2017. A report of responses to Public Comments was published in December 2017 and the completed FY19 PTI Operating Plan and Budget was adopted by PTI's Board at the end of January 2018.

The sections of this ICANN FY19 Operating Plan and Budget relating to PTI are therefore already finalized and described in the PTI Operating Plan and Budget document.

3.1 IANA Budget Overview

ICANN receives input from PTI on its budget and then develops an IANA Budget each year. The draft FY19 IANA Operating Plan and Budget is presented for public comment using ICANN's Public Comment process. When that process ends, the ICANN organization develops a proposed Operating Plan and Budget for the ICANN Board to review and adopt. The adopted Budget forms the basis for ICANN's funding of PTI operations.

| FY19 PTI Budget in Millions, USD | PTI Services FY19 Budget | PTI Services FY18 Budget | Increase/(Decrease) | |
|-------------------------------------|-----------------------------|-----------------------------|---------------------|-------------|
| | | | Total | % |
| FUNDING | \$10.1 | \$9.6 | \$0.5 | 4.8% |
| Personnel | \$6.0 | \$5.8 | \$0.3 | 4.5% |
| Travel & Meetings | \$0.7 | \$0.6 | \$0.1 | 8.6% |
| Professional Services | \$1.1 | \$1.1 | \$0.0 | 1.7% |
| Administration | \$1.3 | \$1.2 | \$0.1 | 5.2% |
| Contingency | \$0.5 | \$0.5 | (\$0.0) | -0.9% |
| Capital | \$0.2 | \$0.1 | \$0.1 | 157.6% |
| Depreciation (a) | \$0.3 | \$0.4 | (\$0.1) | -17.7% |
| TOTAL CASH EXPENSES | \$10.1 | \$9.6 | \$0.5 | 4.8% |
| EXCESS/(DEFICIT) | \$0.0 | \$0.0 | \$0.0 | 0.0% |
| Average Headcount (FTE) (b) | 22.8 | 22.6 | 0.2 | 0.8% |

(a) Depreciation is treated as a cash expense for PTI since it will be reimbursed to ICANN

(b) FTE: Full-time staff equivalent

| 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% |
| TOTAL | \$10.6 | \$10.0 | \$0.5 | 5.3% |

(a) IANA Services include RZMA = Root Zone Maintainer Agreement and Empowered Community, and RZERC support.

It will be funded by ICANN Operations.

4 New gTLD Program

4.1 New gTLD Program: Financial Summary

This section provides a financial summary of the New gTLD program.

| ICANN (NgTLD) DECEMBER 2017 | | FINANCIAL SUMMARY | | |
|---------------------------------|--------------------------------|---------------------------------|-------------------------|--|
| In Millions, USD | FULL PROGRAM | | | |
| | Current Estimate (Dec 2017) | Prior Estimate (Feb 2017) | Increase/ (Decrease) | |
| Total Application Fees | -\$362.4 | -\$362.4 | | |
| Less: Total Refunds | 52.7 | 52.7 | | |
| Net Application Fees | -309.7 | -309.7 | 0.0 | |
| Expenses | | | | |
| Evaluation Costs | 123.9 | 115.9 | 8.0 | |
| Overheads | 64.6 | 60.3 | 4.4 | |
| Historical Development Costs | 32.5 | 32.5 | 0.0 | |
| Total Operating Expenses | 221.0 | 208.6 | 12.4 | |
| Others * | 7.0 | 5.4 | 1.6 | |
| Remaining Balance | -\$81.8 | -\$95.8 | \$14.0 | |

* Includes net investment gains/loss and actual risk costs.

All information is related to the current round of the New gTLD Program (2012-2020)

| VARIANCE EXPLANATIONS | |
|--|--------------|
| Evaluation Costs | \$8.0 |
| Increase in evaluation expenses for FY19 and FY20. | |
| Overheads | \$4.4 |
| Increase in allocation for ICANN direct staff and supporting services for FY19 and FY20 (+\$4.6M). | |
| Others | \$1.6 |
| Variance due to an Increase in actual risk costs of (+\$3.9) and an increase in investment management fees (+\$0.3M) partially offset by an increase in net investment gains (-\$2.6M). Future risk cost through the end of the program cannot be estimated. | |

4.2 New gTLD Program: Multiyear View

| 1930 Applications USD in thousands | Statement of Activities by Fiscal Year | | | | | | | | | | Statement of Activities for Full Program (Dec 2017) |
|---|--|--------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|------------------------|---|
| | FY12 Actual | FY13 Actual | FY14 Actual | FY15 Actual | FY16 Actual | FY17 Actual | FY18 Forecast | FY19 Forecast | FY20 Forecast | FY21 & Beyond Forecast | |
| New gTLD Applicant Fees | | (166,846) | (45,887) | (71,366) | (27,390) | (21,643) | 4,987 | (18,421) | (14,469) | - | (361,034) |
| ICANN Applicant Support Contributions | | - | - | - | - | - | (138) | - | - | - | (138) |
| Additional Fees | | - | (540) | (514) | (229) | 5 | - | - | - | - | (1,278) |
| Refunds | | 8,936 | 12,080 | 18,448 | 2,189 | 658 | 1,677 | 3,661 | 5,053 | - | 52,703 |
| Revenue (Net of Refunds) | \$ - | \$ (157,909) | \$ (34,347) | \$ (53,432) | \$ (25,429) | \$ (20,980) | \$ 6,526 | \$ (14,760) | \$ (9,416) | \$ - | \$ (309,747) |
| Initial Evaluation | 3,172 | 57,491 | 3,650 | 23 | - | - | - | - | - | - | 64,336 |
| Extended Evaluation | - | - | 760 | 383 | (15) | - | - | - | - | - | 1,128 |
| Quality Control | - | 7,100 | 462 | 62 | - | - | - | - | - | - | 7,624 |
| String Contentions | - | - | 5 | - | - | - | - | - | - | - | 5 |
| Objection Processes | 39 | 3,550 | (1,064) | (23) | - | - | - | - | - | - | 2,503 |
| Pre-delegation | - | 124 | 4,003 | 3,072 | 2,371 | 1,773 | 1,571 | 1,471 | 1,324 | - | 15,709 |
| Program Administration | 450 | 2,347 | 4,800 | 3,911 | 1,947 | 4,503 | 5,489 | 2,866 | 2,579 | 3,700 | 32,592 |
| | | | | | | | | | | | - |
| gTLD Team | 689 | 1,827 | 3,796 | 3,352 | 1,807 | 1,889 | - | - | - | - | 13,360 |
| ICANN Staff Allocation | 1,137 | 5,725 | 9,947 | 7,518 | 7,434 | 4,355 | 4,618 | 3,532 | 1,766 | - | 46,031 |
| Other Overhead | 107 | 228 | 1,991 | 2,034 | 345 | 335 | 80 | 69 | 62 | - | 5,252 |
| Total Operating Expenses | \$ 5,594 | \$ 78,394 | \$ 28,350 | \$ 20,331 | \$ 13,889 | \$ 12,854 | \$ 11,758 | \$ 7,938 | \$ 5,731 | \$ 3,700 | \$ 188,539 |
| Investment (Income)/Loss | | 811 | (2,457) | (896) | (1,541) | (2,784) | (653) | - | - | - | (7,520) |
| Investment Unrealized (Gains)/Losses | | - | - | - | (479) | 380 | (138) | - | - | - | (237) |
| Investment Realized (Gains)/Losses | | - | - | - | 338 | 39 | 15 | - | - | - | 391 |
| Investment Management Fees | - | 14 | 213 | 279 | 60 | 342 | - | - | - | - | 908 |
| Historical Development Costs | - | 15,396 | 4,616 | 5,956 | 2,322 | 2,179 | (369) | 1,366 | 987 | - | 32,454 |
| Risk Costs | 281 | 1,068 | 1,012 | 2,466 | 3,352 | 5,424 | - | - | - | - | 13,602 |
| Total Other Income/(Expense) | \$ 281 | \$ 17,289 | \$ 3,384 | \$ 7,804 | \$ 4,052 | \$ 5,581 | \$ (1,145) | \$ 1,366 | \$ 987 | \$ - | \$ 39,599 |
| Change in Net Remaining Funds | \$ 5,874 | \$ (62,227) | \$ (2,612) | \$ (25,297) | \$ (7,488) | \$ (2,545) | \$ 17,140 | \$ (5,455) | \$ (2,698) | \$ 3,700 | \$ (81,609) |

4.3 New gTLD Program: Variance Analysis

| In Millions, USD | EXPENSES | | | REVENUE | | |
|-----------------------|--------------------------------|------------------------------|-------------------------|--------------------------------|------------------------------|-------------------------|
| | Current Estimate (Dec 2017) | Prior Estimate (Feb 2017) | Increase/ (Decrease) | Current Estimate (Dec 2017) | Prior Estimate (Feb 2017) | Increase/ (Decrease) |
| FY12 | \$5.6 | \$5.6 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| FY13 | 93.8 | 93.8 | 0.0 | -157.9 | -157.9 | 0.0 |
| FY14 | 33.0 | 33.0 | 0.0 | -34.3 | -34.3 | 0.0 |
| FY15 | 26.3 | 26.3 | 0.0 | -53.4 | -53.4 | 0.0 |
| FY16 | 16.2 | 16.2 | 0.0 | -25.4 | -25.4 | 0.0 |
| FY17 | 15.0 | 17.2 | -2.2 | -21.0 | -19.1 | 1.8 |
| FY18 | 11.4 | 12.9 | -1.5 | 6.5 | -19.5 | -26.0 |
| FY19 | 9.3 | 3.7 | 5.6 | -14.8 | 0.0 | 14.8 |
| FY20 | 6.7 | 0.0 | 6.7 | -9.4 | 0.0 | 9.4 |
| FY21 & Beyond | 3.7 | 0.0 | 3.7 | 0.0 | 0.0 | 0.0 |
| Full Program * | \$221.0 | \$208.6 | \$12.4 | -\$309.7 | -\$309.7 | \$0.0 |

* Excludes Actual Risk Costs and net investment gain or loss

VARIANCE EXPLANATIONS

Expenses * \$12.4

Evaluation Processing activities for FY19 and FY20 (-\$8.0M), ICANN Staff Allocation (-\$4.5M), and partially offset by lower Other Overhead (-\$0.1M).

* Detailed explanation of expenses provided in the following pages

4.4 New gTLD Program: Operating Expenses Variance Analysis

Prior Estimate (Feb 2017)

Operating Expenses \$176.2

Variations - Increase/(Decrease):

| | | |
|-------------------------------|-------------|--|
| Pre-Delegation | 2.2 | Additional professional services costs for contracting for FY19 and FY20 |
| Program Administration | 5.8 | Higher professional services costs for CCT Metrics and Program Reviews |
| ICANN Staff Allocation | 4.6 | Allocation for ICANN staff increased due to shift of New gTLD staff to ICANN Ops |
| Other Overhead | -0.3 | Depreciation (-\$0.2M); All other i.e. travel, etc. (-\$0.3M). |

Current Estimate (Dec 2017)

Operating Expenses \$188.5

5 Total ICANN Overview

5.1 FY19 Financial Overview

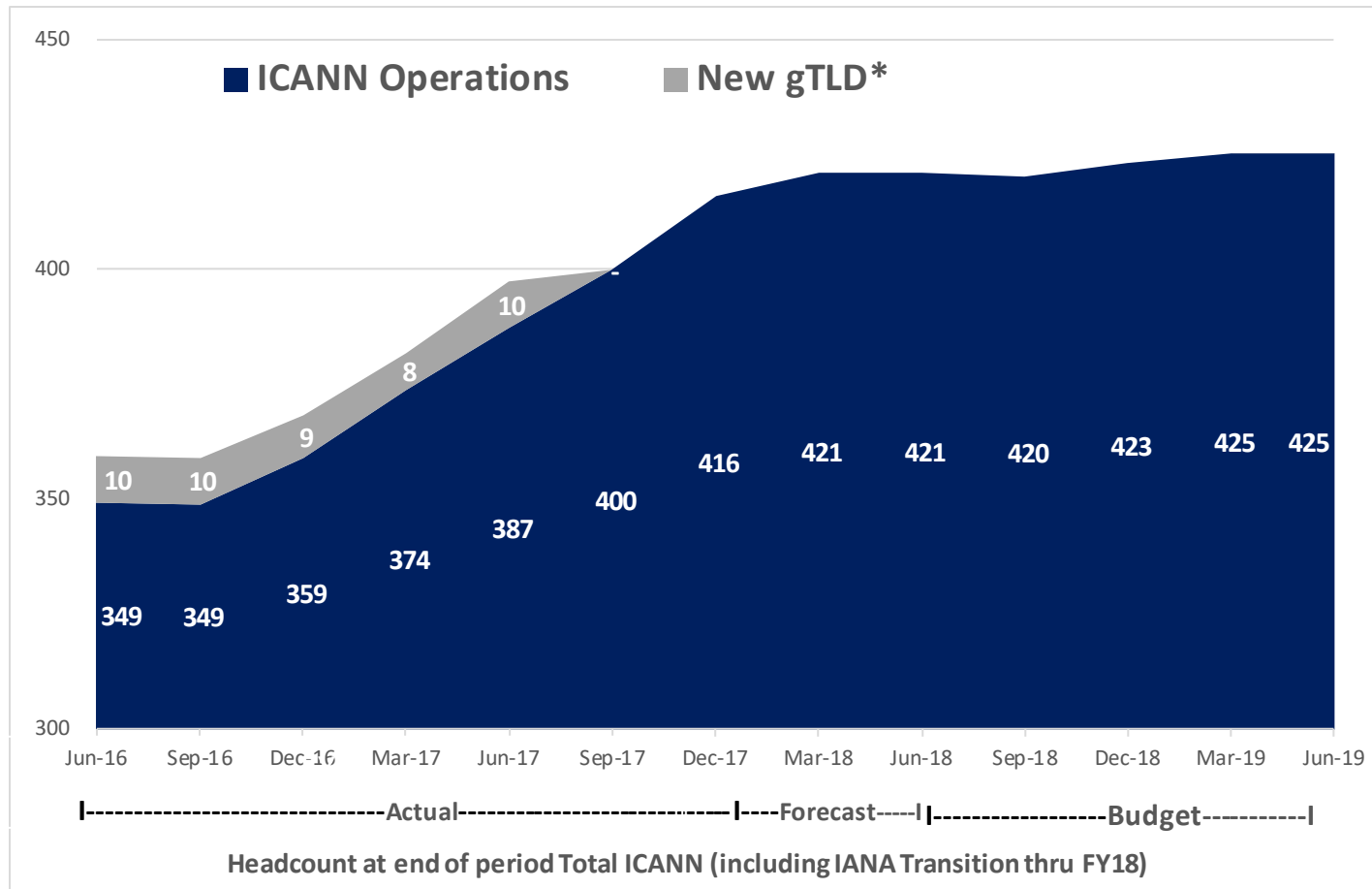
| in Millions, USD | Draft FY19 Budget | | | FY18 Forecast | | | | FY18 Actuals | | | | | | | |
|--|------------------------|----------|-------------|------------------------|-----------------|----------|-------------|------------------------|-------|-----------------|-------|----------|--------|-------------|-------|
| | 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 | % |
| Funding | \$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 ⁽¹⁾ & 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 ⁽²⁾ | 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% |
| Cash Expenses | \$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% |
| Increase/ (Decrease) to Net Assets | (\$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% |
| Funding from FY17 Savings (Approved by Board) | | | | \$2.0 | | | \$2.0 | (\$2.0) | -100% | | | | | | |
| Increase/ (Decrease) to Net Assets | (\$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% |
| End of Period Headcount | 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.

5.2 Headcount: Three Year Overview

The headcount below represents the number of ICANN org personnel 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.

5.3 Funds Under Management

5.3.1 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.

5.3.2 Governance

| Name of Fund | Description of Fund |
|---|--|
| 1. Operating and Reserve Funds | These are governed by the ICANN Investment Policy . Please see extracts from this document below. |
| 1.1 The Operating Fund | Sometimes called the Working Capital Fund, this is used to fund day-to-day operations of ICANN, including all items in the ICANN Board approved annual budget. The Operating Fund contains enough funds to cover ICANN's expected expenditures for three months. Periodically, any funds in excess of this are transferred to the Reserve Fund. As an illustration, in November 2017, the ICANN Board approved an allocation of US\$5 million from the Operating Fund to the Reserve Fund. |
| 1.2 The Reserve Fund | <p>Only used for emergencies. The Reserve Fund is a “rainy day fund.”</p> <p>The use of the Reserve Fund is restricted by actions of the Board of Directors. The Board of Directors has delegated to the Board Finance Committee (BFC) the authority to act on behalf of the Board of Directors to release funds from the Reserve Fund to pay for items of an emergency nature. The Reserve Fund contains any ICANN Operations amounts not contained in the Operating Fund. Any surplus funds are used to build up the Reserve Fund to a balance sufficient to cover an emergency requirement. The Reserve Fund is expected to reach and maintain a level of funds to maintain a minimum of 12 months of expected expenditures.</p> <p>The positions displayed in section 6.3.1, 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 (e.g., 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 June.</p> |
| 2. New gTLD Program funds and the Auction Proceeds | Governed by the New gTLD and Auction Proceeds Investment Policy . Please see extracts from this document below. |

| | |
|-----------------------------------|--|
| 2.1 New gTLD Program funds | Corresponds to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover for “hard-to-predict” costs, including risks. Please refer to section 5 of this document for more information on the New gTLD Program financials. |
| 2.2 Auction proceeds | The mechanism of last resort to resolve string contention within the New gTLD Program. ICANN expects that most string contention will be resolved through other means before reaching an auction conducted by ICANN's authorized auction service provider, Power Auctions LLC. Auction proceeds will be reserved and earmarked until the Board determines a plan for the appropriate use of the funds through consultation with the community. Auction proceeds are net of any auction costs. Auction costs may include initial set-up costs, auction management fees and escrow fees. |

Appendix A: Registrar Fees

Registrar fees are to be approved by the Board before submission to voting by the registrars.

Approximately 2,550 registrars are accredited by ICANN as of 31 December 2017. This relationship is governed by the Registrar Accreditation Agreement (RAA), of which the most recent version was approved in June 2013. The two versions of the agreement currently in use were approved in 2009 and 2013. The RAA is a five-year agreement that provides for the following types of fees:

| Fee Type | Description and FY19 |
|--|--|
| 1. Application fees | <p>Application fees are paid one time by prospective registrars at the time of application.</p> <p>For FY19, the application fees are estimated to be \$210,000 based on a volume of 60 applications and a per application fee of \$3,500 per application.</p> |
| 2. Annual accreditation fees | <p>Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation. The fee is \$4,000 per year. Registrars have the option of paying the annual \$4,000 accreditation fee in quarterly installments of \$1,000.</p> <p>For FY19, the annual accreditation fees are estimated at \$9 million, based on an average of 2,250 registrars renewing and being newly accredited.</p> |
| 3. Variable accreditation fees | <p>Variable accreditation fees are determined based on the transaction type and volume of each registrar. There are two types of fees associated with the variable accreditation fees:</p> <ul style="list-style-type: none"> ⦿ Per registrar variable fee ⦿ Transaction-based fee |
| 3.1 Per registrar variable fees | <p>Per registrar variable fees are based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, provided that the registrar is considerably smaller in size and in activity, some registrars will continue to be eligible for “forgiveness” of two-thirds of the standard per-registrar variable fee. To be eligible for forgiveness, the registrar must meet both of the following criteria:</p> <ol style="list-style-type: none"> 1. Less than 350,000 gTLD names under its management 2. No more than 200 attempted adds per successful net add in any TLD |

Forgiveness will be granted each quarter to all registrars that qualify.

The amount per registrar is calculated each quarter by dividing \$950,000 (one-fourth of \$3.8 million) equally among all registrars that have at least been accredited for one full quarter or have made at least one transaction, taking into consideration the forgiveness factor.

In addition, a discount of 10% is granted to all registrars operating under the 2009 and 2013 RAA.

3.2 Transaction-based fees

Transaction based fees are assessed on each annual increment of an add, renew or a transfer transaction that has survived a related add or auto-renew grace period. This fee will be billed at \$0.18 per transaction for registrars operating under the 2009 or 2013 RAA (resulting from a \$0.20 base fee, discounted by 10 percent to \$0.18).

In addition, since 2009, the budget has assumed an Add Grace Period (AGP) excess deletion fee to eliminate domain tasting:

- ⦿ The amount for AGP deletion fees was assumed to be zero in past budgets and is also assumed to be zero for the FY19 budget
- ⦿ AGP excess deletion fees are assessed on each domain name deleted, in excess of the threshold, during an add-grace period. The threshold is the larger of 50 or 10 percent of total adds, per month, per TLD. The rate per excess deletion is \$0.20

Below is a summary of the estimated registrar fees for FY18 by fee type.

| In Millions, US Dollars | FY 19 Best Estimate | FY18 Forecast | +Incr./-Decr. | % | FY19 Estimates | |
|--------------------------------|---------------------|---------------|---------------|-------------|----------------|-------------|
| | | | | | High | Low |
| Existing TLDs | | | | | | |
| Application Fees | \$ - | \$ 0.2 | \$ (0.2) | -100.0% | \$ - | \$ - |
| Accreditation Fees | 9.6 | 10.1 | (0.5) | -4.9% | 10.3 | 8.9 |
| Per-registrar Variable Fees | 3.4 | 3.4 | (0.0) | -0.6% | 3.4 | 3.4 |
| Transaction Fees | 35.5 | 33.4 | 2.1 | 32.5% | 36.1 | 35.0 |
| Total Registrar Revenue | 48.5 | 47.1 | 1.4 | 2.9% | 49.7 | 47.3 |

