FY18 Operating Plan and Budget

Xavier Calvez, Becky Nash, Taryn Presley
Meet the Planning Team

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Project Sponsor

Becky Nash  
Project Owner

Taryn Presley  
Project Manager and Budget

Leo Vegoda  
Operating Plan

Kirsten Wattson  
IANA Budget

Jessica Castillo  
Project Coordinator
Agenda

1. Introduction
2. Planning Process Overview and Current Status
3. FY18 Op Plan & Budget and 5-Yr Op Plan Update Highlights
4. Next Steps
5. How to Get Involved
6. Q&A
Planning Process Overview and Current Status
FY18 Planning Process Overview and Timeline

FY18

22 Sep
FY18 process published

8 Nov (ICANN 57)
Community Budget Working Group: assumptions review

ICANN Mtg.

8 Mar
FY18 Draft published for public comment

ICANN Mtg.

25 May
Report of Public Comments

ICANN Mtg.

Jun (ICANN 59)
Board approval

FY17 for comparison

22 Sep

5 Mar
Comment period: 56 days

25-27 Jun
Comment period: 52 days

FY18 Comment period: 52 days

FY17 Comment period: 56 days
Current Status

Draft 5-Yr Op Plan and FY18 Op Plan and Budget published 8 Mar
• 52-day public comment (8 Mar – 28 Apr)
• Ask clarifying questions (as needed) by 19 Mar
• Set up a meeting by 31 Mar to be held in May to review your submitted comments (as needed)

SO/AC Additional Budget Requests under review
• ~60 requests submitted by 6 SO/ACs
• Currently under review for recommendation to the Board
• ICANN Board approval (early May Board meeting)
FY18 Op Plan & Budget and 5-Yr Op Plan Update
5YOPU FY17 → FY18 Types of Changes

1. **Strategic Plan**
   - Objectives and Goals are defined in the Strategic Plan and remain unchanged.

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

3. **KPIs**
   - KPIs updated to reflect refinements in measurements based on a better understanding of success.

4. **Dependencies**
   - Dependencies updated to reflect completed work, events that have happened, and arising situations.

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

Three high profile updates:
- PTI op plan incorporated into total ICANN op plan
- No IANA Stewardship Transition
- Reviews incorporated into Bylaws. Now called Specific Reviews.
5-Year Operating Plan Update & FY18 ICANN Ops Budget Highlights

1. **5-year Operating Plan update**
   - Second update of Year 3 (FY18) of the 5-year Operating Plan.
   - No major changes to baseline operations.
   - IANA functions segregated in PTI.

2. **FY18 Budget balanced**
   - Funding of $142.8m
   - Baseline expenses of $142.8m
   - No initiatives funded from Reserve Fund

3. **Funding increases at a slower rate**
   - Funding forecast reaches $142.8m, 5% above the FY17 forecast ($135.9m).
   - Slow down consistent with number of new TLDs in operations reaching its peak.

4. **ICANN Operations baseline expenses**
   - Baseline cash expenses of $142.8M (excl. contingency) increase organically by about 5% over the FY17 forecast ($130.4M), mainly driven by Personnel expenses.
New gTLD Program – Multi-year Forecast

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

Application fees collected

- $267
- $362

Costs $214

Refunds $53

Refunds $42

Costs $179

FULL PROGRAM FORECAST

FY12-16 ACTUAL

Refunds $2

Costs $18

FY17 FORECAST

Refunds $9

Costs $13

FY18 FORECAST

Refunds $22

Costs $4

FY19 & BEYOND FORECAST

$95

$4

$22

$20

$362

$267

$4
New to the Process

- **Caretaker budget**
  - Community power to reject the strategic / operating plans and budget.
  - If the Board-approved OP&B is vetoed, caretaker budget replaces OP&B during veto resolution period.

- **Unfunded Potential FY18 Activities**
  - Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
  - Activities to be considered during FY18, based on priority and availability on funding.
6. Next Steps
## Next Steps

<table>
<thead>
<tr>
<th>Date</th>
<th>Who</th>
<th>Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 Mar</td>
<td>Community</td>
<td>Submit clarifying questions (as needed) on the draft 5-Yr Op Plan Update and FY18 Op Plan</td>
</tr>
<tr>
<td>31 Mar</td>
<td>Staff</td>
<td>Post responses to clarifying questions</td>
</tr>
<tr>
<td>31 Mar</td>
<td>Community</td>
<td>Set up a meeting with the planning team to review your submitted comments (as needed) by</td>
</tr>
<tr>
<td>05 Apr (est.)</td>
<td>BFC</td>
<td>BFC recommends Board approves SO/AC Additional Budget requests</td>
</tr>
<tr>
<td>28 Apr</td>
<td>Community</td>
<td>Public comment Period ends</td>
</tr>
<tr>
<td>05 May</td>
<td>Board</td>
<td>Board approves SO/AC Additional Budget requests (Board resolution)</td>
</tr>
<tr>
<td>25 May</td>
<td>Staff</td>
<td>Staff Report published</td>
</tr>
<tr>
<td>05 Jun (est.)</td>
<td>BFC</td>
<td>BFC reviews the final ICANN Budget and recommends Board approval</td>
</tr>
<tr>
<td>10 Jun (est.)</td>
<td>Staff</td>
<td>New Step: Publication to the community of the final FY18 OP &amp; B intended for Board approval highlighting any changes from the Draft.</td>
</tr>
<tr>
<td>24 Jun (est.)</td>
<td>ICANN 59</td>
<td>Board approves final ICANN Budget</td>
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</tbody>
</table>
How to Get Involved
Thank You
Email: controller@icann.org

Upcoming Sessions at ICANN 58

Budget Working Group
14 March 2017
5pm-8pm
MR 5 (Limited Space)

Financial Accountability: Operating Plan and Budget
16 March 2017
9am-1030am
Hall A3

Public Comment
icann.org/public-comments

Community Finance Email List
How to subscribe?
Appendix
ICANN Org. Financial Reporting Structure

ICANN Operations

Funding*

Baseline & Multi-Year Project Expenses*

Operating Fund

Initiatives

PTI/IANA **

Reserve Fund

New gTLD Program

Funding

Expenses

PTI/IANA **

New gTLD Funds

Total ICANN

Auction Proceeds

* Excludes depreciation and bad debt expenses

** IANA Services includes ICANN’s and PTI’s IANA Expenses
## ICANN Ops Draft FY18 Financial Overview

<table>
<thead>
<tr>
<th></th>
<th>ICANN Ops</th>
<th>IANA</th>
<th>Total ICANN Ops</th>
<th>ICANN Ops</th>
<th>IANA</th>
<th>Total ICANN Ops</th>
<th>Increase/(Decrease) vs. FY17 Forecast</th>
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<tbody>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>142.8</td>
<td>0.0</td>
<td>142.8</td>
<td>135.9</td>
<td>0.0</td>
<td>135.9</td>
<td>6.9</td>
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<tr>
<td><strong>Personnel</strong></td>
<td>63.8</td>
<td>5.8</td>
<td>69.5</td>
<td>55.2</td>
<td>5.2</td>
<td>60.4</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Travel &amp; Meetings</strong></td>
<td>17.0</td>
<td>0.6</td>
<td>17.6</td>
<td>17.6</td>
<td>0.4</td>
<td>18.0</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Professional Svs.</strong></td>
<td>26.1</td>
<td>1.5</td>
<td>27.6</td>
<td>25.9</td>
<td>1.3</td>
<td>27.2</td>
<td>0.1</td>
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<tr>
<td><strong>Administration (2)</strong></td>
<td>17.1</td>
<td>1.6</td>
<td>18.7</td>
<td>15.3</td>
<td>1.7</td>
<td>17.0</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>3.5</td>
<td>0.1</td>
<td>3.6</td>
<td>7.6</td>
<td>0.1</td>
<td>7.7</td>
<td>(4.1)</td>
</tr>
<tr>
<td><strong>Contingency (3)</strong></td>
<td>5.3</td>
<td>0.5</td>
<td>5.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Baseline Cash Expenses</strong></td>
<td>132.8</td>
<td>10.0</td>
<td>142.8</td>
<td>121.6</td>
<td>8.7</td>
<td>130.4</td>
<td>11.2</td>
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<tr>
<td><strong>Increase/(Decrease) to</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets</td>
<td>10.0</td>
<td>(10.0)</td>
<td>0.0</td>
<td>14.3</td>
<td>(8.7)</td>
<td>5.5</td>
<td>(4.2)</td>
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<tr>
<td><strong>Average Headcount</strong></td>
<td>391.2</td>
<td>22.6</td>
<td>413.8</td>
<td>336.9</td>
<td>21.3</td>
<td>358.2</td>
<td>54.3</td>
</tr>
</tbody>
</table>

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

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

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.
## 5.6. Total ICANN Financial Overview

<table>
<thead>
<tr>
<th>FY18 Draft Budget</th>
<th>FY17 Forecast (1)</th>
<th>Increase/(Decrease) vs. FY17 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total ICANN Ops</td>
<td>New gTLD*</td>
</tr>
<tr>
<td>Funding</td>
<td>$142.8</td>
<td>$19.5</td>
</tr>
<tr>
<td>Personnel</td>
<td>69.6</td>
<td>$2.5</td>
</tr>
<tr>
<td>Travel &amp; Meetings</td>
<td>17.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Professional Svcs.</td>
<td>27.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Administration (3)</td>
<td>18.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Capital</td>
<td>3.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Contingency (3)</td>
<td>5.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Baseline Cash</td>
<td>$142.8</td>
<td>$10.9</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$0.0</td>
<td>$8.6</td>
</tr>
<tr>
<td>Average Headcount</td>
<td>413.8</td>
<td>0.0</td>
</tr>
</tbody>
</table>

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.
(2) ICANN Ops excludes Depreciation and Bad Debt of ~$8M.
(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.
## 4.1. PTI and IANA Budget

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

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

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

### Cash Flow Statement

<table>
<thead>
<tr>
<th>In Millions, US dollars</th>
<th>Operating Fund</th>
<th>Reserve Fund</th>
<th>NgTLD</th>
<th>Auction Proceeds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funds Under Management - June 30, 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collected/ (refunded) from contracted parties</td>
<td>141.3</td>
<td></td>
<td>(9.0)</td>
<td></td>
<td>132.3</td>
</tr>
<tr>
<td>Auction Proceeds</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Paid to vendors, net of reimbursement</td>
<td>(62.8)</td>
<td></td>
<td>(8.3)</td>
<td></td>
<td>(71.2)</td>
</tr>
<tr>
<td>Paid to employees, net of reimbursement</td>
<td>(70.9)</td>
<td></td>
<td>(2.5)</td>
<td></td>
<td>(73.4)</td>
</tr>
<tr>
<td>Reimbursement from Reserve Fund - IANA Transition Project Costs (1)</td>
<td>$ 4.5</td>
<td>$ (4.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Historical Development Costs</td>
<td>2.0</td>
<td></td>
<td>(2.0)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(3.6)</td>
<td></td>
<td>-</td>
<td></td>
<td>(3.6)</td>
</tr>
<tr>
<td>Change in investment market value</td>
<td>1.2</td>
<td>0.3</td>
<td>0.5</td>
<td></td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Funds Under Management - June 30, 2018</strong></td>
<td>$ 57.7</td>
<td>$ 53.0</td>
<td>$ 102.0</td>
<td>$ 233.5</td>
<td>$ 446.1</td>
</tr>
</tbody>
</table>

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

- Reminder:
  - 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.
5.4. Unfunded Potential FY18 Activities

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

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

Sub-total $3.9 $3.0 $2.0

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