

I C A N N
ANNUAL GENERAL

66

MONTRÉAL

2-7 November 2019



Introduction To Finance Team



Xavier Calvez
Chief Financial
Officer



Becky Nash
VP Finance



Shani Quidwai
Director of Finance

Agenda

- ◉ FY19 Financial Results
- ◉ Reserve Fund Replenishment
- ◉ Planning Process
- ◉ FY21 Budget and FY21-FY25 Operating and Financial Plan:
Trends and Assumptions
- ◉ Q&A

- If time is limited, the Finance team can focus on any one of the agenda items noted above
- Slides have been emailed out for review
- Please contact us at Planning@ICANN.org with any further questions

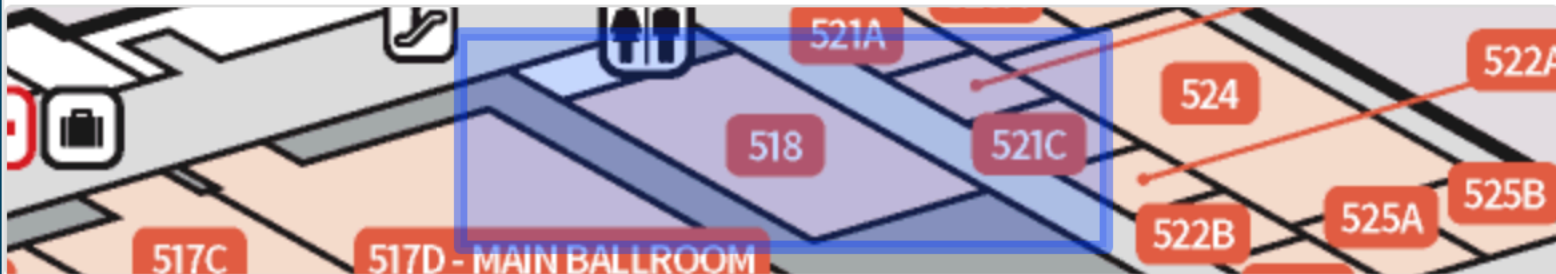
Planning and Finance Session at ICANN66

<https://66.schedule.icann.org/meetings/1116983>

FY21 Annual Operating Plan and Budget and 5-Year Operating and Financial Plan

🕒 13:30 – 15:00, Wed, Nov 6, 2019

📍 518



The ICANN Planning Team will discuss the timeline and process for the FY21 Operating Plan and Budget, and the FY21–FY25 Operating and Financial Plan. There will be an opportunity to ask questions.

Session Leader: Xavier Calvez

Staff Facilitator: Shani Quidwai

PARTICIPATION LINKS

Financial Accountability- Reporting

ICANN staff reports results to the community in support of commitment to accountability and transparency.

Throughout the year

- Quarterly Financial Reporting
- Publication of the CEO Report
- Accountability Indicators
- ICANN Meetings travel reports

Annually

- Independent Auditors Report ✓
- Annual Report ✓
- Board Expenses ✓
- ccTLD Contributions ✓
- Funding by Source ✓
- Operating Plan and Budget
- Tax Return (Form 990)
- Staff Remuneration Practices

Link to Accountability Indicators & Financials:

<https://www.icann.org/accountability-indicators>

<https://www.icann.org/resources/pages/governance/current-en>



FY19 Results

FY19 Year End Financial Highlights

- ⦿ ICANN Operations funding was \$3M higher than FY18 and \$1M lower than our budget
 - Funding was lower than budget mainly due to a slower than anticipated growth of the new TLDs registrations and a delay with the privacy proxy program
- ⦿ We were successful in managing our FY19 expenses, \$1M lower than FY18 and \$8M lower than the budget
 - Expenses are lower than budget primarily due to lower than planned headcount
- ⦿ ICANN Operations generated an operational excess of \$6M, actual funding of \$136M and cash expenses of \$130M

FY19 Expenses

USD in millions Unaudited	FY19 Actual	FY19 Budget	FY19 Actual vs. Budget		FY18 Actual	FY19 Actual vs. FY18 Actual	
Personnel	\$72.3	\$76.5	\$4.2	5%	\$69.3	(\$3.0)	-4%
Travel & Meetings	15.3	15.9	0.6	4%	15.7	0.4	3%
Professional Services	20.0	21.7	1.7	8%	22.6	2.6	11%
Admin and Other ⁽¹⁾	16.5	17.3	0.8	4%	17.7	1.2	7%
Capital	0.9	1.1	0.2	16%	2.4	1.5	61%
Contingency ⁽²⁾	5.0	5.2	0.2	4%	3.4	(1.6)	-46%
Cash Expenses	\$130.0	\$137.7	\$7.7	6%	\$131.2	\$1.1	1%

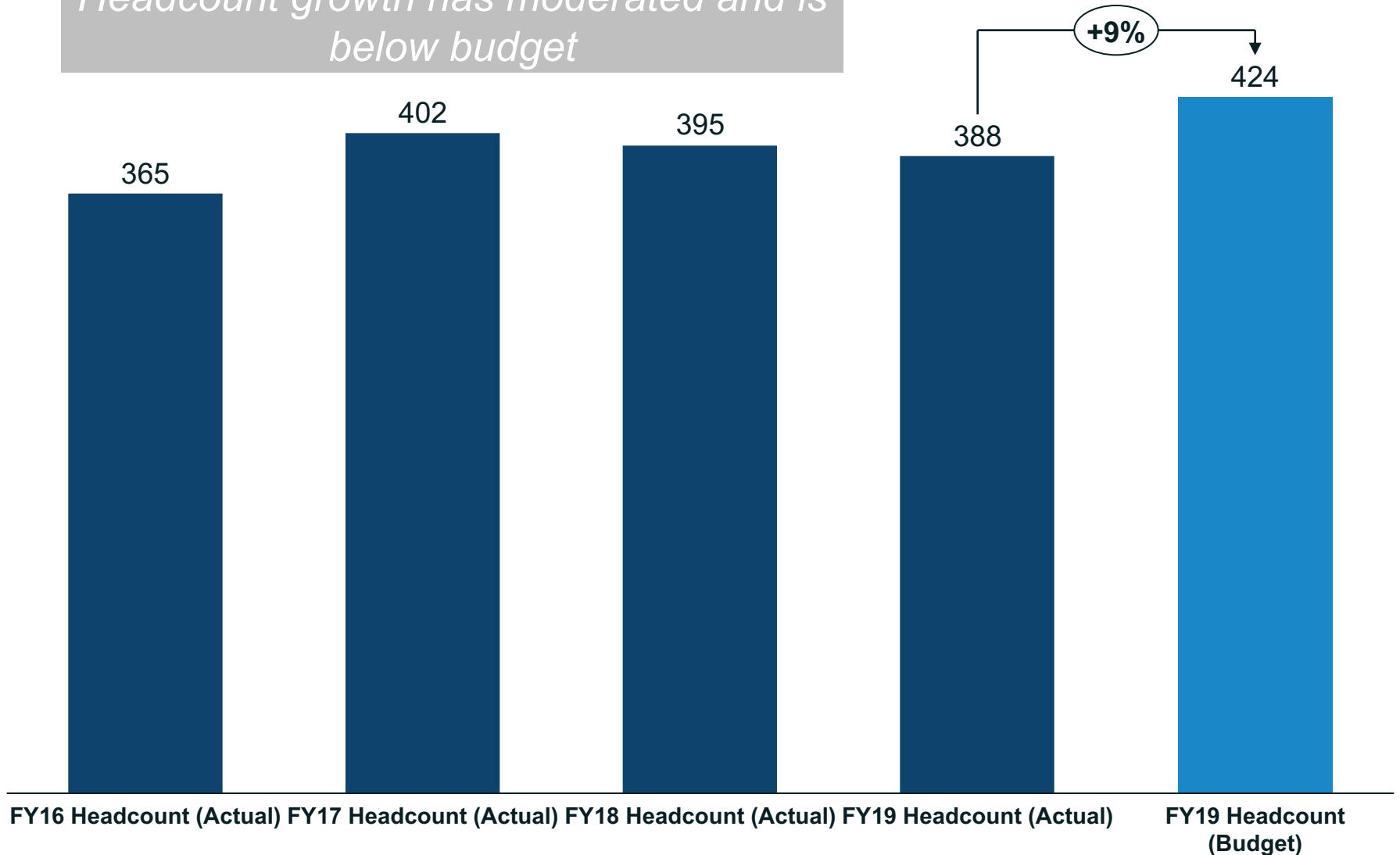
(1) Excludes depreciation, bad debt, investment (income)/ expense and (ii) historical development cost reimbursements from the New gTLD Program.

(2) Contingency actuals have been extracted from their respective cost categories and aggregated on this line. Contingency budget of \$5.2M is spread over six months beginning January 2019.

- Personnel expense is lower than budget driven by open positions. End of period headcount is 36 lower than budget and average headcount is 32 lower than budget.
- Travel and Meetings expenses are \$0.6M lower than budget, primarily driven by lower ICANN meeting related expense: ICANN63 \$0.2M and ICANN64 \$0.3M.
- Professional Services are \$1.7M lower than budget with favorability across many functions

Headcount Trending (End of Period)

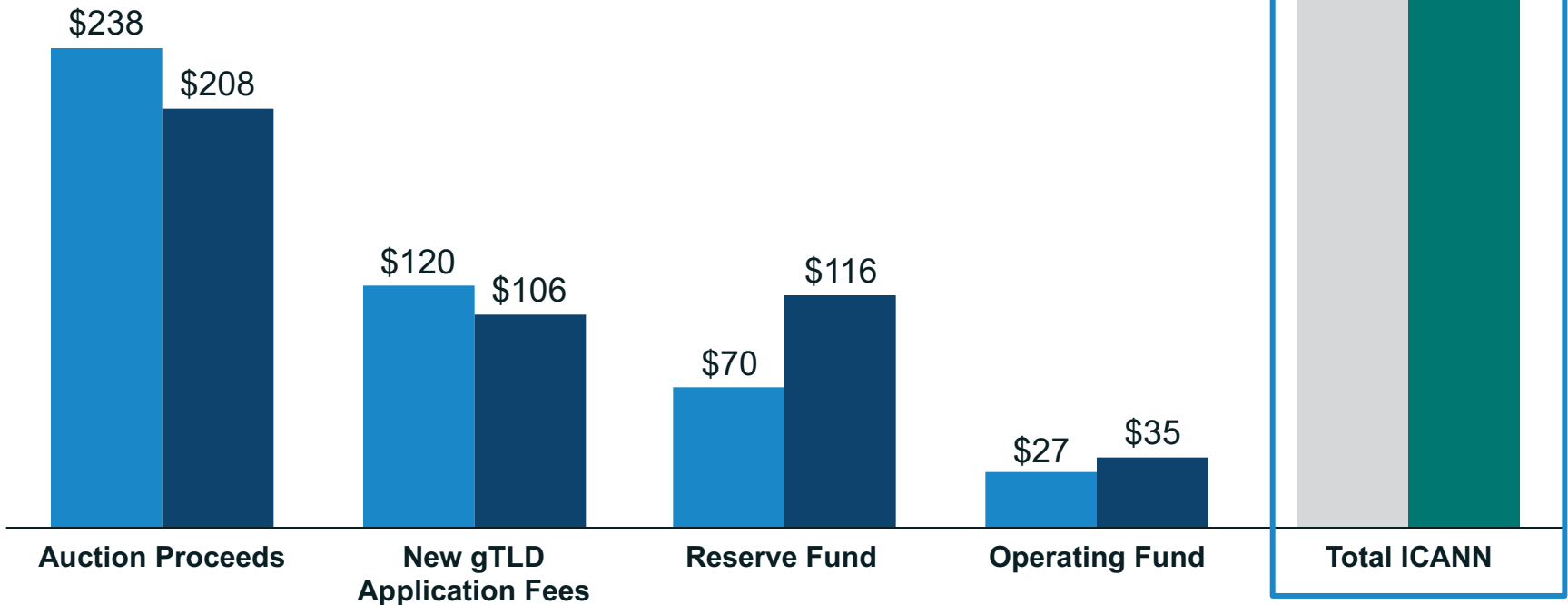
Headcount growth has moderated and is below budget



Funds Under Management

ICANN Funds Under Management have increased \$9M in FY19

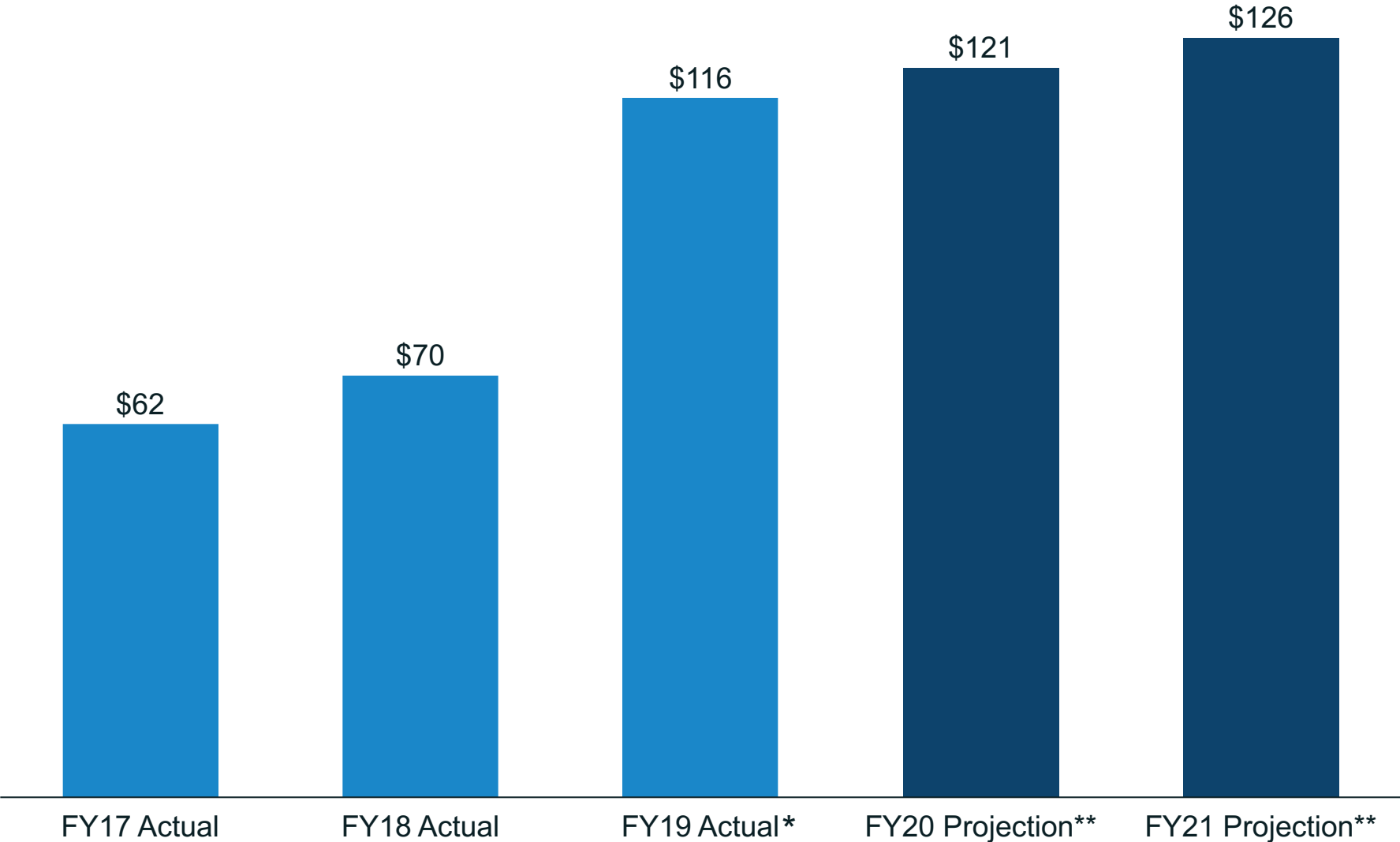
30-Jun-18 30-Jun-19



Reserve Fund Replenishment Strategy

- The Reserve Fund is a crucial component in ensuring ICANN's long-term financial accountability, stability, and sustainability. The Reserve Fund was depleted in recent years to cover for exceptional expenses incurred during the IANA stewardship transition.
- ICANN org collaborated with the Board and community to develop a strategy to replenish the Reserve Fund.
- The Board approved an eight-year plan to replenish the Reserve Fund to an amount that would equal approximately one year of Operating Expenses.
- The org has made significant progress in replenishing the Reserve Fund and is tracking ahead of the replenishment plan approved by the Board.
- The balance in the Reserve Fund on 30 Jun 2019 was \$116 million which is an increase of \$47 million as compared with the prior year, primarily resulting from a transfer of \$36 million from Auction Proceeds and a contribution from operational surpluses.
- ICANN org plans to continue increasing the Reserve Fund on an annual basis.

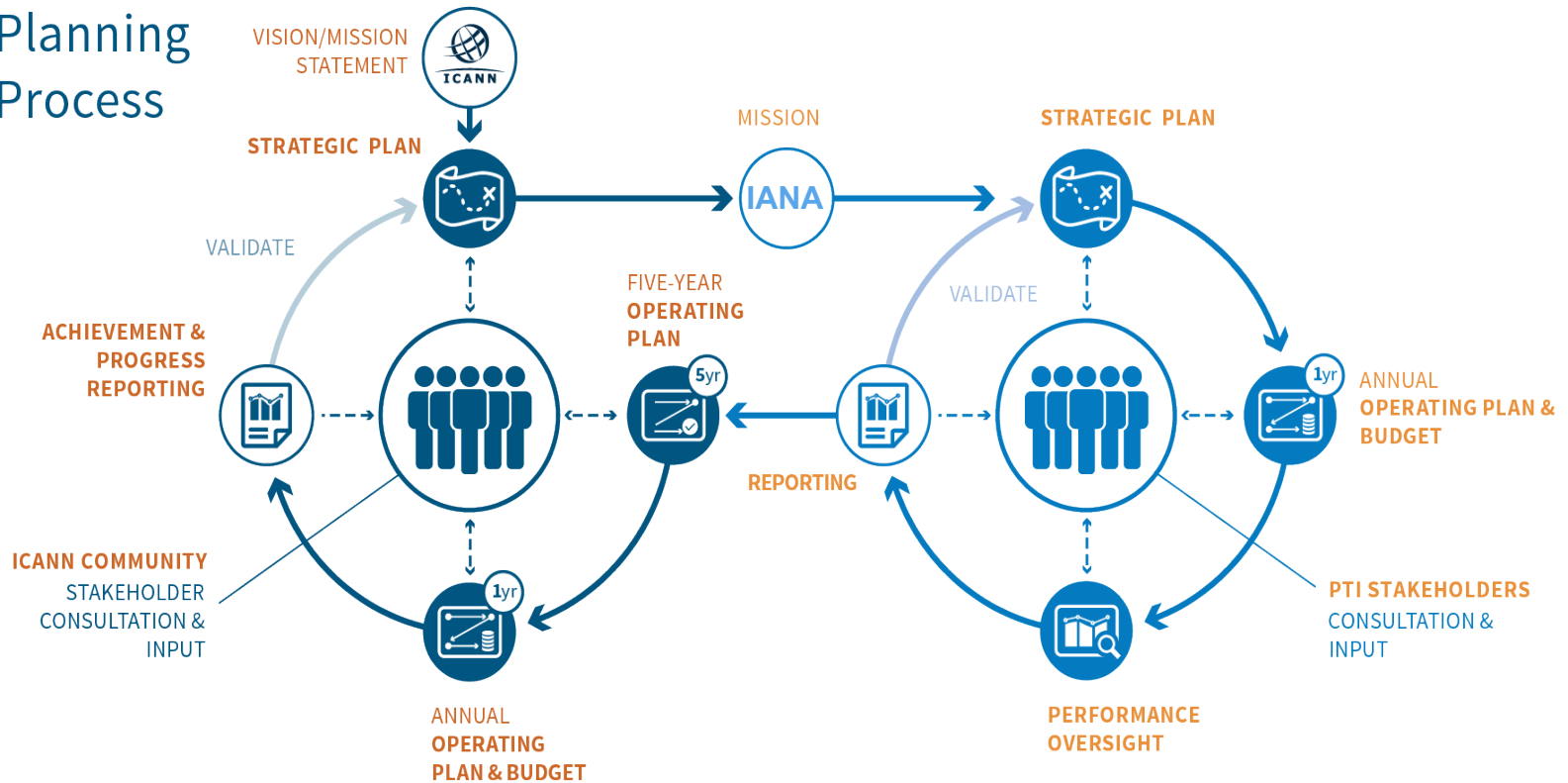
Reserve Fund- Historical and Projected Balance



ICANN Planning Process

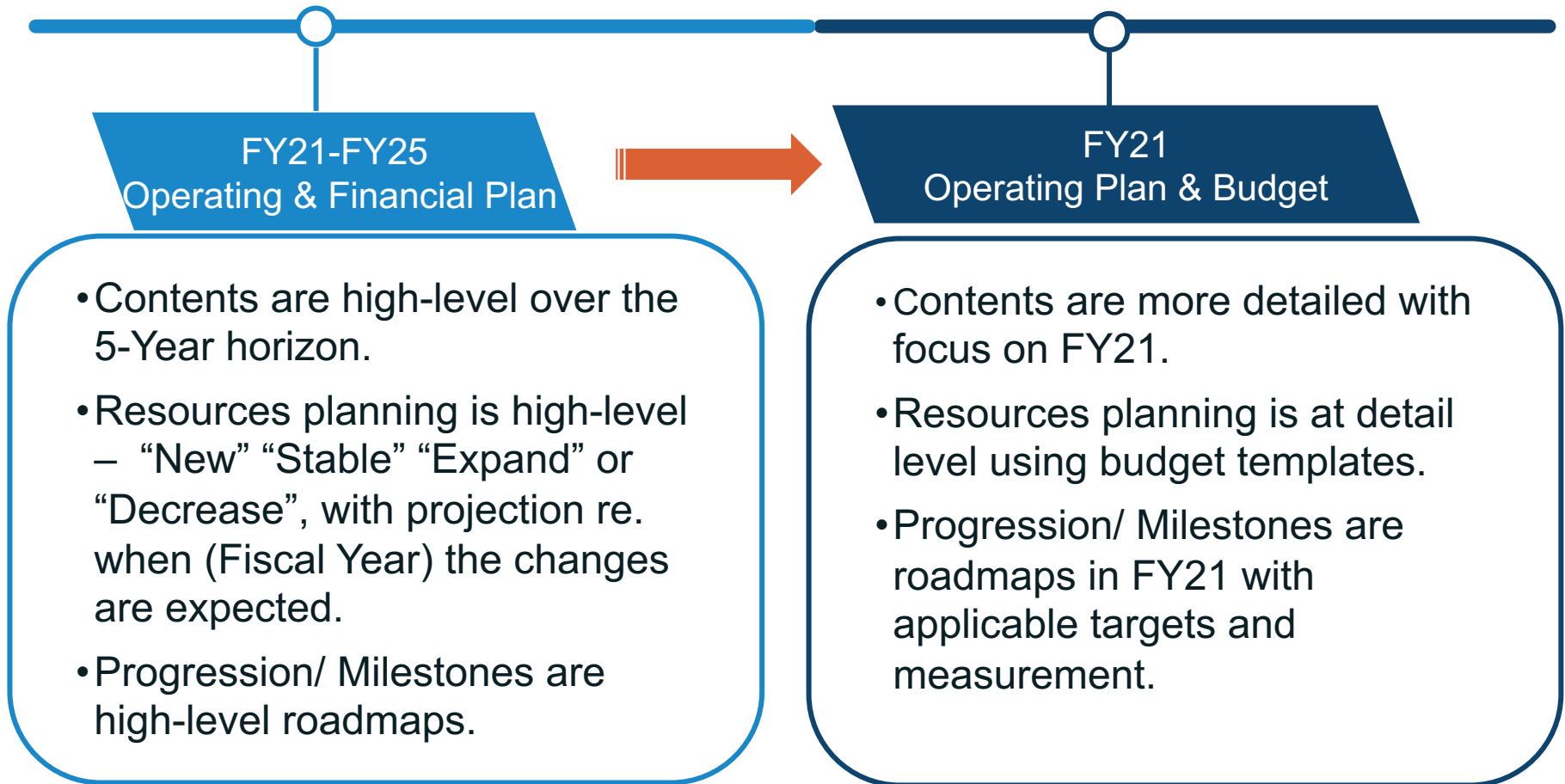
Process Overview: Planning Process Steps

Planning Process

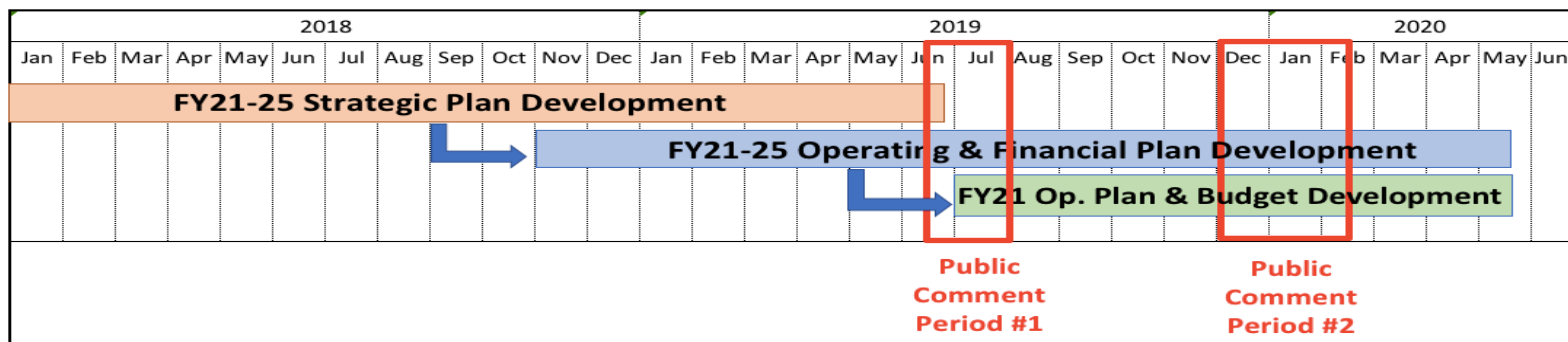


FY21-FY25 O&FP vs. FY21 OP&B

Both describe the work of the organization – purpose, activities, connection to the Strategic Plan, resources, considerations (risks, dependencies, challenges) and progression/ milestones.



FY21-25 O&FP and FY21 OP&B- Progress Update



What	Who	When
✓ FY21-25 O&FP Public Comment Period #1	Community	14 Jun – 5 Aug 2019
✓ Overview of FY21-25 O&FP development and Public Comment #1 materials	Community	Pre-ICANN65 Webinar on 17 June 2019
✓ Review Public Comment #1 inputs and plan development of both FY21-25 O&FP and FY21 OP&B	Board	Board Workshop Sep 2019
Review draft FY21-25 O&FP for Public Comment #2	Board	Nov 2019
Review draft FY21OP&B for Public Comment	BFC	Early Dec 2019
FY21-25 O&FP Public Comment Period #2 FY21 OP&B Public Comment Period	Community	Dec 2019 – Feb 2020
Review Public Comment inputs and finalize development of both FY21-25 O&FP and FY21 OP&B	Board & Community	ICANN67 Mar 2020
Review for Plan adoption of both plans	Board	Board Workshop May 2020
Empowered Community Period	Community	May – Jun 2020

FY21 IANA Budget Process Next Steps

Step	Dates	Action By	Status	Note
PTI OP&B DRAFT Submitted to PTI Board	30 Sep 2019	PTI Board	Completed	At Least 9 Months Before Next Fiscal Year (Input to ICANN OP&B Per Bylaws)
ICANN BFC informed of the IANA Budget	10 Oct 2019	ICANN BFC	Completed	The ICANN BFC is informed of the PTI Draft OP& Budget and reviews the IANA Budget prior to posting for public comment
PTI & IANA Public Comment Period	14 Oct – 27 Nov 2019	Community		48 Days including 7 days for ICANN 66
PTI & IANA Staff Report on Public Comment Submitted to PTI Board & ICANN BFC for Review	6 Dec 2019	PTI Board & ICANN BFC informed		
PTI & IANA Staff Report on Public Comment Published	10 Dec 2019	ICANN org		
PTI OP&B Adopted	12 Dec 2019	PTI Board		Before ICANN Public Comment Begins (Input to ICANN OP&B Per Bylaws)
ICANN BFC recommends IANA Budget Approval	16 Dec 2019	ICANN BFC		ICANN BFC recommends to the ICANN Board to approve
ICANN Board Adopts IANA Budget	15 Jan 2020	ICANN Board		

Additional Budget Request: FY21 Key Dates

Community Kick off and
Submission period

11 November 2019- 31 January 2020

SO/AC Consultations
at ICANN 67

7 March 2020-12 March 2020

Notify SO/ACs of Publication

6 May 2020- 12 May 2020

Publication on Website

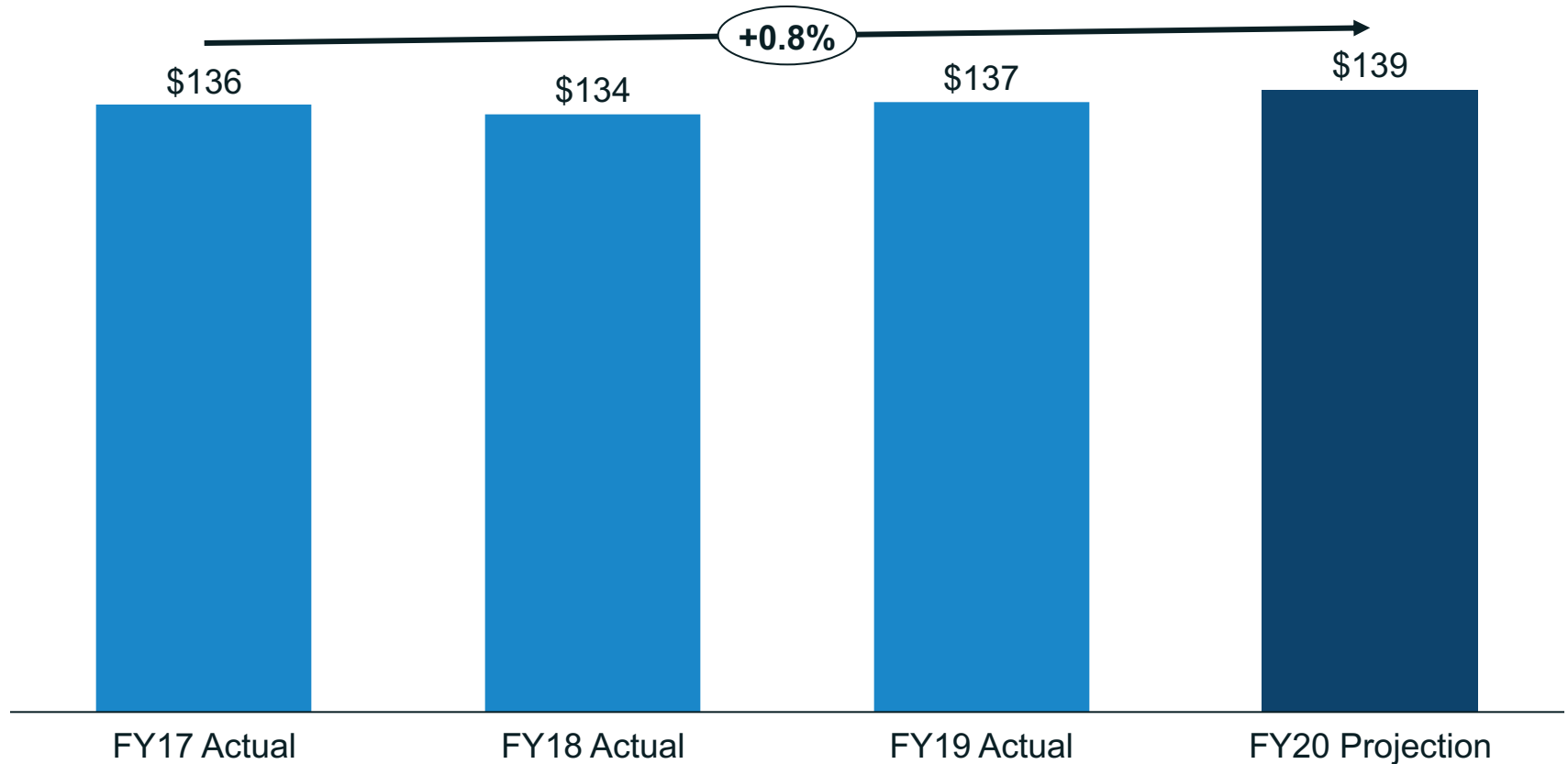
12 May 2020

FY21 Budget and FY21-FY25 Operating and Financial Plan

Trends & Assumptions

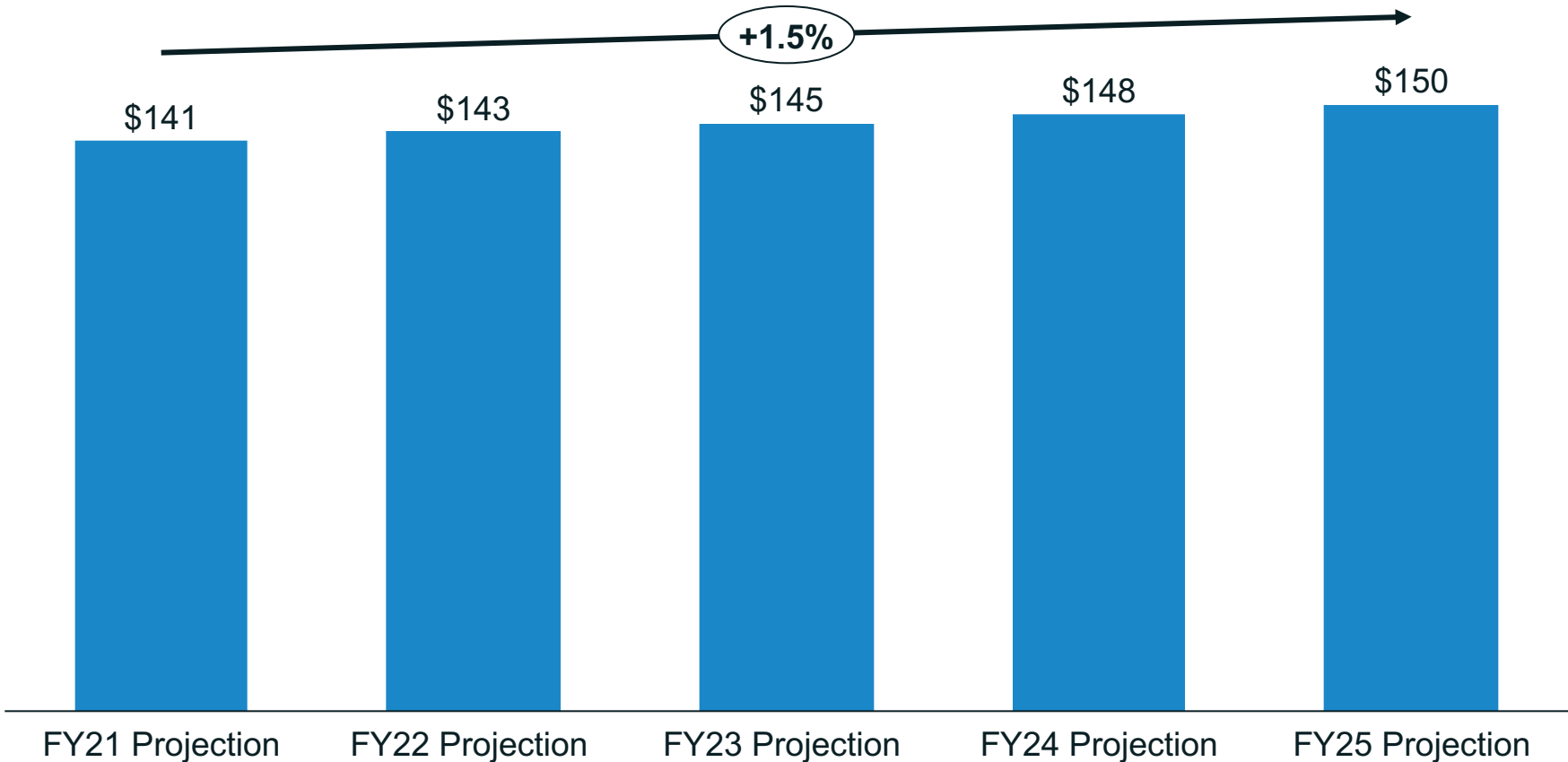
Recent Funding Trends

- Funding has stabilized and is growing at a very modest rate, this directly impacts our Budget



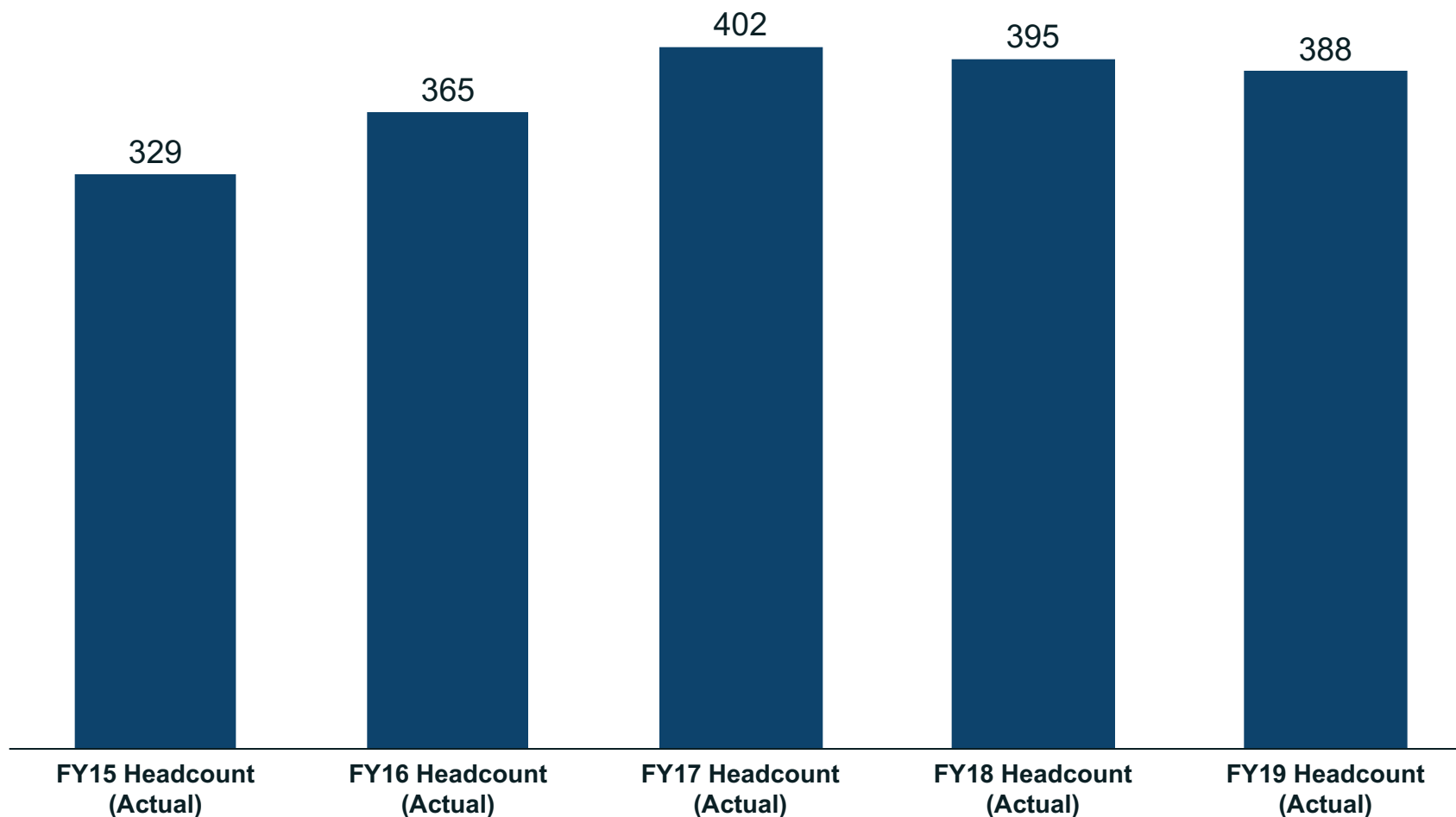
5 Year Funding Projections

- We expect the trend of moderate growth to continue; our base case 5-Year Funding projections suggest that growth will be less than inflation



Headcount Trending (End of Period)

- ICANN headcount has begun to stabilize in alignment with our Funding growth



Planning Expense Assumptions

- ICANN organization's activities and projects result directly or indirectly from Bylaws requirements, and from decisions made by the Board based on community-led policies or recommendations
 - At this time, we are not including implementation work from future Board decisions that have yet to be approved
 - The Budget will include contingency funding for unplanned work that has yet to be approved
- The FY21 draft budget and 5 Year plan will include a planned contribution to the Reserve Fund
- Headcount is expected to remain relatively stable
- The FY21 draft budget and 5 Year plan will be a balanced budget where expenses plus a planned contribution to the reserve fund will not exceed funding



Thank You and Questions

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