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
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
- 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 Financials:**
https://www.icann.org/resources/pages/governance/current-en

*Indicates that annual update has been published on ICANN.org*
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

- 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

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

(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

- FY16 Headcount (Actual): 365
- FY17 Headcount (Actual): 402
- FY18 Headcount (Actual): 395
- FY19 Headcount (Budget): 424
- FY19 Headcount (Actual): 388

+9%
ICANN Funds Under Management have increased $9M in FY19

<table>
<thead>
<tr>
<th>Category</th>
<th>30-Jun-18</th>
<th>30-Jun-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auction Proceeds</td>
<td>$238</td>
<td>$208</td>
</tr>
<tr>
<td>New gTLD Application Fees</td>
<td>$120</td>
<td>$106</td>
</tr>
<tr>
<td>Reserve Fund</td>
<td>$70</td>
<td>$116</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>$27</td>
<td>$35</td>
</tr>
<tr>
<td>Total ICANN</td>
<td>$455</td>
<td>$464</td>
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</table>
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

- FY17 Actual: $62
- FY18 Actual: $70
- FY19 Actual*: $116
- FY20 Projection**: $121
- FY21 Projection**: $126

* $36M was transferred from Auction Proceeds to Reserve Fund in FY19
** Includes contribution and estimated investment gains
ICANN Planning Process
Process Overview: Planning Process Steps

Planning Process

VISION/MISSION STATEMENT

STRATEGIC PLAN

IANA

MISSION

STRATEGIC PLAN

VALIDATE

ACHIEVEMENT & PROGRESS REPORTING

ICANN COMMUNITY STAKEHOLDER CONSULTATION & INPUT

ANNUAL OPERATING PLAN & BUDGET

FIVE-YEAR OPERATING PLAN

REPORTING

PERFORMANCE OVERSIGHT

PTI STAKEHOLDERS CONSULTATION & INPUT

ANNUAL OPERATING PLAN & BUDGET
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-FY25 Operating & Financial Plan

• Contents are high-level over the 5-Year horizon.
• Resources planning is high-level – “New” “Stable” “Expand” or “Decrease”, with projection re. when (Fiscal Year) the changes are expected.
• Progression/ Milestones are high-level roadmaps.

FY21 Operating Plan & Budget

• Contents are more detailed with focus on FY21.
• Resources planning is at detail level using budget templates.
• Progression/ Milestones are roadmaps in FY21 with applicable targets and measurement.
## FY21-25 O&FP and FY21 OP&B - Progress Update

### What

<table>
<thead>
<tr>
<th>What</th>
<th>Who</th>
<th>When</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ FY21-25 O&amp;FP Public Comment Period #1</td>
<td>Community</td>
<td>14 Jun – 5 Aug 2019</td>
</tr>
<tr>
<td>✓ Overview of FY21-25 O&amp;FP development and Public Comment #1 materials</td>
<td>Community</td>
<td>Pre-ICANN65 Webinar on 17 June 2019</td>
</tr>
<tr>
<td>✓ Review Public Comment #1 inputs and plan development of both FY21-25 O&amp;FP and FY21 OP&amp;B</td>
<td>Board</td>
<td>Board Workshop Sep 2019</td>
</tr>
<tr>
<td>Review draft FY21-25 O&amp;FP for Public Comment #2</td>
<td>Board</td>
<td>Nov 2019</td>
</tr>
<tr>
<td>Review draft FY21OP&amp;B for Public Comment</td>
<td>BFC</td>
<td>Early Dec 2019</td>
</tr>
<tr>
<td>FY21-25 O&amp;FP Public Comment Period #2</td>
<td>Community</td>
<td>Dec 2019 – Feb 2020</td>
</tr>
<tr>
<td>FY21-25 O&amp;FP Public Comment Period #2</td>
<td>Community</td>
<td>Dec 2019 – Feb 2020</td>
</tr>
<tr>
<td>Review Public Comment inputs and finalize development of both FY21-25 O&amp;FP and FY21 OP&amp;B</td>
<td>Board &amp; Community</td>
<td>ICANN67 Mar 2020</td>
</tr>
<tr>
<td>Review for Plan adoption of both plans</td>
<td>Board</td>
<td>Board Workshop May 2020</td>
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<tr>
<td>Empowered Community Period</td>
<td>Community</td>
<td>May – Jun 2020</td>
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# FY21 IANA Budget Process Next Steps

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