
Document 2:

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

30 May 2018



ADOPTED ICANN FY19 PLANNING DOCUMENTS

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

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

Document Number	Document Name	Description of Contents
1	FY19 Budget Introduction & Highlights	Overview of the key elements of the draft FY19 plans
2	FY19 Total ICANN Budget	High-level review of the draft FY19 budget
3	FY19 Key Projects & Activities	Information on key cross-functional projects and activities planned for FY19
4	FY19 Operating Plan	Section 1: Summary of 6 modules of work planned for FY19 Section 2: Breakdown of the operating plan with the budget by strategic goal
5	FY19 Five-Year Operating Plan Update	High-level five-year perspective on the operations ICANN undertakes to implement its strategic plan
6	FY19 Excel Spreadsheet	Detailed breakdown of the budget for each project

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

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Summary of Changes

This section will show changes made to the for Adoption FY19 Operating Plan and Budget based on input received from the Public Comment period.

Document / Topic	Public Comments/Rationale for Change	Actions
Document #2, section 2.52.2 Reduction to Engagement and Community Support Document #4, Module 2 - Direct Community Activity Support	Additional travel support for Fellows was added	After careful evaluation of the public comments submitted in support of the Fellows, an additional 15 seats has been added to all 3 ICANN meetings
Document #6, Portfolio 1.3.1 Support Policy Development, Policy Related and Advisory Activities	Support for CROP was added	In responses to public comments added back 50% of the FY18 program.
Document #6, Portfolio 3.2.3 IT Service Scaling and Product Management	Support for ICANN Wiki was added	After careful evaluation of the public comments submitted in support of the ICANN Wiki.
Document #6, Portfolio 1.2.1. Meeting Services	Additional travel support for meetings venue costs	Adjustment based on a review of projected meetings costs.
	Work Stream 2 (PCST) expenses were lowered	Adjustment based on review of implementation costs.
	Sponsorships/Contribution Expenses were lowered	Re-alignment of ICANN priorities.
Document #3, Section 4 Organizational and Specific Reviews	Reviews Timing	Better aligned scope of reviews with historical trends and operation capacity.
Document #3, Section 4 Organizational and Specific Reviews	Reviews Contingency	A portion of the ICANN contingency expense has been reserved for additional funding of reviews, should it be necessary

Document #3, Section 6 Data Protection and Privacy	General Data Protection Regulation project increased. Transfer from legal recurring activities to GDPR activities.	Draft budget did not include a specific Legal budget for GDPR. This figure reflects the Legal department's current estimate for GDPR work.
Document #3, Section 7 Information Transparency Initiative Document #6, Portfolio 1.2.2 Engage Stakeholder Regionally	ITI Project Timing	Reduction for ITI Communications as result of amended figures. Costs have been shifted to future years, the estimated cost of the project has no changed.
Document #2, section 2.2 Funding	Funding - Reduction in Meeting Sponsorships	Re-aligned with recent trends.
Document #2, section 2.2 Funding	Funding – Legacy TLDs Transactions Growth	Increase in growth rate
Document #2, section 2.2 Funding	Funding – New gTLD Transactions Growth	Decrease in growth rate
Document #2, section 2.2 Funding	Funding - Registry Fixed Fees	Re-aligned with recent expected number of TLDs
Document #2, section 2.2 Funding	Funding - Registrar Accreditation Fees	Re-aligned with recent expected number of Registrars
Document #2, section 2.1 Financial Overview	The ABR project codes were aligned to the placeholder estimate published.	The ABR project code amounts were corrected.
Document #2, section 2.1 Financial Overview	Additional Contingency amounts were increased	Due to budget realignments mentioned above, additional contingency was added

Introduction

This document contains the Internet Corporation for Assigned Names and Number (ICANN) Adopted 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 Adopted Fiscal-Year 2019 Operating Plan and Budget was submitted for public comment as required by ICANN's Bylaws, and in accordance with [ICANN's public comment policy](#), on 19 January 2018. Following the public comment period, ICANN org held two sessions at ICANN61 with the community to improve understanding of the comments. These sessions helped ICANN org develop better responses and identify changes to make to the draft plans. ICANN published its [Report](#) of Public Comment Proceeding on the 24 April 2018.

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 Adopted 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 Adopted 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.

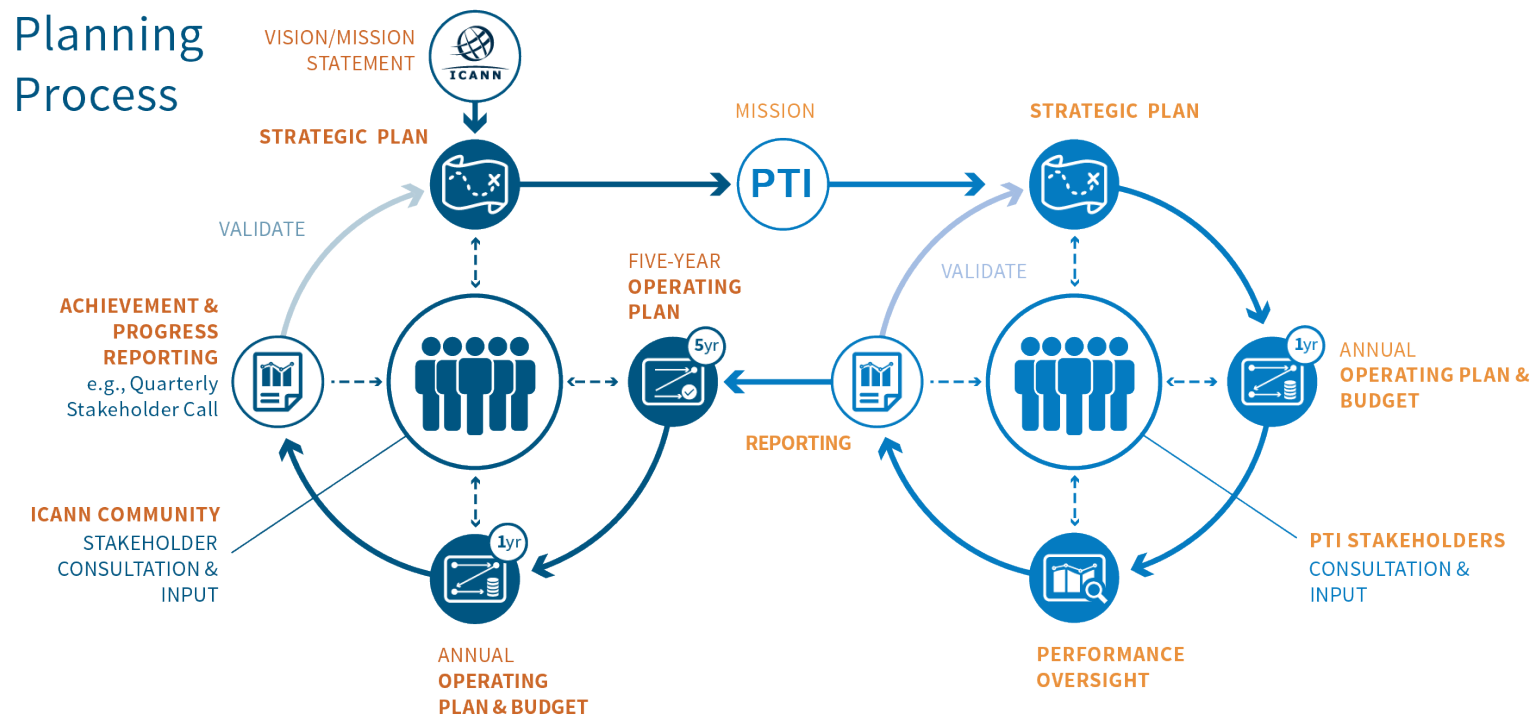
PTI operations

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.

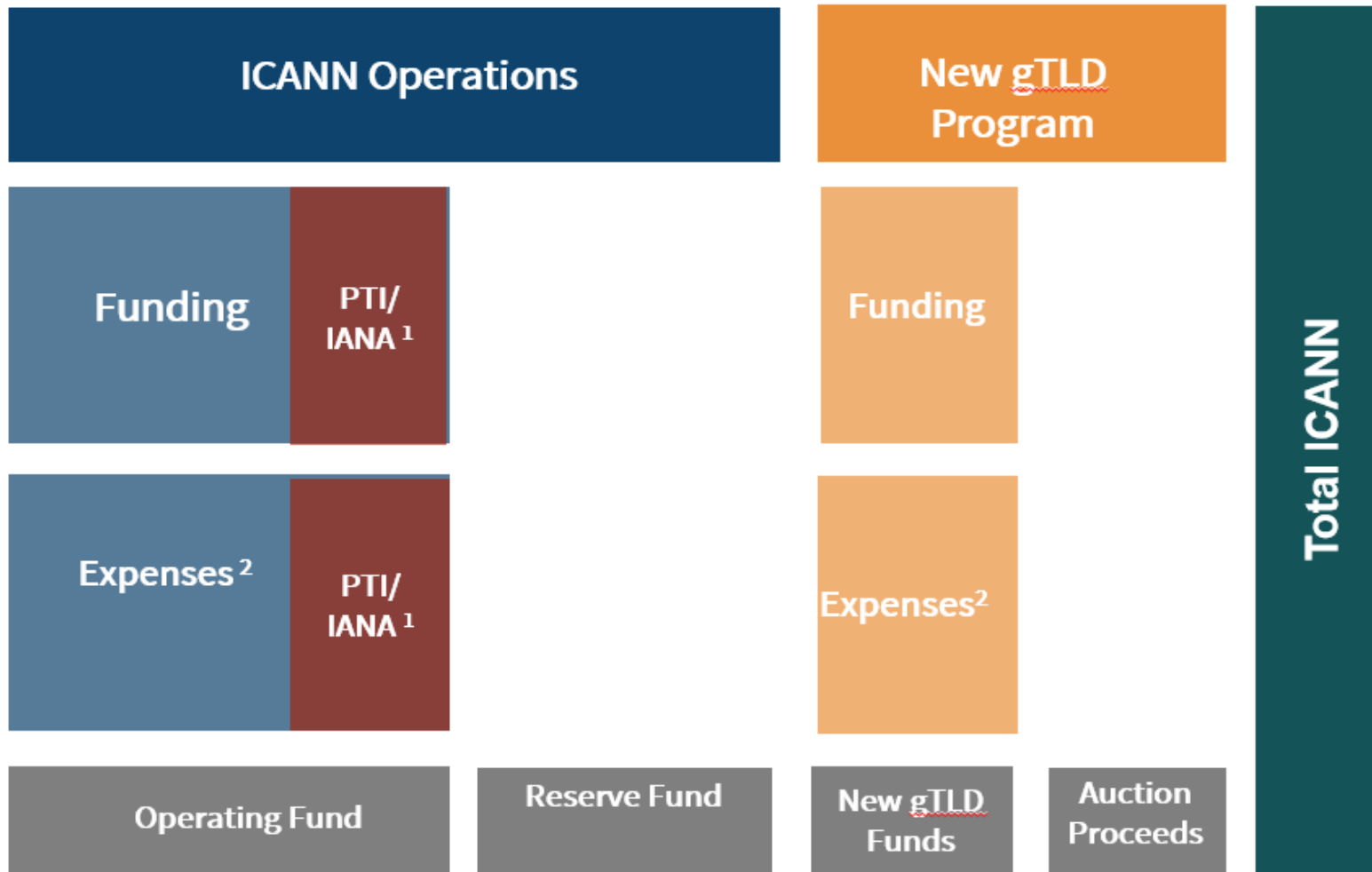
PTI operations are a part of ICANN's total operations and are documented in the Adopted FY19 ICANN Operating Plan and Budget.

1 Planning and Budget Overview

The graphic below shows an overview of the five-year planning cycle for fiscal year 2016 through fiscal year 2020 (FY16-FY20). The planning process consists of the ICANN Strategic Plan for fiscal years 2016–2020 and the Five-Year Operating Plan, which provide input and a basis for the annual planning process. The process includes consultation on and development of an Operating Plan and Budget for PTI. PTI's plans feed into the consultation on and development of both the Internet Assigned Numbers Authority (IANA) Budget and the total ICANN Budget.



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 Adopted FY19 Budget vs Adopted FY18 Budget

This table provides a comparison of the Adopted FY19 Budget to the Adopted FY18 Budget as a reference point from the last Budget submitted for public comment. The Adopted FY19 Budget reflects funding and expenses that are -\$5.1 million lower than the Adopted FY18 Budget.

in Millions, USD	Adopted 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	\$137.7	\$0.0	\$137.7	\$142.8	\$0.0	\$142.8	(\$5.1)	\$0.0	(\$5.1)	-3.6%
Personnel	70.6	6.0	76.6	63.8	5.8	69.5	6.8	0.3	7.1	10%
Travel & Meetings	15.2	0.7	15.9	17.2	0.6	17.8	(2.0)	0.1	(2.0)	-11%
Professional Svcs.	20.2	1.5	21.7	26.2	1.4	27.7	(6.0)	0.1	(5.9)	-21%
Administration ⁽¹⁾ & Capital	16.4	1.9	18.3	20.7	1.8	22.5	(4.3)	0.1	(4.1)	-18%
Contingency ⁽²⁾	4.8	0.5	5.2	4.9	0.5	5.3	(0.1)	(0.0)	(0.1)	-2%
Cash Expenses	\$127.2	\$10.6	\$137.7	\$132.8	\$10.0	\$142.8	(\$5.6)	\$0.5	(\$5.1)	-3.6%
Increase/ (Decrease) to Net Assets	\$10.6	(\$10.6)	\$0.0	\$10.0	(\$10.0)	(\$0.0)	\$0.6	(\$0.5)	\$0.0	-100%
End of Period Headcount	401	23	424	391	23	414	10	0	10	2%

(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%
Funding from FY17 Savings (Approved by Board)			\$0.0						\$0.0	n/a
Increase/ (Decrease) to Net Assets	\$8.0	(\$10.0)	(\$2.0)	\$10.0	(\$10.0)	(\$0.0)	(\$2.0)	\$0.0	(\$2.0)	11167%
End of Period Headcount	394	21	416	391	23	414	3	(1)	2	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 Adopted FY19 Budget vs FY18 Forecast

in Millions, USD	Adopted 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	\$137.7	\$0.0	\$137.7	\$134.5	\$0.0	\$134.5	\$3.2	\$0.0	\$3.2	2.4%
Personnel	70.6	6.0	76.6	63.0	5.8	68.7	7.6	0.3	7.9	11%
Travel & Meetings	15.2	0.7	15.9	15.2	0.6	15.8	0.0	0.1	0.1	1%
Professional Svcs.	20.2	1.5	21.7	25.4	1.4	26.9	(5.2)	0.1	(5.1)	-19%
Administration ⁽¹⁾ & Capital	16.4	1.9	18.3	20.2	1.8	21.9	(3.7)	0.1	(3.6)	-16%
Contingency ⁽²⁾	4.8	0.5	5.2	2.7	0.5	3.2	2.0	(0.0)	2.0	64%
Cash Expenses	\$127.2	\$10.6	\$137.7	\$126.5	\$10.0	\$136.5	\$0.7	\$0.5	\$1.2	0.9%
Increase/ (Decrease) to Net Assets	\$10.6	(\$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	\$10.6	(\$10.6)	\$0.0	\$8.0	(\$10.0)	(\$0.0)	\$2.5	(\$0.5)	\$0.0	n/a
End of Period Headcount	401	23	424	393	23	416	8	0	8	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 Adopted FY19 Budget.

Contingency

Contingency represents an amount of budgeted expense unallocated to specific activities or departments. Contingency in the FY19 Budget of \$5.2M or approx. 4% of total expenses.

Some of the key projects with unforeseen expense that may require contingency are:

- ⦿ Subsequent procedures
- ⦿ Reviews
- ⦿ GDPR
- ⦿ Work Stream 2
- ⦿ Reserve Fund Replenishment
- ⦿ Other unforeseen expenses

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

in Millions, USD		FY19 Adopted Budget ⁽¹⁾					FY18 Forecast				
Executive Group	Executive	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	29	29	\$5.3	\$2.0	\$7.3	29	29	\$4.8	\$2.6	\$7.5
Global Domains Division Ops and Product Mgt.	Atallah	56	56	\$9.0	\$3.3	\$12.4	51	51	\$8.4	\$3.9	\$12.3
PTI Department	Atallah	17	17	\$3.0	\$1.8	\$4.7	17	17	\$3.0	\$1.2	\$4.2
Regional Offices	Bennett	0	0	\$0.0	\$6.6	\$6.6	0	0	\$0.0	\$6.0	\$6.0
Operations	Bennett	16	16	\$3.2	\$3.6	\$6.8	17	17	\$2.9	\$4.2	\$7.1
Strategic Communications	Carlson	27	27	\$4.1	\$5.9	\$10.0	26	26	\$3.7	\$5.9	\$9.6
Finance & Procurement and ERM	Calvez	19	19	\$3.5	\$1.7	\$5.3	15	15	\$3.3	\$1.7	\$5.1
Office of the CTO	Conrad	19	19	\$5.3	\$2.9	\$8.2	17	17	\$4.5	\$3.7	\$8.2
Global Stakeholder Engagement	Costerton	30	30	\$6.1	\$1.9	\$8.0	31	31	\$5.5	\$2.5	\$8.0
Meeting Operations	Costerton	8	8	\$1.6	\$4.1	\$5.6	8	8	\$1.3	\$3.8	\$5.1
Public Responsibility Support	Costerton	7	7	\$0.8	\$1.1	\$1.9	8	8	\$0.9	\$1.8	\$2.7
Contr. Compliance & Consumer Safeguards	Hedlund	29	29	\$4.4	\$1.0	\$5.3	29	29	\$4.0	\$1.4	\$5.4
Governance Support	Jeffrey	24	24	\$6.4	\$2.6	\$9.0	17	17	\$5.2	\$3.8	\$9.0
Governmental Engagement	Kamel	9	9	\$2.6	\$0.8	\$3.5	8	8	\$2.0	\$1.1	\$3.2
Office of the CEO	Marby	3	3	\$1.4	\$0.5	\$1.9	3	3	\$1.4	\$0.6	\$2.0
Policy Development & SO/ AC Engagement	Olive	35	35	\$4.9	\$1.8	\$6.8	35	35	\$4.5	\$2.5	\$7.0
Constituent/ Stakeholder Travel	Olive	0	0	\$0.0	\$2.7	\$2.7	0	0	\$0.0	\$2.2	\$2.2
Information Technology	Rangan	24	24	\$4.7	\$2.7	\$7.5	28	28	\$5.1	\$4.3	\$9.4
Engineering	Rangan	41	41	\$7.1	\$8.8	\$15.9	36	36	\$6.2	\$9.3	\$15.5
Global Human Resources and Admin	Schroeder	24	24	\$3.8	\$0.6	\$4.4	23	23	\$3.3	\$0.7	\$4.0
Multistakeholder Strategy & Strategic Initiatives	Swinehart	19	19	\$3.4	\$2.6	\$6.0	17	17	\$3.1	\$3.3	\$6.4
Ombudsman	Ombudsman	1	1	\$0.3	\$0.3	\$0.6	1	1	\$0.2	\$0.3	\$0.6
New gTLD Allocations		0	0	-\$2.0	-\$1.5	-\$3.5	0	0	-\$2.5	-\$2.4	-\$4.9
Corporate (includes attrition and contingency)		(13)	(13)	-\$2.2	\$3.3	\$1.1	0	0	-\$2.2	\$3.2	\$1.0
Ending Headcount	Total	424	424	\$76.6	\$61.1	\$137.7	416	416	\$68.7	\$67.8	\$136.5

(1) Includes contingency (\$5.2M).

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 2.6% as per historical average	Growth of 4.1%	Growth of 2.7%
New TLDs	Fixed Fees	1,218 TLDs assumed delegated as of July 1, 2018 and 1,221 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 9.1%	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	FY19	FY18	+Incr./ -Decr.	%	FY19 Estimates		FY18 Budget
	Adopted Budget	Forecast			High	Low	
Transactions							
Registry transaction fees - Legacy	\$ 49.6	\$ 48.6	\$ 1.0	2.1%	\$ 50.3	\$ 48.6	\$ 48.4
Registry transaction fees - New gTLD	5.1	4.6	0.5	10.4%	6.4	5.0	8.9
Registrar transaction fees - Legacy	30.2	29.5	0.8	2.6%	30.7	29.6	29.4
Registrar transaction fees- New gTLD	4.3	3.9	0.4	9.1%	5.4	4.2	7.5
Sub-total	89.2	86.6	2.6	3.0%	92.7	87.4	94.2
<i>Volume: legacy transactions (millions)</i>	167.9	163.6	4.3	2.6%	170.4	168.1	163.6
<i>Volume: New gTLD transactions (millions)</i>	23.9	21.9	2.0	9.1%	30.0	26.3	41.7
Sub-total	191.9	185.6	6.3	3.4%	200.4	194.4	205.3
<i>Volume: New gTLD billable transactions (millions)</i>	20.3	18.3	2.0	11.1%	25.5	22.4	35.4
<i>New gTLD Billable rate - average</i>	84.9%	83.4%	1.5%		85.0%	85.0%	85.0%
Registry Fixed Fees	30.5	30.6	(0.1)	-0.3%	31.3	29.9	30.8
Registrars accreditation							
Application fees	0.2	0.2	0.0	9.1%	0.2	0.2	0.2
Accreditation fees - annual	11.0	10.1	1.0	9.7%	11.2	10.8	10.5
Per-registrar variable fees	3.4	3.4	-	0.0%	3.4	3.4	3.4
Sub-total	14.7	13.7	1.0	7.3%	14.8	14.4	14.1
<i>Count of total Registrars - at end of year</i>	2,277	2,217	60	2.7%	2,217	2,051	2,241
<i>Incr./Decr.) new Registrars - at end of year</i>	60	-	60		(332)	(498)	(748)
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	0.5	0.8	(0.3)	-37.5%	0.8	0.5	0.8
Sub-total	3.4	3.7	(0.3)	-8.1%	3.7	3.4	3.7
ICANN Ops Revenue	\$ 137.7	\$ 134.5	\$ 3.2	2.4%	\$ 142.6	\$ 135.1	\$ 142.8



2.3 ICANN Operations Cash Expenses

ICANN Operations baseline cash expenses budget (excluding contingency) is \$132.6 million. This represents a \$0.7 million decrease from \$133.3 million in FY18. See comments on the variances between FY19 and FY18 below.

In Millions, USD											
Adopted ICANN Ops FY19 Budget*											
				+0.4	-0.4	-1.5	-2.0	-3.3	-1.0	-0.1	
	+2.9	+3.3	+0.9								
ICANN Ops FY18 Forecast **	133.3										132.5
	Full year impact of Merit at 2% and Fringe Benefits	Full year impact of FY18 hires & compensation increases, net of attrition	FY19 Planned Hirings	Increase in Travel and Meetings attributed to higher ICANN meeting costs in FY19	Decrease in Travel and Meetings in efforts to reduce travel costs (less trips, lower airfare)	Unallocated cost savings (placeholder in Professional Services)	Other reductions of Professional Services	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	Other Misc. project increases	
(+) indicates an increase in expenses. (-) indicates a decrease in expenses. *Excludes FY19 ICANN Ops Contingency of \$5.2M. **Excludes ICANN Ops FY18 Forecast Contingency of \$3.2M.											

The \$0.8 million decrease from \$133.3 million in FY18 to \$132.5 million in FY19 is driven by the following:

- ⦿ Full year impact of people hired in FY18 on FY19 budget with an increase in personnel costs due to:
 - ⦿ 29 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: eight new hires
- ⦿ FY19 Cost Savings Initiatives (Professional Services)
- ⦿ 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
Expenses: GDPR compliance	-\$1.0 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 Adopted 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 \$135 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 Adopted 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.

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 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:
 - ⦿ 45 Fellows (down from 60)
 - ⦿ 15 Next Gen participants (down from 20)

Reductions to Programs:

Program	# of seats in FY19	# of seats reduced by (from FY18)
Fellowship	45 per meeting	15
NextGen	15 per meeting	5

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

FY19 Additional Budget Requests (ABRs)

ICANN Org received 55 individual document submissions this year. Each proposal has been assessed and evaluated by ICANN senior staff in line with the assessment principles established for the ABR process. The requests received for FY19 included a number of proposals for community participation in Internet governance related events outside of the ICANN meeting structure, as well as outreach opportunities. In line with the premises underlying the adopted FY19 budget, and consistent with the assessment principles, the ABR assessment process focused on facilitating effective and sustainable community work through:

- Granting the available resources to those requests which are directly and demonstrably related to current ICANN policy development, advisory and technical work;
- For travel related requests, a primary consideration was to prioritize events that are intended to take place at an ICANN Public Meeting or other ICANN-organized meeting (e.g. the GDD Summit);
- Addressing capacity building objectives through encouraging collaboration with ICANN's Public Responsibility Support and Global Stakeholder Engagement teams, including development of materials that can be used for online (rather than face-to-face) training; and
- Considering the availability of resources, both financial and staff, to support the individual and collective requests submitted.

The additional budget requests budgeted amount was reduced by more than 50% resulting in certain support requests not receiving funding.

I. Yes – Recommended for Approval- (17)

Request No.	Organization	Document Title	Recommended	
			Amt	Comments
FY19-02	RySG	Registries Stakeholder Group Request for Travel Support for (7) Participants to attend the 2019 GDD Summit	\$ 21,000	Recommending approval for 5 travelers (request was for 7).
FY19-08	NCSG	Participation in Roundtable Meetings	10,045	Recommending approval for 1 traveler per ICANN meeting.
FY19-09	NCSG	Capacity Building Program for NCSG/NCUC/NPOC	10,900	Recommending approval for online training and development of learning materials (no travel component).
FY19-11	RrSG	Support for RrSG Attendance at GDD	21,000	Recommending approval for 5 travelers (request was for 7).
FY19-12	ALAC	Access by RALOs for Funding of Local Engagement Activities	20,000	Recommending approval based on a template with published criteria, for use by all five RALOs.
FY19-16	ALAC	Communications, Outreach & Engagement Material Support for At-Large	15,000	Recommending approval as a merged request with FY19-32, FY19-39, and FY19-45, to be managed by ICANN Communications.
FY19-17	ALAC	ALAC Chair Transition Meeting	1,200	Recommending approval for additional hotel night only (no meeting room or technical services included).
FY19-24	GNSO	GNSO Council Strategic Planning Sessions	60,000	Recommending approval for a 2-day meeting (request was for 3 days).
FY19-26	GNSO	GNSO Additional Community Travel Support	30,000	Recommending approval for up to 3 PDP Working Group leaders per ICANN meeting.
FY19-32	ISPCP	Constituency Outreach Material	5,000	Recommending approval as a merged request (see note 4) to be managed by ICANN Communications.
FY19-34	ISPCP	Travel Funding of ISPs in Developing Countries to ICANN Meetings	10,045	Recommending approval for 1 traveler per ICANN meeting.
FY19-36	GAC	Additional Support for Government Travelers to the High Level Government Meeting (HLGM) at ICANN 63 - Barcelona	60,000	Recommending approval for all requested GAC travelers.
FY19-37	GAC	Support for Pilot GAC Capacity Building Workshops	5,000	Recommending approval for 1 capacity building workshop (request was for 5).
FY19-39	BC	BC Outreach Materials	7,500	Recommending approval as a merged request (see note 4) to be managed by ICANN Communications.
FY19-42	NCUC	Policy Writing and Advocacy Training	10,000	Recommending approval for a webinar and development of learning materials (no travel component).
FY19-45	NCUC	Continuation of Communication Support	2,500	Recommending approval as a merged request (see note 4) to be managed by ICANN Communications.
FY19-53	BC	BC Leadership Development	10,045	Recommending approval for 1 traveler per ICANN meeting.
Total			\$ 299,235	

II. Core –These activities are already included in ICANN’s Core Budget- (3)

Request No.	Organization	Document Title	Requested Amt
FY19-23	EURALO	Join NCUC-EURALO Town Hall Events at ICANN 63 in Barcelona	\$ 12,000
FY19-25	GNSO	Working Group Enrollment Tool Development	-
FY19-46	NCUC	Joint NCUC-EURALO Town Hall Event at ICANN 63 in Barcelona	\$ 12,000
Total			\$ 24,000

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 Proposed Adopted 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 Adopted 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 Adopted 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 Adopted 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.

	FY17 Actuals	FY18 Forecast	Adopted FY19 Budget	Draft FY20 Projection
in Millions, USD	Total ICANN Operations	Total ICANN Operations	Total ICANN Operations	Total ICANN Operations
Funding	\$134.6	\$134.5	\$137.7	\$139.7
Personnel	59.5	68.7	76.6	80.5
Travel & Meetings	18.1	15.8	15.9	16.1
Professional Svcs.	23.5	26.9	21.7	23.1
Administration ⁽¹⁾ & Capital	27.4	21.9	18.3	18.6
Contingency ⁽²⁾	0.0	3.2	5.2	4.5
Cost Reductions to Identify				(3.1)
Cash Expenses	\$128.5	\$136.5	\$137.7	\$139.7
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	424	424

(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.

(3) The FY20 projections 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 Proposed Adopted, 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 Proposed Adopted 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	\$10.0	\$9.6	\$0.4	4.2%
Personnel	\$6.0	\$5.8	\$0.2	3.5%
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	\$10.0	\$9.6	\$0.4	4.2%
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	\$10.0	\$9.6	\$0.4	4.2%
IANA Services (c)	\$0.5	\$0.4	\$0.1	18.8%
TOTAL	\$10.5	\$10.0	\$0.5	4.7%

(c) IANA Services include RZMA = Root Zone Maintainer Agreement, 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

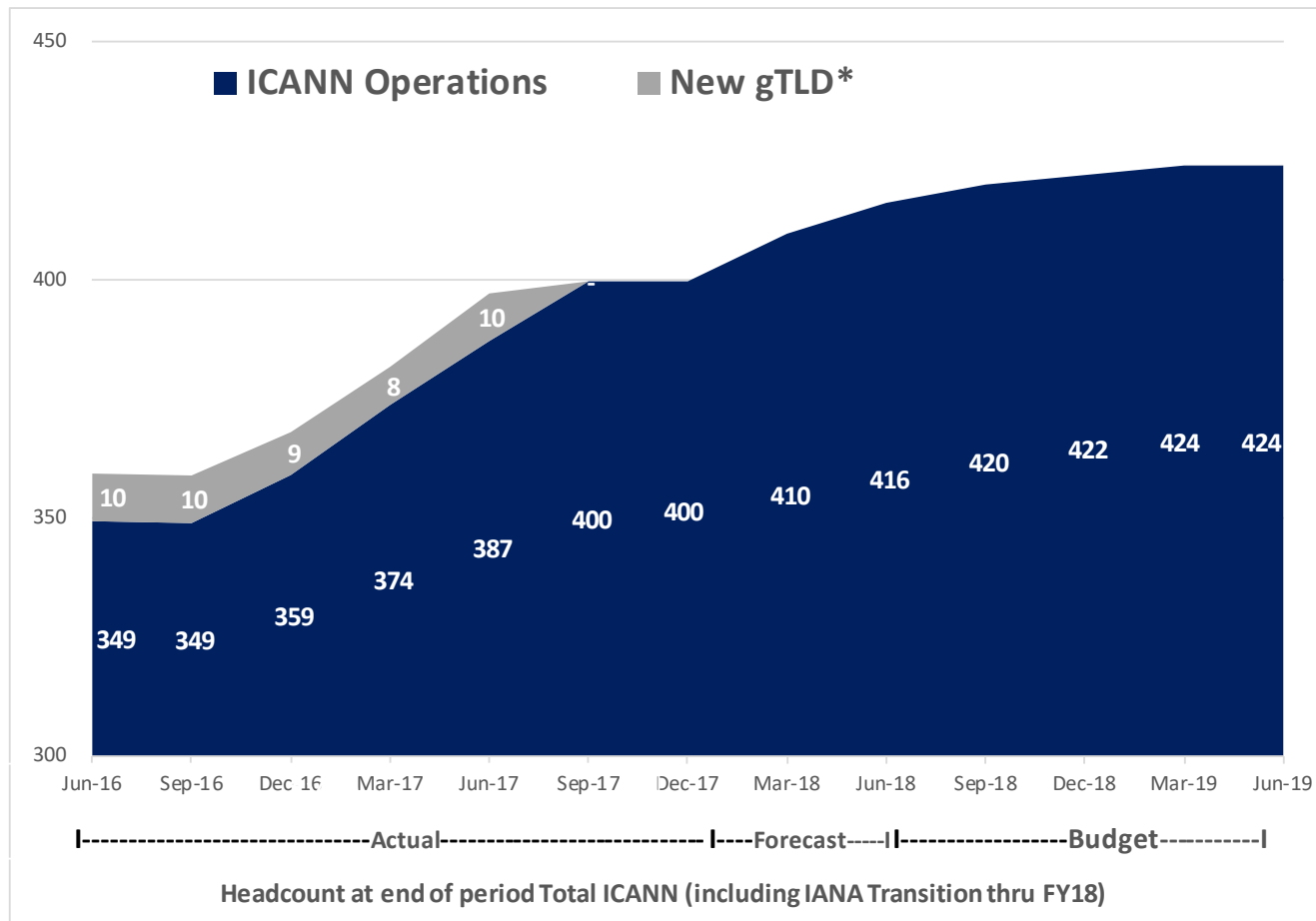
in Millions, USD	Adopted FY19 Budget			FY18 Forecast				Increase/(Decrease) vs. FY18 Forecast							
	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	IANA Transition	New gTLD	Total ICANN	Total ICANN Operations	%	IANA Transition	%	New gTLD	%	Total ICANN	%
Funding	\$137.7	\$14.8	\$152.5	\$134.5	\$0.0	(\$6.5)	\$128.0	\$3.2	2.4%	\$0.0	n/a	\$21.3	-326.2%	\$24.5	19.2%
Personnel	76.6	2.0	78.6	68.7	0.9	2.5	72.2	7.9	11%	(0.9)	-100%	(\$0.5)	-21%	6.4	9%
Travel & Meetings	15.9	0.5	16.4	15.8	0.2	0.7	16.6	0.1	1%	(0.2)	-100%	(0.2)	-22%	(0.2)	-1%
Professional Svcs.	21.7	5.2	26.9	26.9	1.1	7.9	35.8	(5.1)	-19%	(1.1)	-100%	(2.7)	-34%	(9.0)	-25%
Administration ⁽¹⁾ & Capital	18.3	0.3	18.7	21.9	0.2	(0.5)	21.7	(3.6)	-16%	(0.2)	-100%	0.8	-168%	(3.1)	-14%
Contingency ⁽²⁾	5.2	0.0	5.2	3.2	0.0	0.0	3.2	2.0	64%	0.0	n/a	0.0	n/a	2.0	64%
Cash Expenses	\$137.7	\$8.0	\$145.7	\$136.5	\$2.4	\$10.6	\$149.6	\$1.2	0.9%	(\$2.4)	-100%	(\$2.6)	-25%	(\$3.8)	-3%
Increase/ (Decrease) to Net Assets	\$0.0	\$6.8	\$6.8	(\$2.0)	(\$2.4)	(\$17.1)	(\$21.6)	\$2.0	n/a	\$2.4	-100%	\$23.9	-139%	\$28.3	-131%
Funding from FY17 Savings (Approved by Board)				\$2.0			\$2.0	(\$2.0)	-100%						
Increase/ (Decrease) to Net Assets	\$0.0	\$6.8	\$6.8	(\$0.0)	(\$2.4)	(\$17.1)	(\$19.6)	\$0.0	n/a	\$2.4	-100%	\$23.9	-139%	\$28.3	-145%
End of Period Headcount	424	-	424.0	416	4.5	0.0	420.2	8	2%	(4.5)	-100%	-	n/a	3.8	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	136.9		(3.7)		133.2
Paid to vendors, net of reimbursement	(60.7)		(8.3)		(69.0)
Paid to employees, net of reimbursement	(76.6)		(2.5)		(79.2)
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	\$ 29.6	\$ 71.0	\$ 99.7	\$ 239.3	\$ 439.6

(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 FY19 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	\$ 0.0	-100.0%	\$ 0.2	\$ 0.2
Accreditation Fees	11.0	10.1	1.0	-4.9%	11.2	10.8
Per-registrar Variable Fees	3.4	3.4	-	-0.6%	3.4	3.4
Transaction Fees	34.5	33.4	1.1	32.5%	36.1	33.8
Total Registrar Revenue	49.2	47.1	2.1	4.5%	50.9	48.3



