



Budget working group

Xavier Calvez | Singapore | 9 February 2015

Agenda 1 Slide

1

Recap of purpose,
approach and
desired outcome
20mins

2

Review of Agenda,
Discussion as
needed
10mins

3

Revenue
forecasting model
60mins

4

Resource utilization
60mins

5

Initiatives
30mins

6

Calendar,
Content Format,
Next steps
60mins

1- Recap of purpose/approach/outcome



Working group

Not a consultation, no representation role
Participation based on interest and competence
First-time exercise, single step in the budget process



Approach

Timing of ICANN52: After draft management assumptions / Before development of budget.
Take the role of ICANN's management to review budget assumptions
Constructive input: Comment, criticize, propose



Desired outcome

- Deepen mutual understanding of involved community and staff
- Contribution on budget assumptions for FY16, materialized in a list of follow up actions and recommendations to ICANN's management

2 - Agenda

- ⊙ Revenue: review forecasting model, propose position on assumptions
 - Cyrus/Mike to present the current model and assumptions
- ⊙ Resource utilization: review the simple model balancing revenue and expenses
- ⊙ Initiatives: Definition, process, planned list
- ⊙ Priorities: review priority areas
- ⊙ Content for public comment period: review the format, level of detail (include previous input)
- ⊙ Calendar: review the calendar, and next steps.



3 - Revenue

Forecasting model & FY16 preliminary
projections

- Realistic but conservative estimates (not “worst case,” but more of a “baseline” scenario)
- New gTLD transaction levels estimated using average growth pattern of earlier-launched strings – string characteristics proving less indicative of registration volume than marketing approach (which can be harder to predict)
- Delegation dates estimated from contracting dates/deadlines and other available information
- Legacy transaction levels based on historical trend line (which is readjusted quarterly)
- Assumed no change to fee schedule/structure in FY16

FY16 “Baseline” Revenue Overview

New gTLD

\$21.9m

Ry Fixed Fees

\$19.6m

599 → 921 new gTLD Rys

Ry Trxn Fees

\$2.3m

9 million “billable” trxn

Legacy Rys

\$46.7m

Ry Fixed & Trxn Fees

\$46.7m

154.6m transactions / +2%

Registrars

\$40.1m

Legacy Trxn Fees

\$27.8m

154.6m transactions / +2%

New gTLD Trxn Fees

\$2.6m

14.2 million transactions

Accreditation Fees

\$6.1m

1,537 registrars

Fixed Fee

\$3.4m

Application Fees

\$0.2m

60 applications

Other

\$4.4m

ccTLDs, meetings, RIRs

Total

\$113m



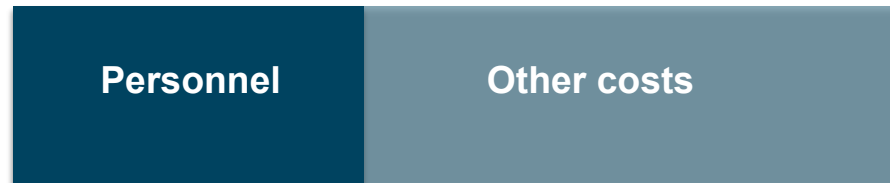
4 - Resource utilization

Resources Utilization - Overview

in millions, USD	FY16 Target	FY15 Budget (Pro Forma)			FY16 Target vs. FY15 Baseline Incr./ (Decr.)	
	Baseline	Baseline	USG Stewardship	Total		
Revenue Expectation	\$113.0	\$104.0	▲ \$0.0	\$104.0	\$9.0	8.7%
Operating Expenses	-101.9	-94.2	-6.9	-101.1	7.7	-7.6%
Depreciation	-7.1	-5.3	▲ 0.0	-5.3	1.7	-32.8%
Contingency	-4.0	-1.8	▲ 0.0	-1.8	2.2	-124.4%
Total Operating Expenses	-113.0	-101.3	-6.9	-108.2	11.7	-10.8%
Excess/(Deficit) - "P&L"	0.0	2.7	-6.9	-4.2	20.7	-489.2%
Exclude Depreciation	-105.9	-96.0	-6.9	-102.9	9.9	-9.6%
Include Capex	-7.1	-8.0	▲ 0.0	-8.0	-0.9	10.7%
Operating Expenses Cash Impact	-113.0	-104.0	▲ -6.9	-110.9	9.1	-8.2%
Contribution from Reserve Fund	0.0	0.0	6.9	6.9	0.0	0.0%
Expenses Net of Reserve Fund	-113.0	-104.0	▲ 0.0	-104.0	9.1	-8.7%
Net Impact to Operating Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%

Resources Utilization – Budget preliminary targets

November
run-rate,
annualized

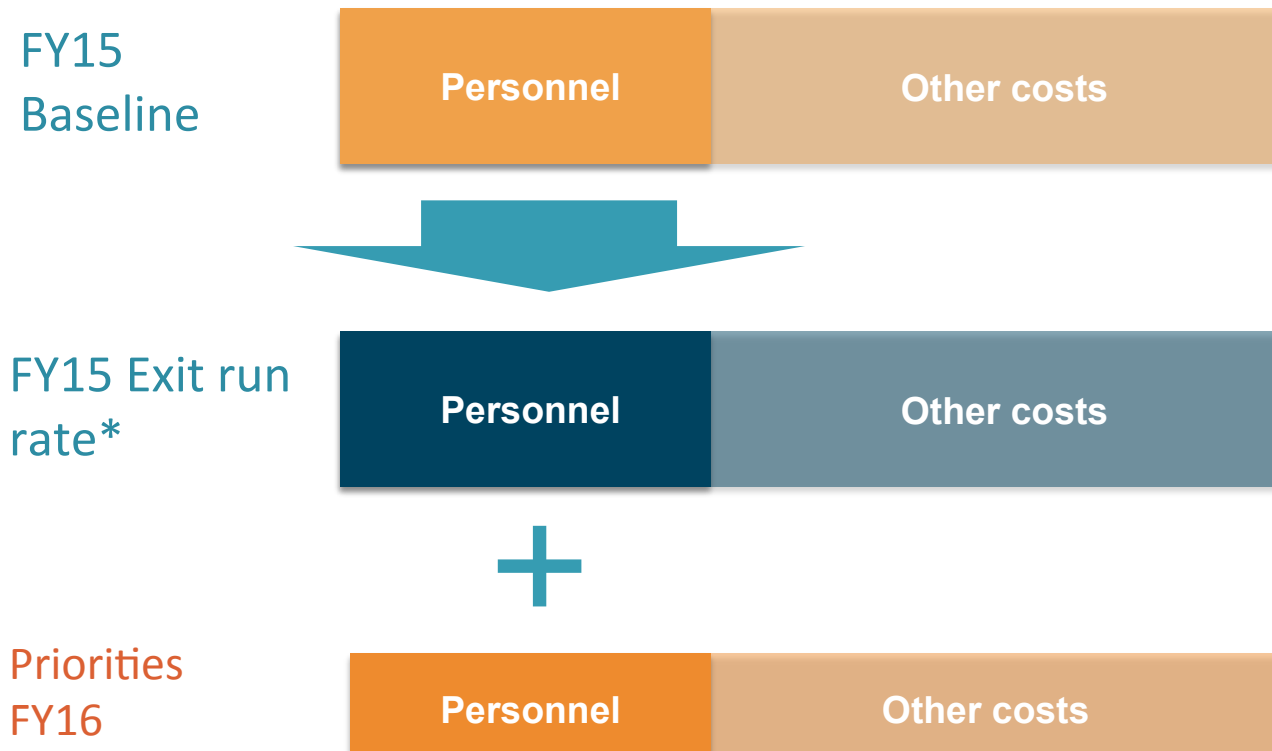


Priorities
FY15



FY15 Baseline

Resources Utilization – Budget preliminary targets

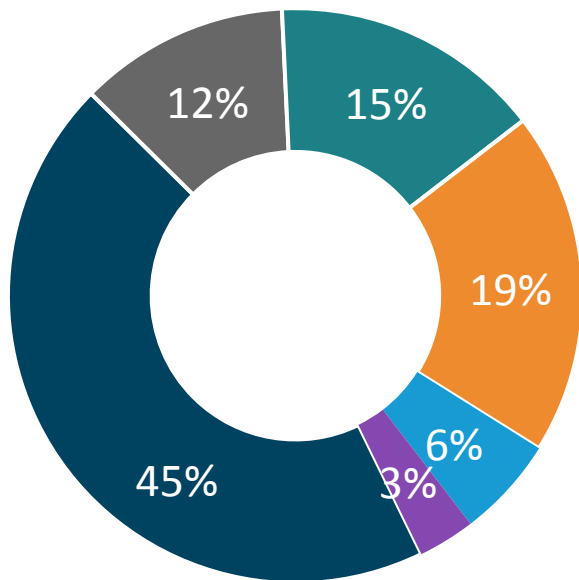


FY16 Budget targets

Resources Utilization - Overview

in millions, USD	FY16 Target	FY15 Adopted Budget (pro forma)			FY16 Target vs. FY15 Baseline	
	Baseline	Baseline	USG Stewardship Transition	Total	\$	%
Support & Revenue Expectation	\$113.0	\$104.0		\$104.0	\$9.0	8.7%
Strategic Reviews & Initiatives	3.3	\$2.9	\$3.6	6.5	0.4	12.0%
Strategic Communications	7.6	7.9	0.9	8.7	-0.3	-3.3%
GSE/ Gov. Eng./ Public Resp.	20.8	20.2	0.7	20.9	0.6	0.9%
SO/AC Policy and Engagement	9.2	8.4		8.4	0.7	8.7%
Governance support	9.1	8.8	1.0	9.7	0.4	4.0%
IT & Cyber Security	13.3	13.6		13.6	-0.3	-2.4%
Operations	16.3	16.6	0.1	16.6	-0.3	-1.7%
Global Domains Division	19.7	16.9	0.8	17.7	2.8	16.4%
Contractual Compliance & Safeguards	5.3	4.2		4.2	1.1	26.9%
Executive	2.1	2.0		2.0	0.1	6.3%
Ombudsman	0.4	0.4		0.4	0.0	-1.8%
Depreciation and Bad Debt	7.1	5.3		5.3	1.7	32.8%
New gTLD Allocation	-5.1	-7.6		-7.6	2.5	-33.3%
Other adjustments	0.0	0.0		0.0	0.0	n/a
SO/AC Add'l Budget Requests	0.0	0.0		0.0	0.0	n/a
Contingency	4.0	1.8		1.8	2.2	124.4%
Total Operating Expenses	\$113.0	\$101.3	\$6.9	\$108.2	\$11.7	11.5%
Change in Net Assets	\$0.0	\$2.7		-\$4.2	-\$2.7	-100.0%
Cash from change in Net Assets	\$7.1	\$8.0		\$1.1	-\$0.9	-11.5%
Capital Expenses	7.1	8.0		8.0		
Contribution to Reserve Fund	0.0	0.0		-6.9		
Net Cash from Operations	\$0.0	\$0.0		\$0.0		

FY16 Targets – Baseline Operating & Capital Expenses



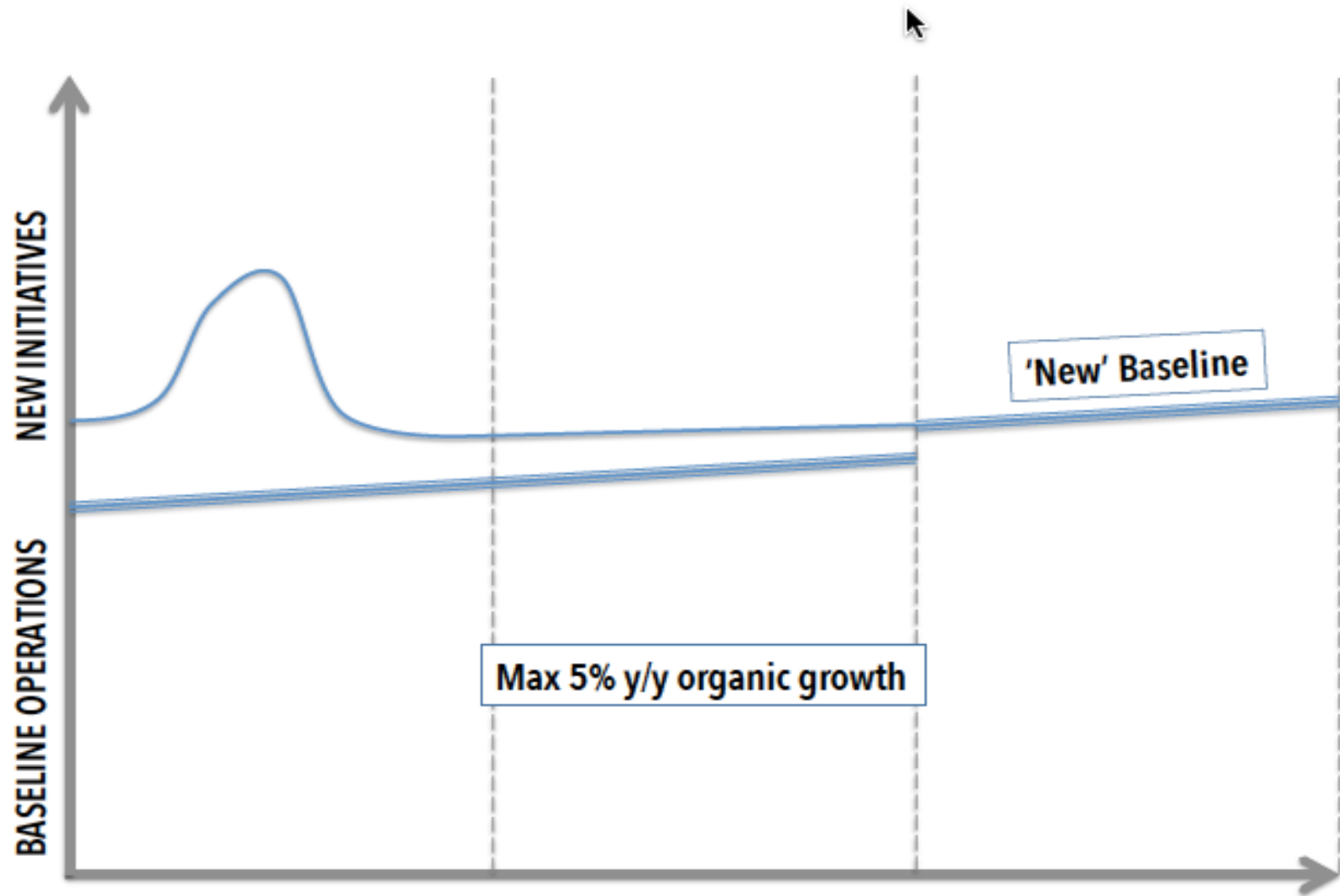
**Total FY16 Baseline
Operating & Capital
Expenses Target: \$120M**

	FY16 Target	FY15 Budget	Incr. (+) / Decr.(-)
Personnel	\$56M	\$50M	+12%
Travel & Meetings	\$15M	\$12M	+25%
Prof. Svcs.	\$19M	\$17M	+15%
Admin.	\$24M	\$20M	+24%
Capital	\$7M	\$8M	-10%
Contingency	\$4M	\$3M	+18%
Sub-total	\$125M	\$109M	+15%
Organizational Reduction	-\$5M	\$0M	
Total	\$120M	\$109M	+10%

A world map where the continents are defined by a complex network of white dots and thin white lines. The dots vary in size, and the lines connect them to form a web-like structure. The background is a solid orange color.

5 - Initiatives

Initiatives - Concept



Initiative - Description

- **Baseline: funded by Revenue**
 - ➔ All on-going activities and projects of the organization to fulfill its core mission.
- **Initiatives: funded by Reserve Fund**
 - ➔ Major projects not in baseline that are deemed to be critical and necessary by the Community (Staff, Board & Stakeholders), or
 - ➔ A major program that may lead to on-going work that increases the Baseline ... examples: new gTLD program (round 1, round 2,...), USG transition, ATRT2, ...

Initiatives – tentative list

#	Description	Responsible
1	USG Transition	Theresa Swinehart
2	USG Transition (Post)	Theresa S / John Jeffrey
3	New gTLD Program - 2nd Round Assessments & Prep	Akram Atallah
4	Hardening/strengthening Root Server System	Akram Atallah
5	Implementation work related to recommendations from reviews (e.g. Proxy Accreditations, Whois, Whois Next Generation and ATRT2)	Theresa Swinehart / Akram Atallah
6	Data Retention & Transfer	Akram Atallah
7	Cyber security improvements	Ashwin Rangan

A world map where the continents are defined by a network of white dots and lines, resembling a social or data network. The background is a solid dark blue color.

6 – Content format / Calendar / Next steps

Content format 1/2

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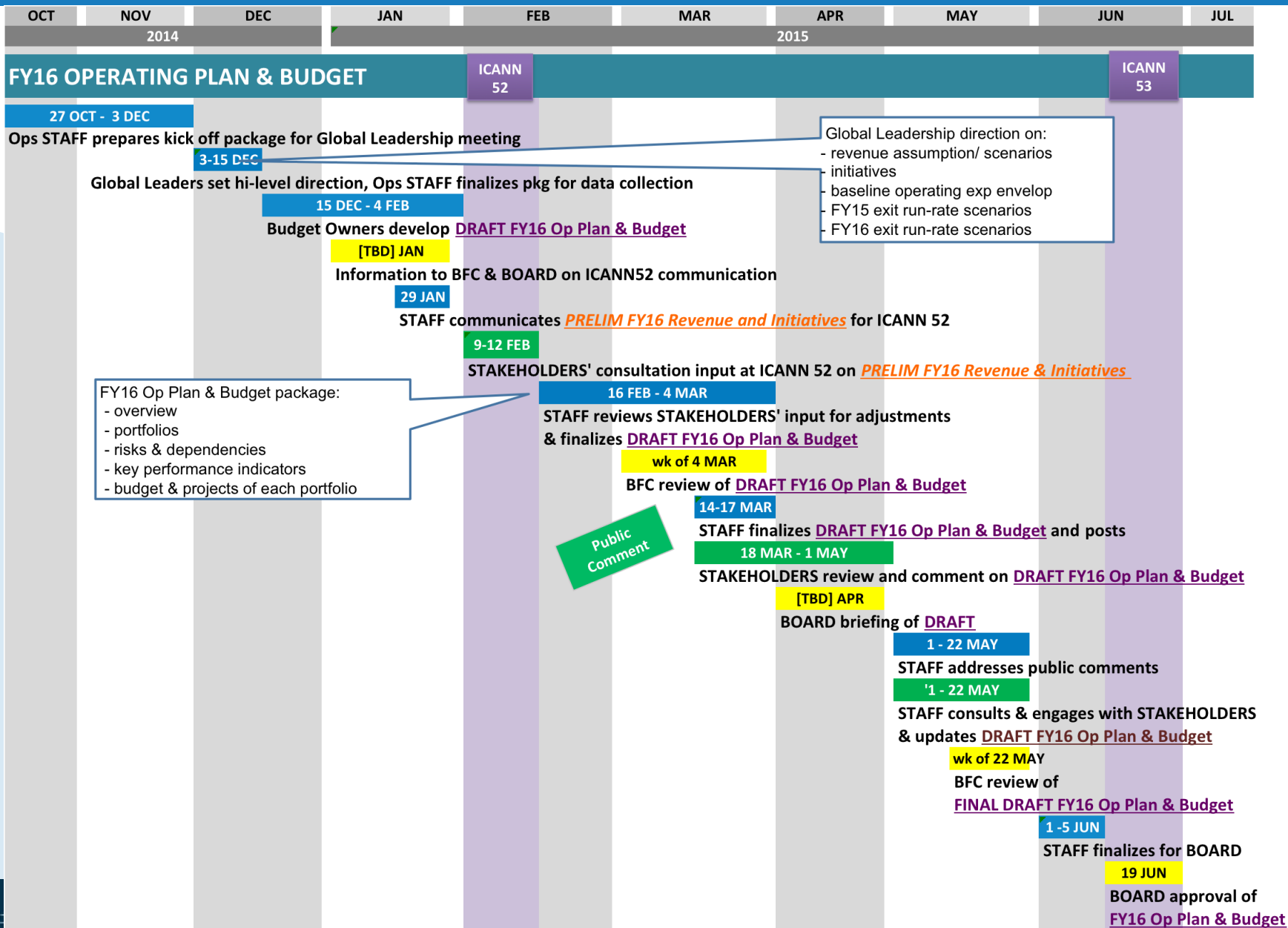
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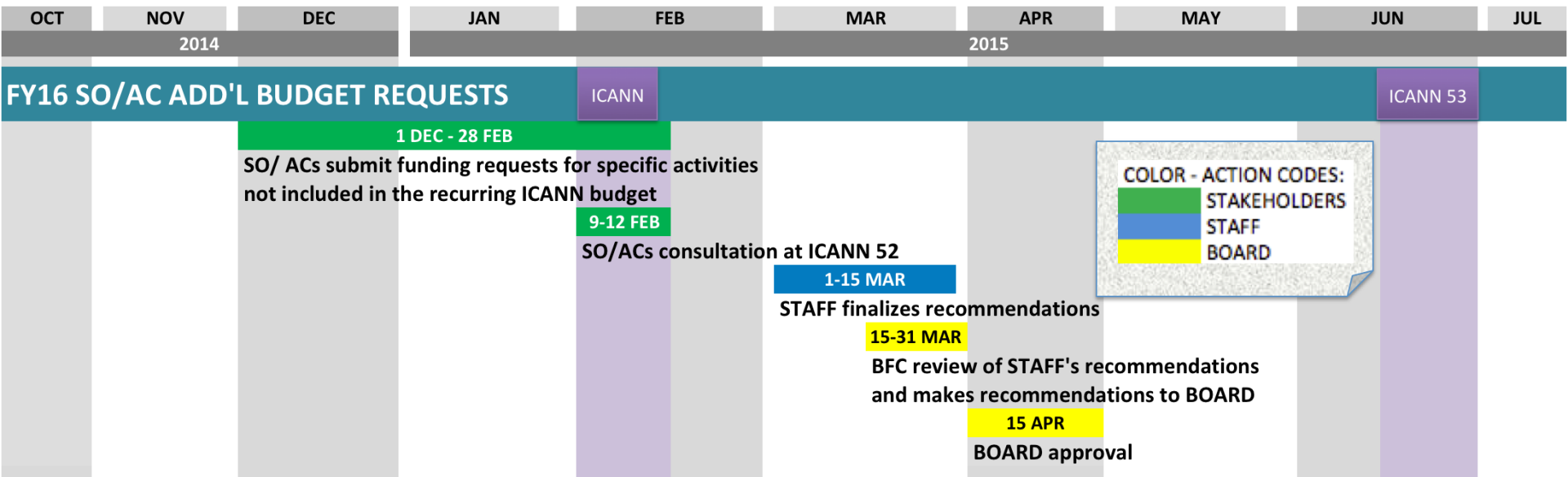
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Calendar 1/2



Calendar 2/2



COLOR - ACTION CODES:
■ STAKEHOLDERS
■ STAFF
■ BOARD

Next steps

- ⦿ Produce a summary of actions and recommendations – by 11 Feb
- ⦿ Organize a webinar to provide feedback on Budget Working Group
- ⦿ ...