



ARIN 2018-2019 Draft Budget

2019 Budget	2018 Budget	2017 Forecast	2018 Change	Percent Change
\$23,507,391	\$ 23,865,706	\$22,436,060	+ \$1,429,647	+ 6.37%

Standing Budget Guidance from Board

- Maintain conservative cost management with respect to new and ongoing programs and expenditures
- Maintain, develop, and enhance functionality of ARIN services as sought by the users and supported by the membership
- Prepare budgets against present year actuals (forecasted) rather than present year budget
- Budget as close as possible to anticipated expenses to minimize delta to budget

Proposed 2018 Operating Plan

- 1st Quarter
 - Conduct 2017 Financial Audit
 - Publish ARIN 2017 Annual Report
 - Conduct Eight (8) ARIN On the Road events throughout the year, one with NANOG On the Road
 - Continue to implement ARIN Online Web Accessibility Improvements throughout 2018 as part of ACSP 2011.21 and ACSP 2016.2): ARIN Online User Interface to include corresponding improvements to ARIN's Static Website
- 2nd Quarter
 - Conduct ARIN Public Policy and Members Meeting
 - Begin Internet Routing Registry Enhancements

Proposed 2018 Operating Plan (con't)

- 3rd Quarter
 - Launch of ARIN Website Mobile – Beta
 - Implement OAuth enhancements which will allow timeout management per ARIN Online user (ACSP 2013.29)
- 4th Quarter
 - Conduct ARIN Elections for Board and Advisory Council
 - Conduct ARIN Public Policy and Members Meeting
 - Complete Internet Routing Registry Enhancements

Proposed 2019 Operating Plan

- 1st Quarter
 - Conduct 2018 Financial Audit
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 - Conduct Eight (8) ARIN On the Road events throughout the year, one with NANOG On the Road
 - Completion of integrated ARIN Online and static website (including enhanced UI/UX and web accessibility)
 - Implement OAuth enhancements which will allow authenticated users to receive unlimited query responses (ACSP 2012.20)
- 2nd Quarter
 - Conduct ARIN Public Policy and Members Meeting
- 3rd Quarter
 - Conduct Registration Services Audit
 - Begin work on staff initiated ARIN Online tickets
 - Conduct Customer Satisfaction Survey
 - Implementation of Web Chat through ARIN Online to provide enhanced customer service

Proposed 2019 Operating Plan (Con't)

- 4th Quarter
 - Conduct ARIN Elections for Board, Advisory Council, and ASO AC
 - Conduct ARIN Public Policy and Members Meeting
 - Completion of All ACSPs that related to static site improvements
 - Complete work on staff initiated ARIN Online tickets

2018 Software Engineering Outlook

- 1st Quarter
 - Continue to implement ARIN Online Web Accessibility Improvements throughout 2018 as part of ACSP 2011.21 and ACSP 2016.2): ARIN Online User Interface to include corresponding improvements to ARIN's Static Website
- 2nd Quarter
 - Begin Internet Routing Registry Enhancements
- 3rd Quarter
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 - Implement Oauth enhancements which will allow timeout management per ARIN Online user (ACSP 2013.29)
- 4th Quarter
 - Complete Internet Routing Registry Enhancements

2017 Forecast vs. 2017 Budget

Item	2017 Forecast	2017 Budget	Variance
Personnel	\$12,142,555	\$11,976,106	(\$166,449)
Travel	\$919,340	\$911,600	(\$7,740)
Mbrs Mtg	\$753,898	\$766,300	\$12,402
Board	\$221,028	\$190,000	(\$31,028)
ARIN ASO/AC	\$58,751	\$53,500	(\$5,251)
ARIN AC	\$214,432	\$232,500	\$18,068
Communications	\$887,896	\$999,514	\$111,618
Maint & Ops	\$765,118	\$845,216	\$80,098
Depreciation	\$3,503,927	\$4,184,831	\$680,904
Bad Debt Expense	\$40,000	\$60,000	\$20,000

2017 Forecast vs. 2017 Budget

Item	2017 Forecast	2017 Budget	Variance
Rent & Occupancy	\$573,551	\$868,693	\$295,142
General Office	\$700,745	\$813,050	\$112,305
Legal Fees	\$492,079	\$450,000	(\$42,079)
Legal Defense Fund	\$9,316	- 0 -	(\$9,316)
ICANN	\$244,435	\$244,431	(\$4)
Internet Support	\$300,147	\$415,000	\$114,853
Professional Fees	\$426,517	\$333,600	(\$92,917)
Outreach	\$182,325	\$356,000	\$173,675
Total	\$ 22,436,060	\$ 23,700,342	\$1,264,282

ARIN Budget vs. Actuals Trend

Year	Budget	Actual	Delta	Percentage
2009	\$15,936,452	\$12,141,253	\$3,795,199	(23.81%)
2010	\$15,018,669	\$13,533,449	\$1,485,220	(9.89%)
2011	\$16,412,160	\$15,056,819	\$1,355,341	(8.26%)
2012	\$16,918,953	\$15,551,518	\$1,367,435	(8.08%)
2013	\$16,308,232	\$15,519,901	\$788,331	(4.83%)
2014	\$16,957,729	\$16,329,916	\$627,813	(3.70%)
2015	\$20,009,370	\$18,374,976	\$1,634,394	(8.17%)
2016	\$21,656,688	\$21,934,909	(\$278,221)	(1.28%)
2017 (Forecast)	\$23,700,342	\$22,436,060	\$1,264,282	(5.33%)

2017 Forecast vs. Proposed 2018 Budget

Item	2017 Forecast	2018 Budget	Variance
Personnel	\$12,142,555	\$13,159,802	\$1,017,247
Travel	\$919,340	\$929,785	\$10,445
Mbrs Mtg	\$753,898	\$775,581	\$21,683
Board	\$221,028	\$190,000	(\$31,028)
ARIN ASO/AC	\$58,751	\$53,500	(\$5,251)
ARIN AC	\$214,432	\$230,250	\$15,818
Communications	\$887,896	\$882,519	(\$5,376)
Maint & Ops	\$765,118	\$690,950	(\$74,168)
Depreciation	\$3,503,927	\$3,751,325	\$247,398
Bad Debt Expense	\$40,000	\$40,000	\$0

2017 Forecast vs. Proposed 2018 Budget

Item	2017 Forecast	2018 Budget	Variance
Rent & Occupancy	\$573,551	\$540,687	(\$32,864)
General Office	\$700,745	\$817,849	\$117,104
Legal Fees	\$492,079	\$450,000	(\$42,079)
Legal Defense Fund	\$9,316	- 0 -	(\$9,316)
ICANN	\$244,435	\$241,468	(\$2,967)
Internet Support	\$300,147	\$289,590	(\$10,557)
Professional Fees	\$426,517	\$582,900	\$156,383
Outreach	\$182,325	\$239,500	\$57,175
Total	\$ 22,436,060	\$ 23,865,706	\$1,429,646

Proposed 2018 Budget vs. 2019 Budget

Item	2018 Budget	2019 Budget	Variance
Personnel	\$13,159,802	\$ 12,131,991	(\$1,027,811)
Travel	\$929,785	\$929,785	-0-
Mbrs Mtg	\$ 775,581	\$775,581	-0-
Board	\$190,000	\$190,000	-0-
ARIN ASO/AC	\$53,500	\$53,500	-0-
ARIN AC	\$230,250	\$250,000	\$19,750
Communications	\$882,519	\$882,519	-0-
Maint & Ops	\$690,950	\$690,950	-0-
Depreciation	\$3,751,325	\$4,319,451	\$568,126
Bad Debt Expense	\$40,000	\$125,000	\$85,000

Proposed 2018 Budget vs. 2019 Budget

Item	2018 Budget	2019 Budget	Variance
Rent & Occupancy	\$ 540,687	\$ 537,307	(\$3,380)
General Office	\$ 817,849	\$ 817,849	-0-
Legal Fees	\$ 450,000	\$ 450,000	-0-
Legal Defense Fund	- 0 -	- 0 -	- 0 -
ICANN	\$ 241,468	\$ 241,468	-0-
Internet Support	\$ 289,590	\$ 289,590	-0-
Professional Fees	\$ 582,900	\$ 582,900	-0-
Outreach	\$ 239,500	\$ 239,500	-0-
Total	\$ 23,865,706	\$ 23,507,391	(\$358,315)

Personnel Expense

	Forecast	Variance
2017 – Budgeted \$11,976,106	\$12,142,555	(\$166,449)
2018	\$13,159,802	(\$1,017,247)
2019	\$12,131,991	\$1,027,811

- Increase in personnel due to 1) the Senior Director of Registration Services and Executive Director of Government Affairs and Public Policy having a full year at ARIN 2) Slightly lower capitalized costs for ARIN Online development based on historical capitalization

Salary & Fringe Breakout

	2017 Forecast	2018 Budget	Variance	Percentage
Salary	\$8,595,358	\$9,024,409	(\$429,051)	4.75%
Fringe	\$3,547,197	\$4,135,393	(\$588,196)	14.22%
Total	\$12,142,555	\$13,159,802	(\$1,017,247)	7.73%

- Salary increases for 2018 average 3.5% (\$338k), bonuses at 7.58% (\$28k) and reduced capitalized salaries by 3% (\$60k).
- Fringe Benefits include an average of a 4% increase for health insurance policies (\$88k) and corporate insurance policies (\$8k). Increases are also in the 401k company match and fees (\$168k), training benefits (\$37k), payroll taxes (\$31k) and reduced capitalization of development fringe benefits (\$257K).
- 2017 total engineering costs are \$6,567,101; total capitalized costs @90% are \$2,860,623 and the percentage of total engineering to capitalized costs is 44%. 2018 total engineering costs are \$7,332,723; total capitalized costs @87% is \$2,543,006 and the percentage of total engineering to capitalized costs is 35%.

Staff Travel Expense

	Forecast	Variance
2017 – Budgeted \$911,600	\$919,340	(\$7,740)
2018	\$929,785	(\$10,445)
2019	\$929,785	-0-

- Slight increase in 2018 due to duplicate travel for Executive Director, Government Affairs and Public Policy transitioning replacement

Member Meeting Expense

	Forecast	Variance
2017 – Budgeted \$766,300	\$753,898	\$12,402
2018	\$775,581	(\$21,683)
2019	\$775,581	-0-

- Slight increase in the 2018 budget due to increased hotel and airfare costs

Board Travel Expense

	Forecast	Variance
2017 – Budgeted \$190,000	\$221,028	(\$31,028)
2018	\$190,000	-0-
2019	\$190,000	-0-

- Board travel slightly up in 2017 due to more board members attending meetings than the number budgeted. This should remain at \$190k for the next two years.

ASO AC Travel Expense

	Forecast	Variance
2017 – Budgeted \$53,500	\$58,751	(\$5,251)
2018	\$53,500	\$5,251
2019	\$53,500	-0-

- The ASO AC travel is budgeted in full in the event ARIN region representative is not elected as chair

AC Travel Expense

	Forecast	Variance
2017 – Budgeted \$232,500	\$214,432	\$18,068
2018	\$230,250	(\$15,818)
2019	\$250,000	(\$19,750)

- Minimal decrease for 2017 based on travel projections
- Slight increase for inflation in 2018

Communications

	Forecast	Variance
2017 – Budgeted \$999,514	\$887,896	\$111,619
2018	\$882,519	\$5,376
2019	\$882,519	-0-

- Decrease for 2017 due to Chantilly transit backup budgeted but not placed into service.

Maintenance and Operations

	Forecast	Variance
2017 – Budgeted \$845,216	\$765,118	\$80,098
2018	\$690,950	\$74,168
2019	\$690,950	-0-

- Arbor was decommissioned end of 2017 which reduced the 2018 budget

Depreciation

	Forecast	Variance
2017 – Budgeted \$4,184,831	\$3,503,927	\$680,904
2018	\$3,751,325	(\$247,398)
2019	\$4,319,451	(\$568,126)

- ARIN Online capitalization was less than budgeted in 2017 and 2018 reflects this decrease.

Bad Debt Expense

	Forecast	Variance
2017 – Budgeted \$60,000	\$40,000	\$20,000
2018	\$40,000	-0-
2019	\$125,000	(\$85,000)

- Budgeting closer to actual for bad debt write off
- Its worth noting that ARIN has had a downturn in bad debt write offs since IPv4 free pool depletion, i.e. payment for services which include IPv4 addresses are still being revoked

Rent and Occupancy

	Forecast	Variance
2017 – Budgeted \$868,693	\$573,551	\$295,142
2018	\$540,687	\$32,864
2019	\$537,307	\$3,380

- Decrease due to prior facility lease buyout in 2017
- One year negotiated lease waiver for new office facility ends in August 2017

General Office

	Forecast	Variance
2017 – Budgeted \$813,050	\$700,745	\$112,305
2018	\$817,849	(\$117,104)
2019	\$817,849	-0-

- Credit card expense and bank fees were below budget 2017 – Staff continues to re-negotiate to lower banking fees
- Increase in credit card fees in 2018 and 2019 as a result of more payments via credit card usage (not increased fees) – payments are now 70% of customers paying by credit card

Legal Fees

	Forecast	Variance
2017 – Budgeted \$450,000	\$492,079	(\$42,079)
2018	\$450,000	\$42,079
2019	\$450,000	-0-

- In 2017 Russell and Russell was engaged to help negotiate the lease termination on ARIN's old space and lease negotiations on ARIN's new space. ARIN also had extraordinary expenses for Code of Conduct related efforts

Legal Defense

Legal Defense - \$ 9,316

- The Legal Defense line item is zero-budgeted each year.
- Small amount for bankruptcy litigation in 2017
- To date, Legal Defense fees have been paid out of ARIN's operating account, not the Legal Defense Fund as part of the Long Term Reserves

ICANN

	Forecast	Variance
2017 – Budgeted \$244,431	\$244,435	(\$4)
2018	\$241,468	\$2,967
2019	\$241,468	\$ - 0 -

- 2017 is based on revenue estimates from the 5 RIR's and will probably change once the actuals are calculated. ARIN's share will fluctuate slightly based on recent RIR CFOs calculations

Internet Support

	Forecast	Variance
2017 – Budgeted \$415,000	\$300,147	(\$114,853)
2018	\$289,590	\$10,557
2019	\$285,590	-0-

- Internet Support Activities include:
 - ITU - \$45,000
 - NANOG Webcast Support - \$50,000
 - ISOC - \$5,000
 - CTU - \$50,000
 - NRO - \$130,000

Professional Fees

	Forecast	Variance
2017 – Budgeted \$333,600	\$426,517	(\$92,917)
2018	\$582,900	(\$156,383)
2019	\$582,900	-0-

- Increase for adding Bevil Wooding as our Caribbean Liaison, Lynne Hamilton Colbert as our Canadian lobbying consultant and Cathy Aronson as our IETF Representative.

Professional Fees Detail 2018

Description	Amount	Department
Benjamin Edelman Consulting	\$ 10,000	Overhead
Guests at the ARIN Meetings	\$ 21,000	Overhead
Steve Ryan Travel Expense	\$ 23,000	Overhead
Cvent Hosted Meeting	\$ 22,000	CMSD
Temporary Labor/Voting Calling	\$ 6,000	CMSD
Annual Financial Audit	\$ 41,000	FSD
Intelice Support (Financial Software)	\$ 12,000	FSD/ENG
Cathy Aronson IETF Representative	\$ 22,500	Overhead
Bevil Wooding, Caribbean Consultant	\$170,400	Overhead
LogicMonitor	\$ 9,000	ENG
Security Audit	\$ 70,000	ENG
Copyright Registrations RIRs	\$ 20,000	Overhead

Outreach

Outreach	Forecast	Variance
2017 – Budgeted \$356,000	\$182,325	\$173,675
2018	\$239,500	(\$57,175)
2019	\$239,500	-0-

Outreach travel coming in below budget in all categories –

- Two Caribbean single country meetings budgeted and none held – 10K below budget
- 3 CTU/ICT Roadshows budgeted and only participated in one CTU event – 14K below budget
- ARIN on the Road events – 70K below budget
- 3 Member lunches budgeted, one conducted – 8K
- Speaking Events – 42K below budget
- Unplanned Sponsorships – 10K below budget
- Outreach Engineering Travel – 13K below budget

Outreach Detail 2018

Description	Amount	Department
Outreach Travel	\$ 126,000	CMSD/ENG
ARIN One the Road (8 events)	\$ 48,000	CMSD
CaribNog	\$ 25,000	CMSD
South School on Internet Governance	\$ 8,000	CMSD
Caribbean IGF	\$ 5,000	CMSD
USA IGF	\$ 5,000	CMSD
Canadian ISP	\$ 7,500	CMSD
Canto/Wispapalooza/HostingCon	\$ 15,000	CMSD
Caribbean Outreach (Bevil Wooding)	\$ 24,000	CMSD

Outreach

Planned ARIN in the Caribbean Events for Q1/Q2 of 2018

- Grenada – Tuesday 6 February 2018
- Barbados – Thursday 8 February 2018
- Monserrat – Tuesday 6 March 2018
- St. Kitts & Nevis – Thursday 8 March 2018
- Antigua and Barbuda – Tuesday May 2018
- St. Vincent and Grenada – Thursday 10 May 2018
- Turks and Caicos – Tuesday 5 June 2018
- St. Martin – Thursday 7 June 2018

2018 Revenue Projection

- Registration Revenue = \$ 19,508,475
- Reserve Interest = \$ 1,400,000
and Capital Gain *
- TOTAL REVENUE = \$ 20,908,475

(*6.0% of total reserves)

Projected Revenue vs. Expense

Revenue	2017 Est.	2018*	2019*
ASN Initials	\$ 728,761	\$ 754,000	\$ 754,000
Assignments	\$ 174,750	\$242,000	\$286,000
Registration Services Plan	\$14,311,307	\$ 14,215,250	\$ 14,239,250
Maintenance Fees	\$2,445,300	\$3,540,000	\$4,182,500
Maintenance Fees Legacy	\$69,600	\$83,900	\$97,050
Other	\$ 714,886	\$673,325	\$701,425
Investment Revenue	\$1,513,888	\$1,400,000	\$1,200,000
TOTAL REVENUE	\$19,958,492	\$20,908,475	\$21,460,225
Projected Budget Expense	\$22,436,060	\$23,865,706	\$23,507,391
Net to Reserves	(\$2,477,568)	(\$2,957,231)	(\$2,047,166)
Reserve Balance	\$27,800,199	\$24,842,968	\$22,795,802

*Assumes a 5% return on investments

2018 Proposed Revenue

Transaction Type	Jan-Jun 2018	Jul-Dec 2018*	Total Revenue
ASN Initials	\$377,000	\$377,000	\$754,000
Assignments	\$88,000	\$154,000	\$242,000
Registration Services Plan	\$7,107,625	\$7,107,625	\$14,215,250
Maintenance Fees	\$1,285,000	\$2,255,000	\$3,540,000
Maintenance Fees Legacy	\$32,100	\$51,800	\$83,900
Other	\$336,663	\$336,662	\$673,325
Investment Revenue	\$700,000	\$700,000	\$1,400,000
Total Revenue	\$9,926,388	\$10,982,087	\$20,908,475

*Note: July thru December has the following changes in fees:
 Assignments & Maintenance Fees – Increased by \$50 per object
 Maintenance Fees Legacy – Increased by \$50 per Org

2018 Budget - Effect on Reserves

• Reserves as of 12/31/16	\$ 30,277,767
• Projected net 12/31/17	<u>(\$ 2,477,568)</u>
• Projected year end 2017	\$ 27,800,199
• Projected net 2018	<u>(\$2,957,231)</u>
• Projected year end reserves	\$ 24,842,968

The End

Reference Material

Depreciation Estimate Through 2023

Depreciation Estimate for 7 years

<u>Years</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Computer Hardware	939,244	605,374	304,107	48,287	-	-	-
Computer Software	51,684	33,169	1,715	-	-	-	-
Equipment	3,164	3,227	2,846	660	-	-	-
Furniture	100,845	100,767	100,767	100,767	58,807	296	-
Leasehold	218,097	219,717	219,717	219,717	219,717	219,717	219,717
ARIN Online	2,053,589	1,988,259	1,666,006	1,251,621	732,219	198,402	-
Totals	<u>3,366,623</u>	<u>2,950,514</u>	<u>2,295,157</u>	<u>1,621,052</u>	<u>1,010,742</u>	<u>418,416</u>	<u>219,717</u>

Current Staffing Level

- Total – 86 staff
 - Executive – 7
 - HR/ADMIN – 4
 - Engineering – 43
 - Registration Services – 12
 - Financial Services – 6
 - Communication and Member Services – 12
 - Legal - 2

ARIN 7 Year Revenue History

	FCST 2017	Actual 2016	Actual 2015	Actual 2014	Actual 2013	Actual 2012	Actual 2011
IP End-User Registrations	174,750	157,250	668,500	734,250	1,046,562	1,277,750	1,415,250
ASN Registrations	728,761	712,937	820,138	869,035	770,077	666,164	677,837
Registration Services Plan	14,311,307	14,204,759	13,767,762	13,040,985	12,104,916	11,523,679	10,862,319
Total Registration Revenue	15,214,818	15,074,947	15,256,400	14,644,271	13,921,555	13,467,593	12,955,405
Membership	37,036	22,464	34,000	27,500	23,500	19,500	22,000
Network Transfers	423,900	610,000	276,500	206,250	125,500	68,500	57,250
Maintenance Fees	2,514,900	2,497,945	2,288,800	2,065,800	1,654,100	1,131,600	1,160,500
Conference Fees	1,350	0	0	300	0	5,600	4,900
STLS - Needers	3,400	4,400	2,800	1,200	100	100	100
STLS - Listers	100	1,000	200	100	0	200	100
STLS - Facilitator	2,500	2,400	1,600	1,100	300	800	500
Contributions - Members	45,000	58,838	40,116	32,500	46,985	50,375	33,050
Contributions - Non-Members	201,600	201,600	201,600	201,600	201,600	246,600	176,800
Total Revenue	18,444,604	18,473,594	18,102,016	17,180,621	15,973,641	14,990,867	14,410,605
	.9%	2.0%	5.1%	7.0%	6.2%	3.9%	14.8%
Interest and Dividends	(969,673)	(12,488)	(4,474)	(17,873)	6,480	12,052	1,088
Capital Gains	2,483,561	1,681,002	(90,186)	1,200,174	3,887,218	2,723,497	(356,299)
	1,513,888	1,668,514	(94,659)	1,182,301	3,893,698	2,735,549	(355,210)
	-12.9%	105.7%	1349.0%	-229.3%	29.7%	113.0%	-11.9%
Total Income	19,958,492	20,142,108	18,007,357	18,362,921	19,867,339	17,726,416	14,055,395
	-12.9%	10.6%	-2.0%	-8.2%	10.8%	20.7%	12.6%

Impact of Surge Reduction Beginning 2019

ARIN currently operates 5 sprint teams. A reduction in surge beginning 2019 will reduce the sprint teams from 5 to 3. Specific project impacts are the following:

- Completion of integrated ARIN Online and static website (including enhanced UI/UX and web accessibility) moves from Q1 to Q4 of 2019
- Implementation of Web Chat through ARIN Online to provide enhanced customer service move from Q3 of 2019 to a future year
- Move completion of All ACSPs that related are to static site improvements from Q4 of 2019 to a future year

Proposed 2019 Operating Plan Recast with Surge Reduction

- 1st Quarter
 - Conduct 2018 Financial Audit
 - Publish ARIN 2018 Annual Report
 - Conduct Eight (8) ARIN On the Road events throughout the year, one with NANOG On the Road
 - Implement OAuth enhancements which will allow authenticated users to receive unlimited query responses (ACSP 2012.20)
- 2nd Quarter
 - Conduct ARIN Public Policy and Members Meeting
- 3rd Quarter
 - Conduct Registration Services Audit
 - Begin work on staff initiated ARIN Online tickets
 - Conduct Customer Satisfaction Survey

Proposed 2019 Operating Plan with Surge Reduction (Con't)

- 4th Quarter
 - Conduct ARIN Elections for Board, Advisory Council, and ASO AC
 - Conduct ARIN Public Policy and Members Meeting
 - Completion of integrated ARIN Online and static website (including enhanced UI/UX and web accessibility)
 - Complete work on staff initiated ARIN Online tickets