

Planning and Finance Presentation

Presented by ICANN org
Planning and Finance Team



April 21, 2021

Agenda

- Planning
 - FY22 Draft Plans Public Comments Overview

- Finance
 - FY20 Financials Overview
 - FY22 Budget Assumptions and Overview
 - Public Comment – Key Financial Themes

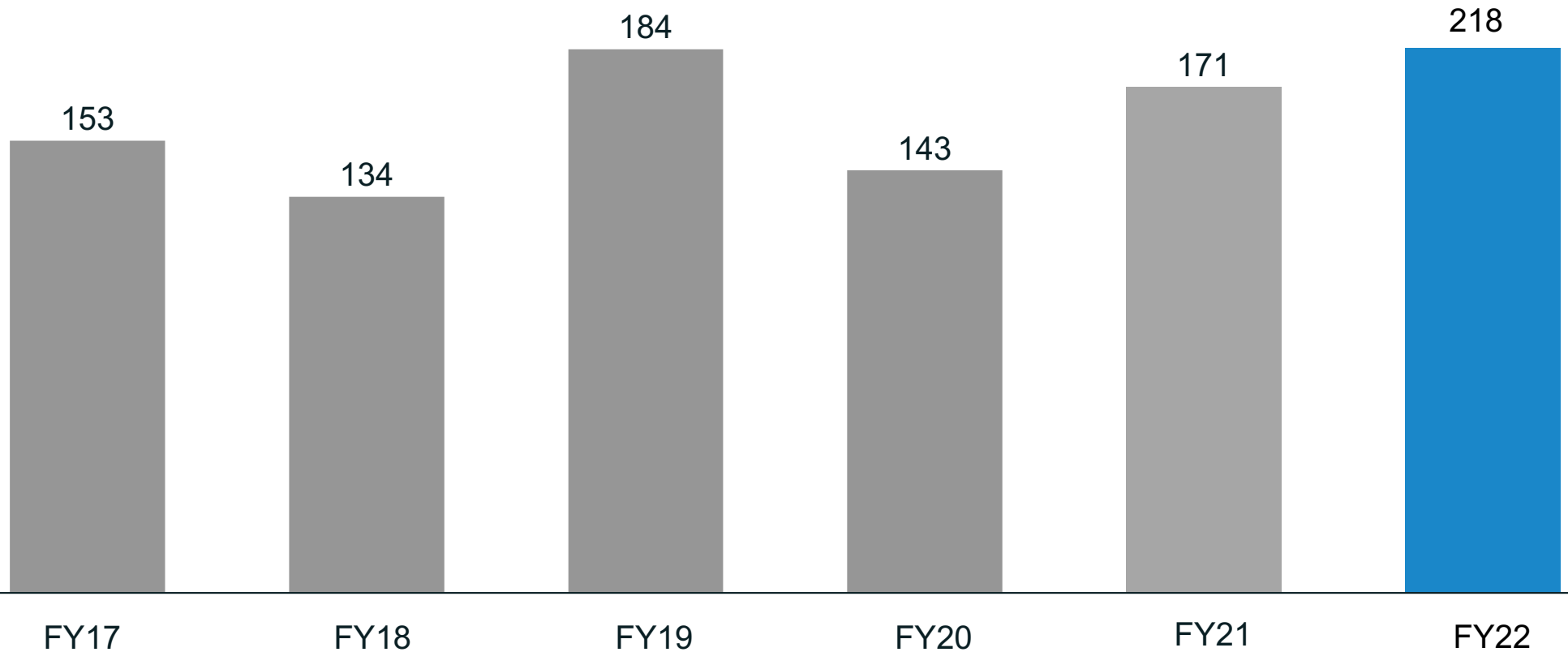
- FY22 and FY23 Planning Next Steps

- Q&A

FY22 Draft Plans Public Comments Overview

Public Comments by Year

Community involvement and engagement continues to remain high

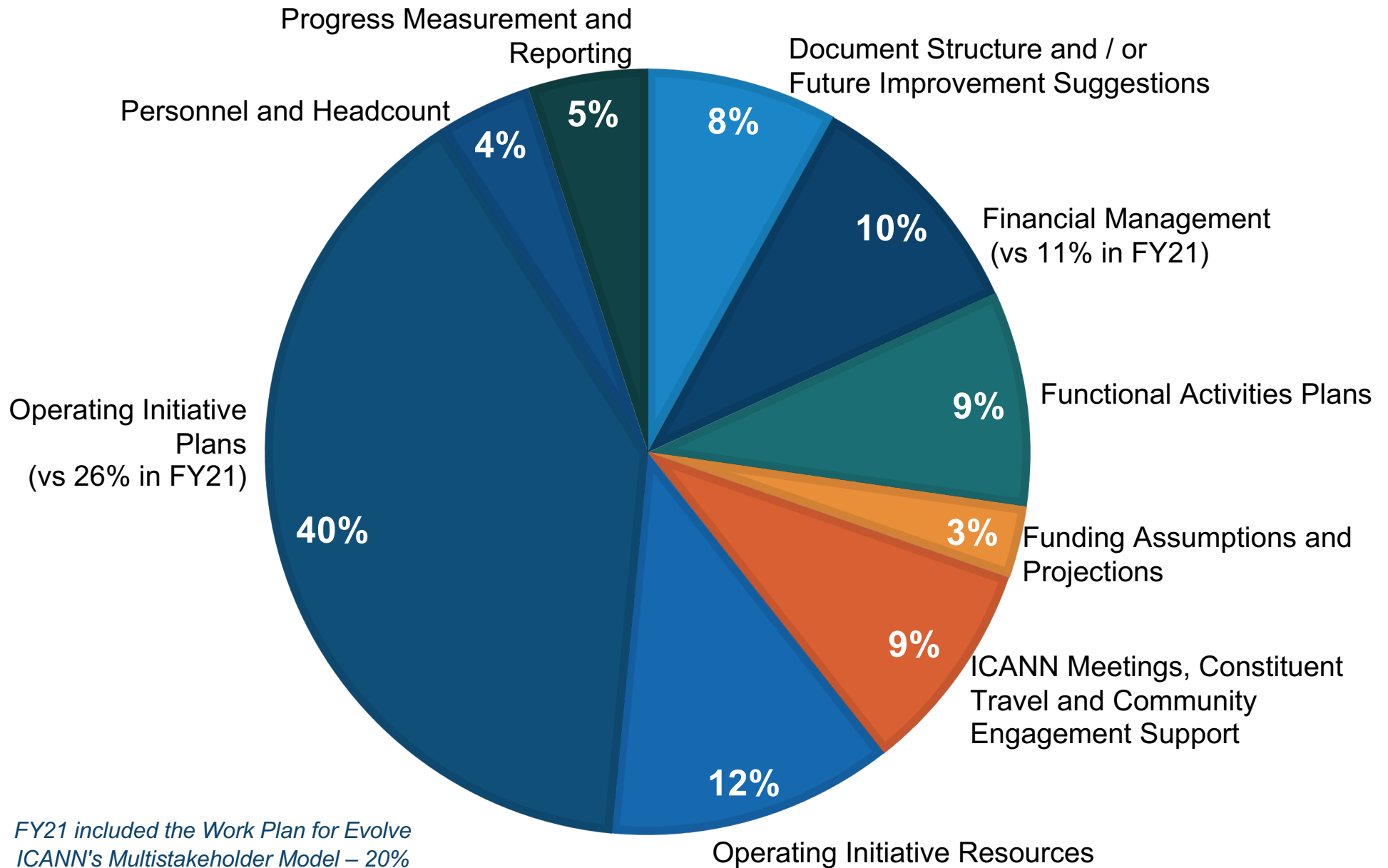


Public Comments: Breakdown by Submitter

No.	Groups Submitting Comments	FY20 Number of Comments	FY21 Number of Comments	FY22 Number of Comments	FY22 vs FY21 Higher / (Lower)
1	Article 19 (note 1)			2	2
2	At-Large Advisory Committee	10	17	19	2
3	Blacknight Internet Solutions Ltd	4			
4	ccNSO Strategic and Operational Planning Committee (SOPC)	36	48	57	9
5	Coordination Center for TLD RU (ccNSO Community)			6	6
6	Customer Service Committee (CSC)	1			
7	Generic Names Supporting Organization Council (GNSO)	12	17	15	-2
8	gTLD Registries Stakeholder Group (RySG)	16	37	33	-4
9	i2Coalition		7		-7
10	ICANN Business Constituency (BC)	6	21	64	43
11	ICANN Governmental Advisory Committee (GAC)	4	1	7	6
12	Individual	1	8	1	-7
13	Intellectual Property Constituency (IPC)	15			
14	Non-Commercial Stakeholders Group (NCSG)	27	8	10	2
15	The Registrar Stakeholder Group (RrSG) (note 1)	1	7	4	-3
16	Security and Stability Advisory Committee (SSAC)	2			
17	The Centre for Internet and Society	8			
	Total	143	171	218	47
	# of Groups Submitting by Year	14	10	11	1

Note 1- There were 15 submissions on time and two that were submitted after the due date. These two are listed as such in the report.

Public Comments: Breakdown by Theme



❖ *FY21 included the Work Plan for Evolve ICANN's Multistakeholder Model – 20%*

Public Comments: Thematic Breakdown by SO/AC and Theme

Theme	Total Number FY22	Article 19	At-Large Advisory Committee	ccNSO (SOPC)	Coordination Center for TLD RU (ccNSO Community)	Generic Names Supporting Organization Council (GNSO)	gTLD Registries Stakeholder Group (RySG)	ICANN Business Constituency (BC)	ICANN Governmental Advisory Committee (GAC)	Individual	Non-Commercial Stakeholders Group (NCSG)	The Registrar Stakeholder Group (RrSG)
Document Structure and / or Future Improvement Suggestions	17		1	2		1	7	3	2	1		
Financial Management	21		3	7		1	3	5			1	1
Functional Activities Plans	20	1	1	13		3	1		1			
Funding Assumptions and Projections	8		1	2			1	3			1	
ICANN Meetings, Constituent Travel and Community Engagement Support	20		5	1		4	2	2	2		3	1
Operating Initiative Resources	28		1	9		1	1	10	1		4	1
Operating Initiatives Plans	83	1	1	13	6	5	16	39	1		1	
Personnel and Headcount	8		1	3			1	2				1
Progress Measurement and Reporting	13		5	7			1					
Total	218	2	19	57	6	15	33	64	7	1	10	4

FY22 Public Comment – Key Themes

ccNSO SOPC

Summarized Comment	Summarized Response
Increased 5-year expenses versus prior publication	Previous publication was done at the start of the pandemic. Current publication forecasts higher funding which allows for higher expenses to support ICANN's mission.
Increase in Professional Services and high in general	Increase in FY22 Budget vs FY21 Forecast is driven by the reinstatement of face-to-face meetings which the org believes are crucial for collaboration. In general, a large portion of Professional Services come from outsourced IT work which is cheaper than doing it in-house. Next largest are legal and language service expenses.
Clarity on how Operating Initiatives will be allocated	An additional table showing phasing by fiscal year of Operating Initiatives requiring incremental resources will be added to the Plan documents.
Confusion about Contingency versus Reserve Fund	Contingency is a budgeted amount for unplanned activities or events in a fiscal year. The Reserve Fund is outside of the budget; it is a pool of funds to cover large expenses resulting from unavoidable, unpredictable or unplanned events, which cannot be funded from ICANN's Operations.

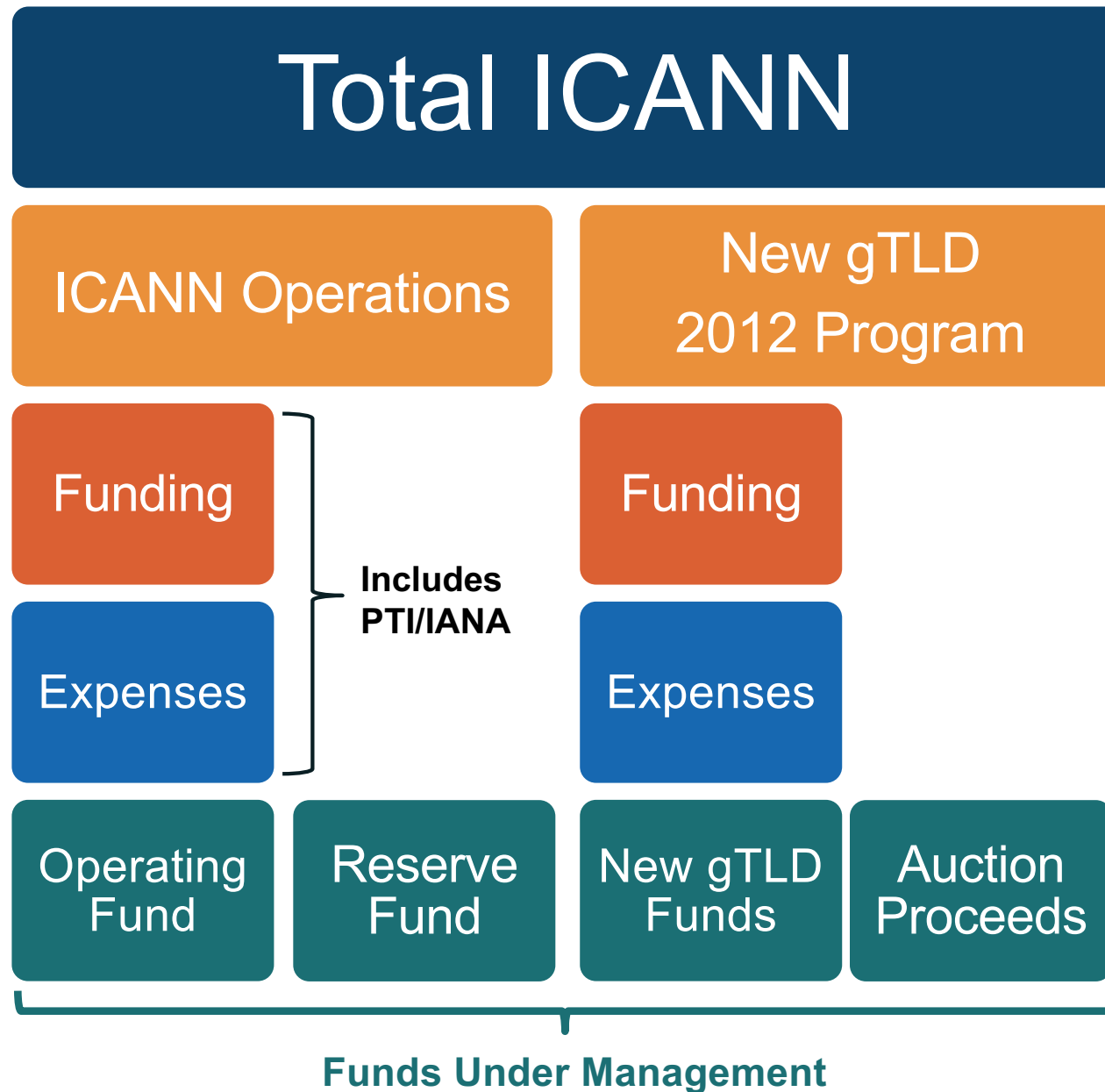
FY22 Public Comment – Key Themes

GNSO

Summarized Comment	Summarized Response
Clarity on Contingency amount and use	The Contingency amount is \$5.2M or approximately 4% of total expenses. This amount is consistent with the budgets of the past few years and was intentionally unchanged because the amount has been adequate for unplanned activities that occur during the fiscal year. In addition to unplanned legal and technical expenses, ICANN org feels that Appendix A of the Operating Plan (Rolling Five-Year Roadmap) reflects current and future work streams that could potentially require Contingency. The approval process involves the requester’s Executive, the CFO, and the CEO.
Resources allocated to SO/ACs	In addition to the Constituent Travel section of the Budget, ICANN org is working on a better report format to more comprehensively communicate and display all the support given to SO/ACs throughout the organization.
Clarity on how Operating Initiatives will be allocated	An additional table showing phasing by fiscal year of Operating Initiatives requiring incremental resources will be added to the Plan documents.

Financial Results

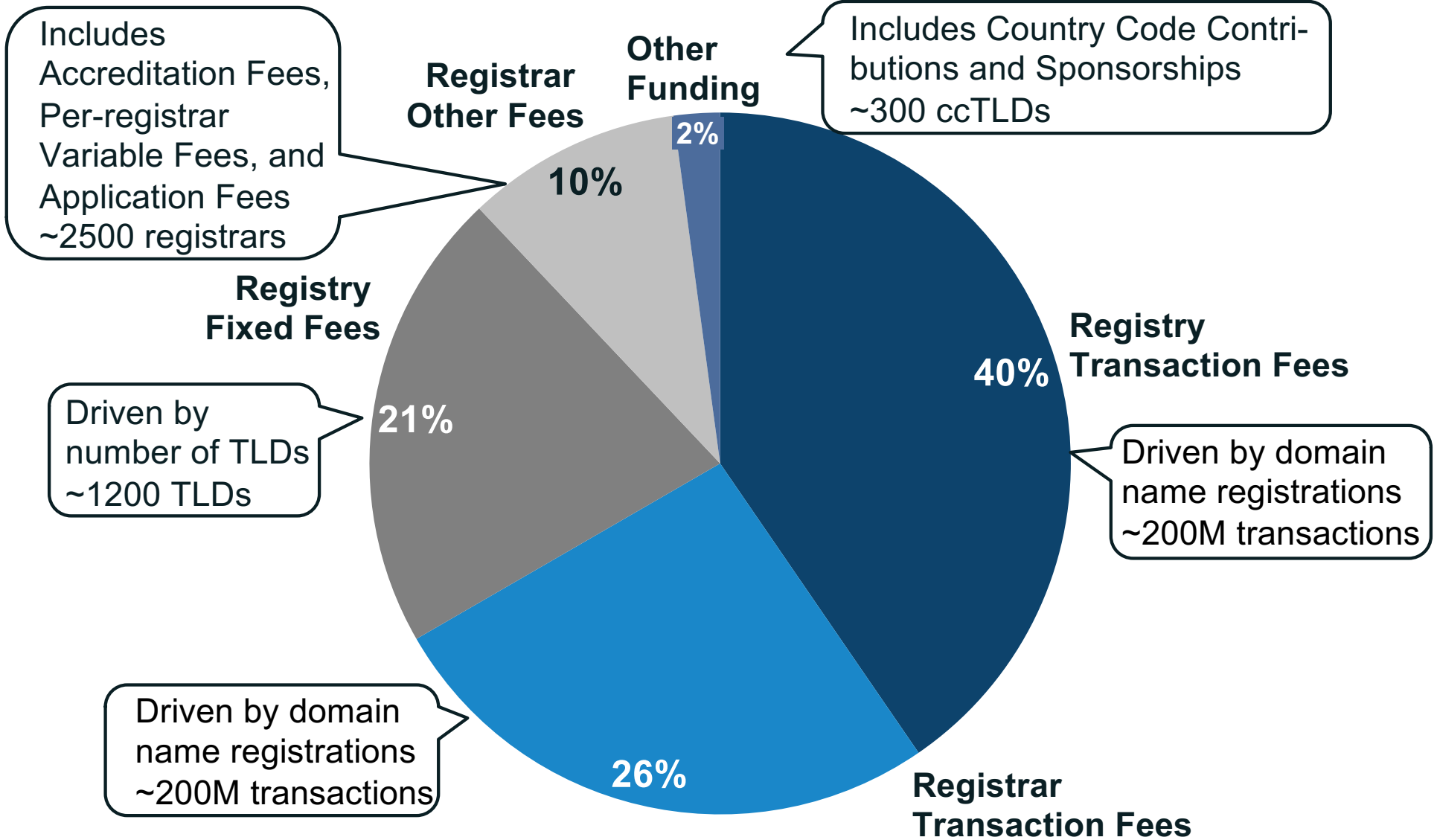
ICANN Financial Reporting Structure



FY20 (Jul 19 – Jun 20) Funding by Category

\$USD in Millions

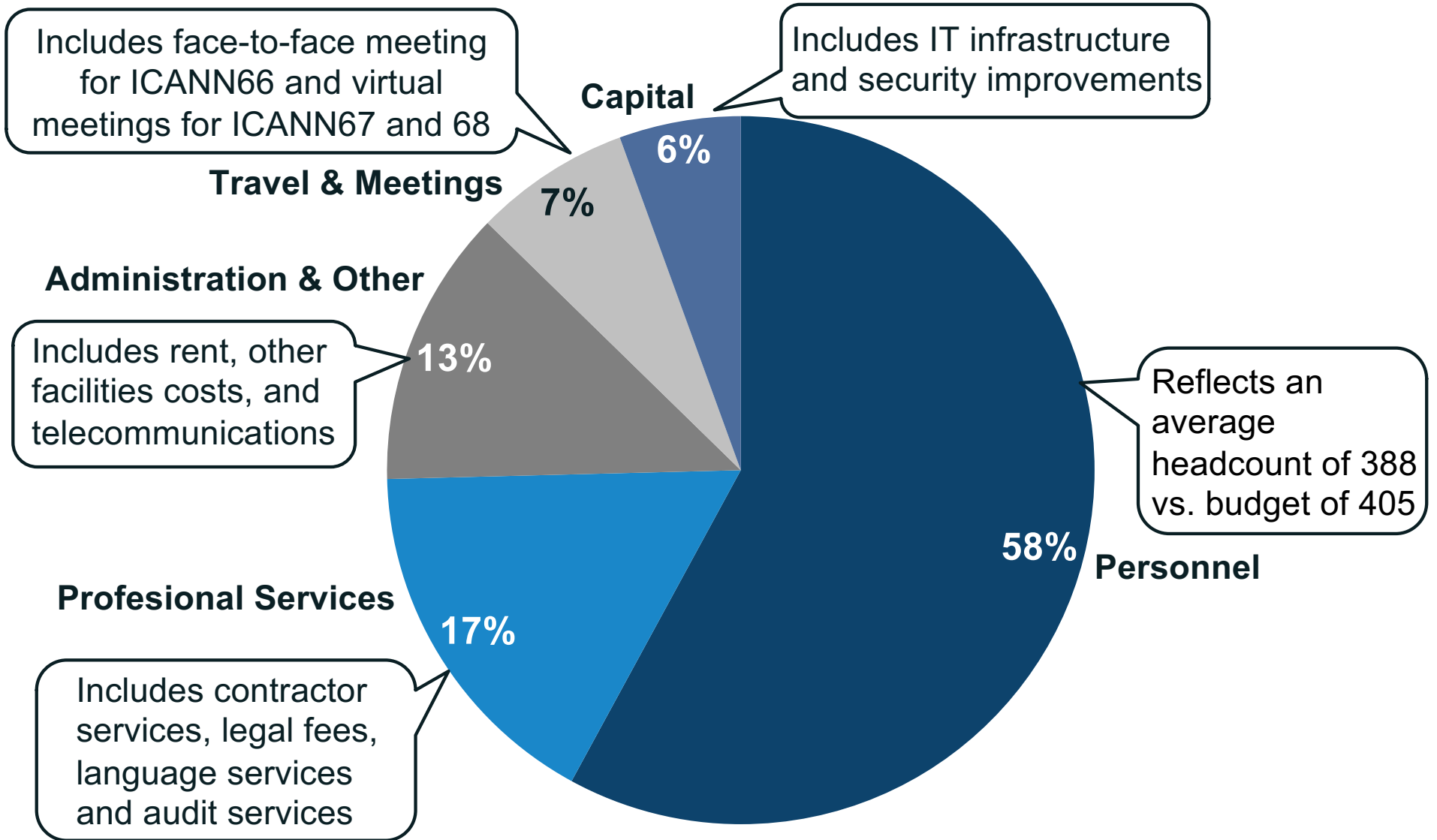
FY20 Funding- \$141M



FY20 (Jul 19 – Jun 20) Expenses by Cost Category

\$USD in Millions

FY20 Expenses- \$126M



Funds Under Management Overview

ICANN manages four funds. Below are the FY20 ending balances and a description of each.

- ⊙ **Operating Fund (\$61M):** covers day-to-day operations including all items in the ICANN Board approved annual budget. The Operating Fund is set at a level necessary to fund a minimum of three months expected operating expenses.
- ⊙ **Reserve Fund (\$123M):** ICANN's funding to cover large expenses resulting from unavoidable, unpredictable or unplanned events, which cannot be funded from ICANN's Operations.
- ⊙ **New gTLD Program (\$86M):** correspond 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 hard-to-predict costs, including risks.
- ⊙ **Auction Proceeds (\$212M):** come from ICANN auctions held to resolve string contention in the New gTLD Program. These are reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community.

Governed by

ICANN
Investment
Policy

New gTLD
and
Auction
Proceeds
Investment
Policy

FY22 Draft Budget Assumptions

- The ICANN budget will be balanced; projected expenses will not exceed projected funding in the fiscal year
- The condition of the pandemic remains uncertain, including its impacts on ICANN's Operations
- ICANN Org has assumed stable funding, in line with recent trends and projections
- Expense assumptions:
 - Average headcount is assumed to be at 405, similar to current staffing levels
 - Travel is assumed to be comparable to levels prior to pre-pandemic levels
 - FY22 Budget assumes 3 face to face ICANN Public Meetings and on-going ICANN staff travel
- The ICANN budget will continue to include funds for Contingency
- The Reserve Fund balance reached 1 year of expenses in FY21; the FY22 Budget includes an allocation to ensure ICANN stays at or above the minimum target level

FY22 Draft Budget vs FY21 Forecast

- The FY21 Forecast is based on four months of actual data and eight months of estimates
- The FY22 Draft Budget assumes unrestricted travel for the entire fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the first nine months of the fiscal year

In Millions, USD	FY22 Draft Budget	FY21 Forecast	Under/(Over) vs. FY21 Forecast	
	ICANN Operations	ICANN Operations	\$	%
Funding ⁽¹⁾	\$144.4	\$140.0	\$4.4	3%
Personnel	80.1	76.6	(3.5)	-5%
Travel & Meetings	13.8	4.7	(9.1)	-195%
Professional Services	19.6	17.9	(1.7)	-10%
Administration	17.2	16.6	(0.6)	-4%
Capital	4.0	6.3	2.2	36%
Incremental Operating Initiatives ⁽²⁾	5.5	2.0	(3.5)	-173%
Contingency ⁽³⁾	5.2	1.2	(4.0)	-333%
Cost Savings Initiatives	(2.2)	(1.4)	0.8	-55%
Total Operating Expenses	\$143.2	\$123.9	(\$19.4)	-16%
Excess/(Deficit) before Contributions	\$1.1	\$16.1	(\$15.0)	n/a
Reserve Fund Contribution	1.1	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	\$0.0	\$16.1	(\$16.1)	n/a
Average Headcount	405	395	(10)	-2%

(1) Includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency represents an amount of budgeted expenses unallocated to specific activities or functions

- The FY22 Draft Budget funding is \$4.4 million higher, driven by growth in domain name transactions per historical trends and a full year contribution for SSR initiatives versus half a year in FY21 Forecast
- Expenses in the FY22 Draft Budget are \$19.4 million higher, driven by two incremental face to face ICANN Public Meetings, more headcount and inflationary Personnel expenses, and incremental operating initiatives

Financial Reporting Resources

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

Periodically, 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)
- ICANN org Remuneration

Link to Financial Documents:

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

FY22 and FY23 Planning Next Steps

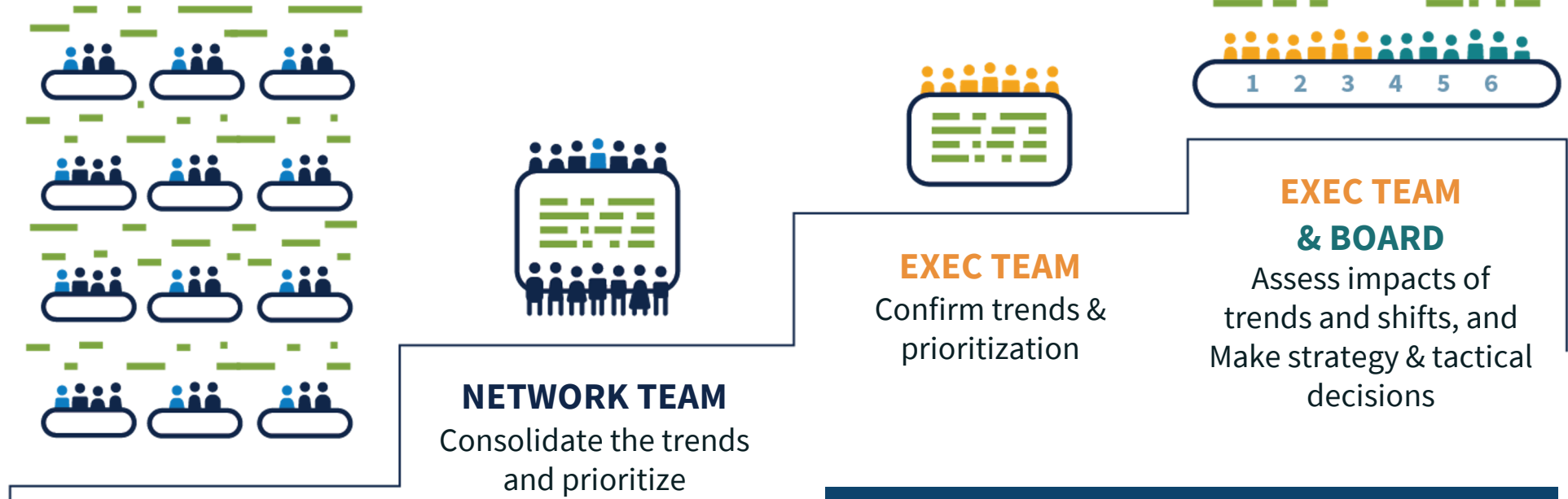
Next Steps - Community and Board Involvement

What	Who	When
FY22 Planning Process Kick Off	Community	ICANN 69 Prep Week
Review draft FY22-26 O&FP and FY22 OP&B	BFC	9 December 2020
FY22-26 O&FP Public Comment FY22 OP&B Public Comment	Community	17 December 2020 – 15 February 2021
Community Webinars	Community	12/13 January 2021 UTC
ICANN BFC recommends IANA Budget Approval	BFC	19 January 2021
ICANN Board Adopts IANA Budget	Board	Board Workshop January 2021
Review Public Comment inputs/development of both FY22-26 O&FP and FY22 OP&B	Board & Community	ICANN 70
Review Revised Plans	BFC	29 April 2021
Plans Adoption	Board	12 May 2021
Empowered Community Period	Community	May – June 2021

FY23 Planning

Strategic Outlook Trends Identification & Analysis

Process repeats annually



An annual process to ensure ICANN has a consistent way to:

- Identify and track trends
- Prepare for opportunities
- Mitigate or avoid challenges
- Inform strategic & operational planning and prioritization

Questions and Answers



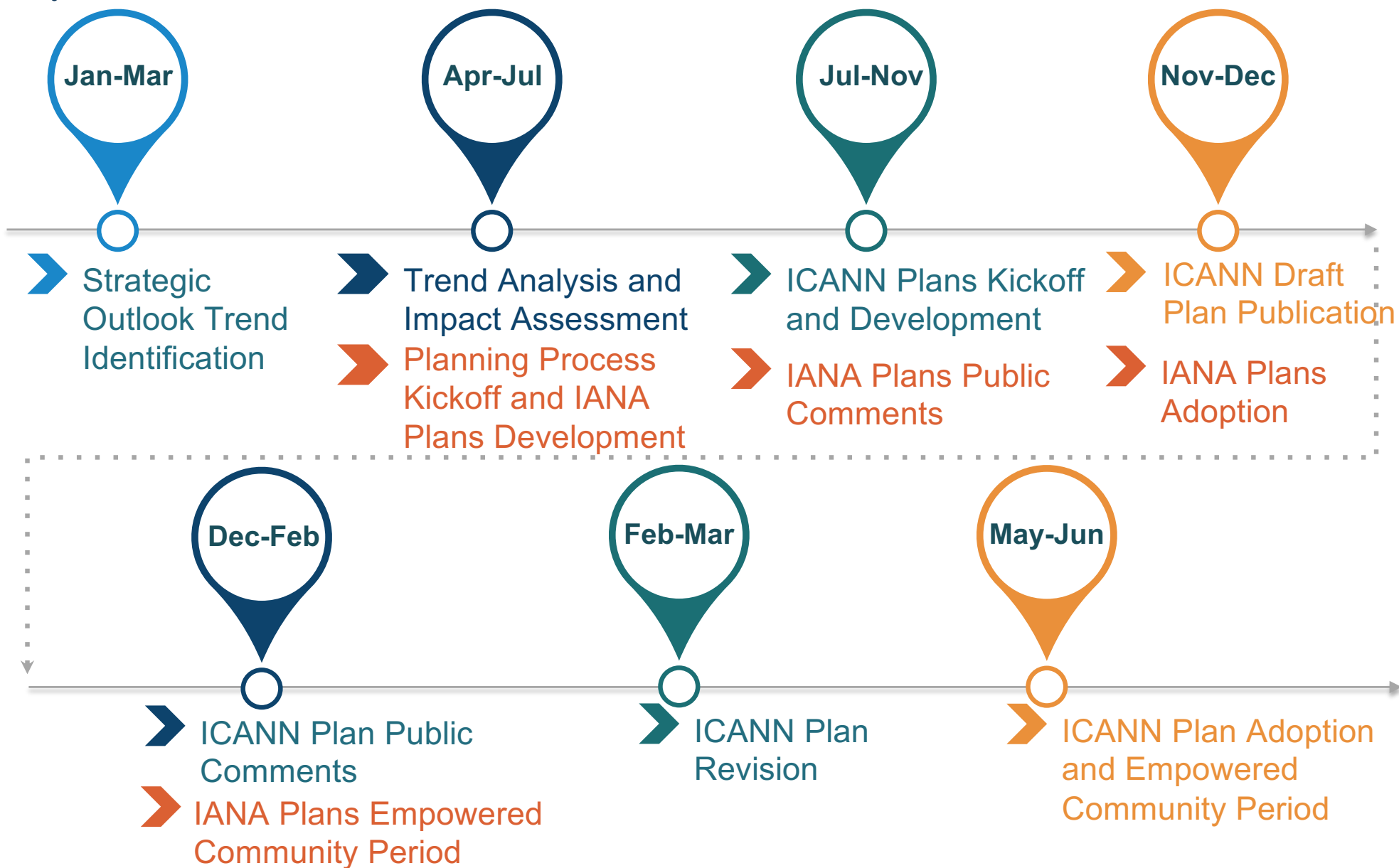
- ❖ Please raise your hand in zoom if you want to ask a question
- ❖ The Remote Participants Manager will manage the queue
- ❖ Unmute your microphone to ask questions when is your turn
- ❖ Mute your microphone when not speaking



- ❖ Please type your question in zoom
- ❖ The Remote Participants Manager will read out your question(s)

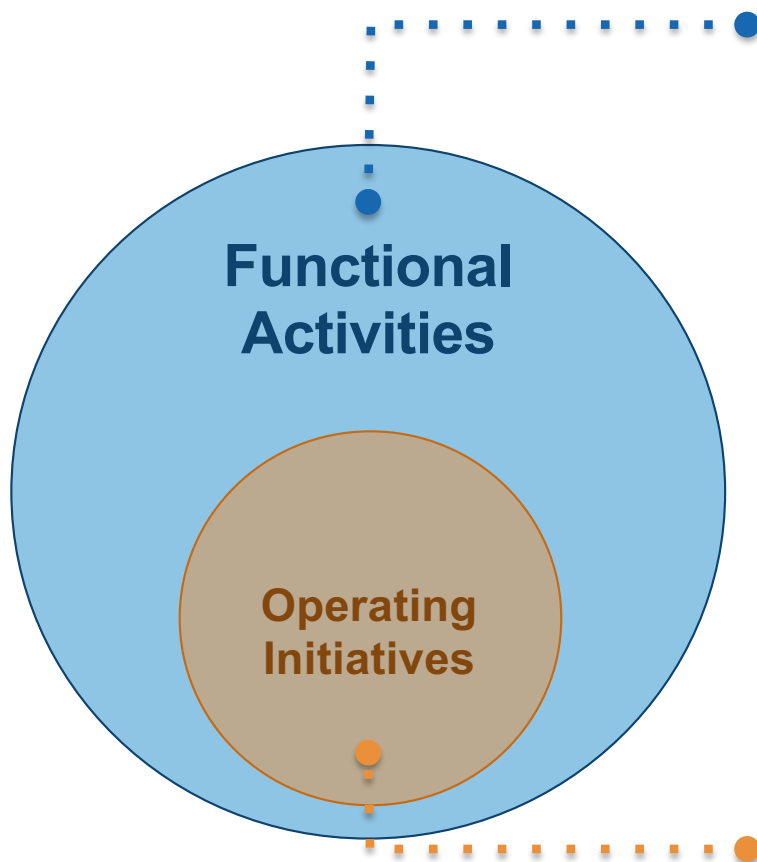
Appendix

Community Participation



FY22 Operating Plan Structure

The Operating Plan includes description of the activities ICANN org will undertake to achieve its Strategic Plan, operate the organization and implement its mission and mandate.



Functional Activities (34 in 5 groups)

Activities of the Functions to:

- Operate the organization, such as *Human Resources or Finance*
- or
- Implement ICANN's mission and mandate, such as *Contractual Compliance or the IANA*.

Operating Initiatives (15)

- The 15 operating initiatives represent major areas of work that support the strategic objectives identified in the strategic plan

Please refer to Appendices for the list of all Functional Activities and Operating Initiatives

FY22 Functional Activities

34 Activities in 5 Service Groups



Technical and DNS Security

- Office of the Chief Technology Officer
- IANA Functions
- IDN and UA
- ICANN Managed Root Server
- Contractual Compliance

5 Functional Activities



Policy Development and Implementation Support

- Policy Development and Advice
- Policy Research and Stakeholder Programs
- Contracted Parties Services Operations
- Etc.

6 Functional Activities



Community Engagement and Services

- Global Stakeholder Engagement
- Government and IGOs Engagement
- GDD Accounts and Services
- Etc.

8 Functional Activities



ICANN Org Governance

- Board Activities
- Office of CEO
- Governance Support
- Etc.

7 Functional Activities



ICANN Org Shared Services

- Finance and Procurement
- Engineering and Information Technology
- Global HR and Administrative Services
- Etc.

8 Functional Activities

Please refer to Appendices for the list of all Functional Activities

FY22 Key Planning Assumptions

Strategic Objectives Remain Unchanged

Based on the Strategic Outlook trends assessment, the Strategic Planning Committee recommended to the Board no changes to the Strategic Objectives

Affordability Assumption and Balanced Budget

The Draft plans are based on “base” scenario funding projections. Each fiscal year, the resources for the cost of work planned do not exceed funding available

Recurring Work Continues

Majority of ICANN org’s work recurs year over year:

- needed for organization operations, or
- to support ICANN’s mission and mandate

Dependencies and Rolling Plan

The 5-Year Operating Plan and Financial Plan is developed each fiscal year as a rolling plan. The 1-Year Operating Plan and Budget then includes detailed implementation work resulting from Board’s decisions of policy and community recommendations

FY22 Operating Plan Highlights

Face-to-Face Meetings and Engagement

Although there is still uncertainty, for planning purposes, the FY22 plans assume business travel and three face-to-face meetings ICANN meetings and other engagement activity will resume

Community Recommended and Board Approved Implementation work

The WS2 Implementation work is prioritized in the FY22 plans. Other Board adopted recommendations will be subject to prioritization process

Operating Initiatives and Key Projects

Progression towards the achievement of the Operating Initiatives is included in FY22 plans

Cost Savings and Efficiencies

Cost savings and efficiencies are assumed over the 5-year period

Functional Activities – 34 in 5 groups

Technical and DNS Security

- Office of the Chief Technology Officer
- ICANN Managed Root Server
- Internationalized Domain Names and Universal Acceptance
- IANA Functions
- Contractual Compliance

Policy Development and Implementation Support

- Policy Development & Advice
- Policy Research and Stakeholder Programs
- Contracted Parties Services Operations
- Technical Services
- Strategic Initiatives
- Constituent & Stakeholder Travel

Community Engagement and Services

- Global Stakeholder Engagement
 - Regional Offices
- Public Responsibility Support
- Government & IGOs Engagement
- GDD Accounts & Services
- Consumer Safeguards
- Communications & Language Services
- Global Meetings Operations
- Ombudsman

Functional Activities – 34 in 5 groups

ICANN Org Governance

- Board Management
- Office of the President and CEO
- Governance Support
- Nominating Committee Support
- Complaints Office
- Planning
- Reviews Support and Implementation

ICANN Shared Services

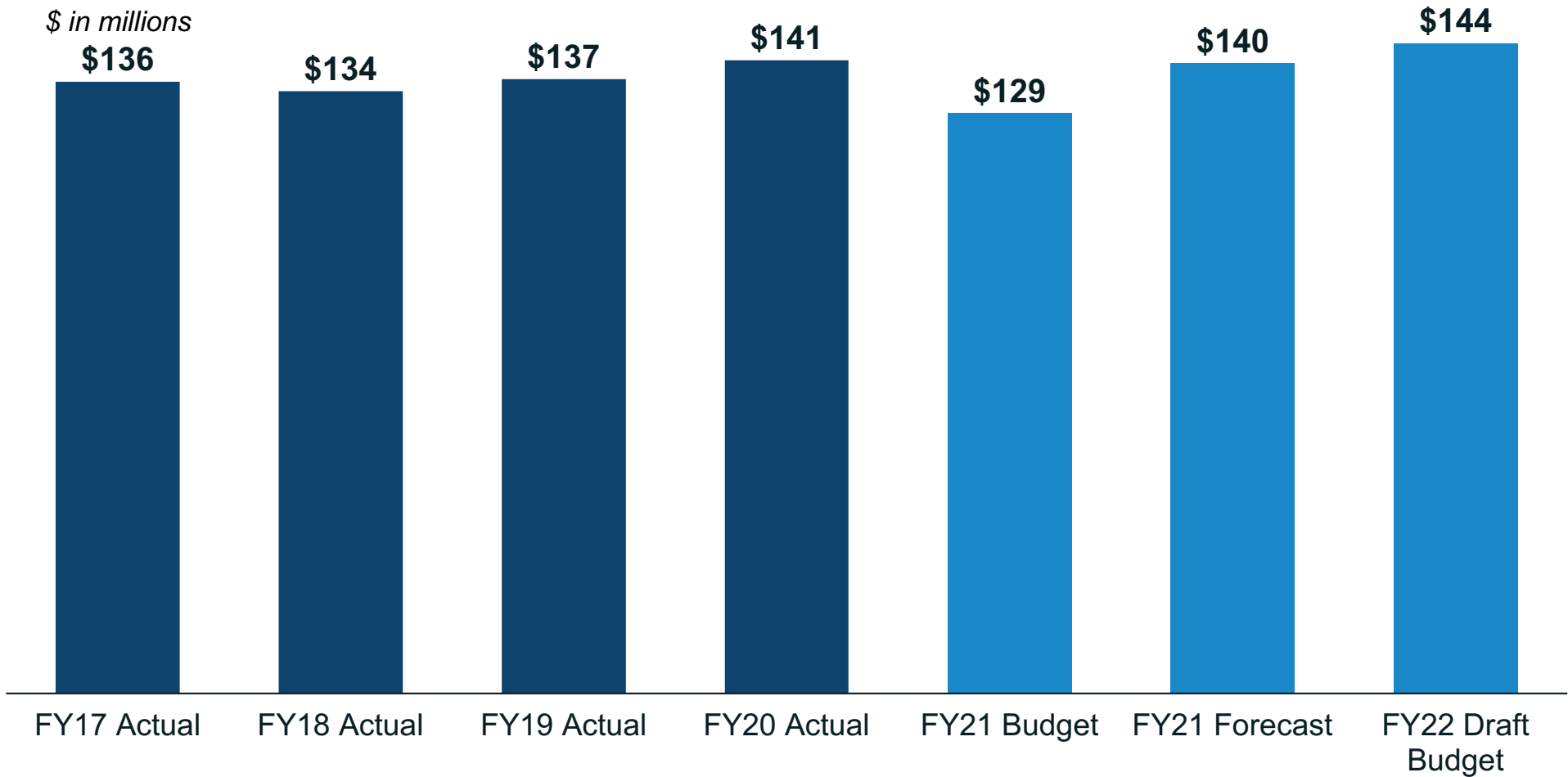
- Finance & Procurement
- Risk Management
- Engineering & Information Technology
- Global Human Resources & Administrative Services
- Global Support Center
- Board Operations
- Security Operations
- ICANN Offices

Operating Initiatives

1	Support the Evolution of the Root Server System	9	Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem
2	Facilitate DNS Ecosystem Improvements	10	Through Targeted Engagement Improve Governmental and Intergovernmental Organization (IGO) Engagement and Participation in ICANN
3	Evolve and Strengthen the Multistakeholder Model to facilitate Diverse and Inclusive Participation in Policymaking	11	Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration with Others that May Impact the ICANN Mission
4	Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking	12	Formalize the ICANN Org Funding Model and Improve Understanding of the Long-term Domain Name Market Drivers
5	Develop Internal and External Ethics Policies	13	Implement New gTLD Auction Proceeds Recommendations as Approved by Board
6	Promote and Sustain a Competitive Environment in the Domain Name System	14	Planning at ICANN
7	Promote the Universal Acceptance of Domain Names and Email Addresses	15	ICANN Reserves
8	Root Zone Management Evolution		

Funding Trends

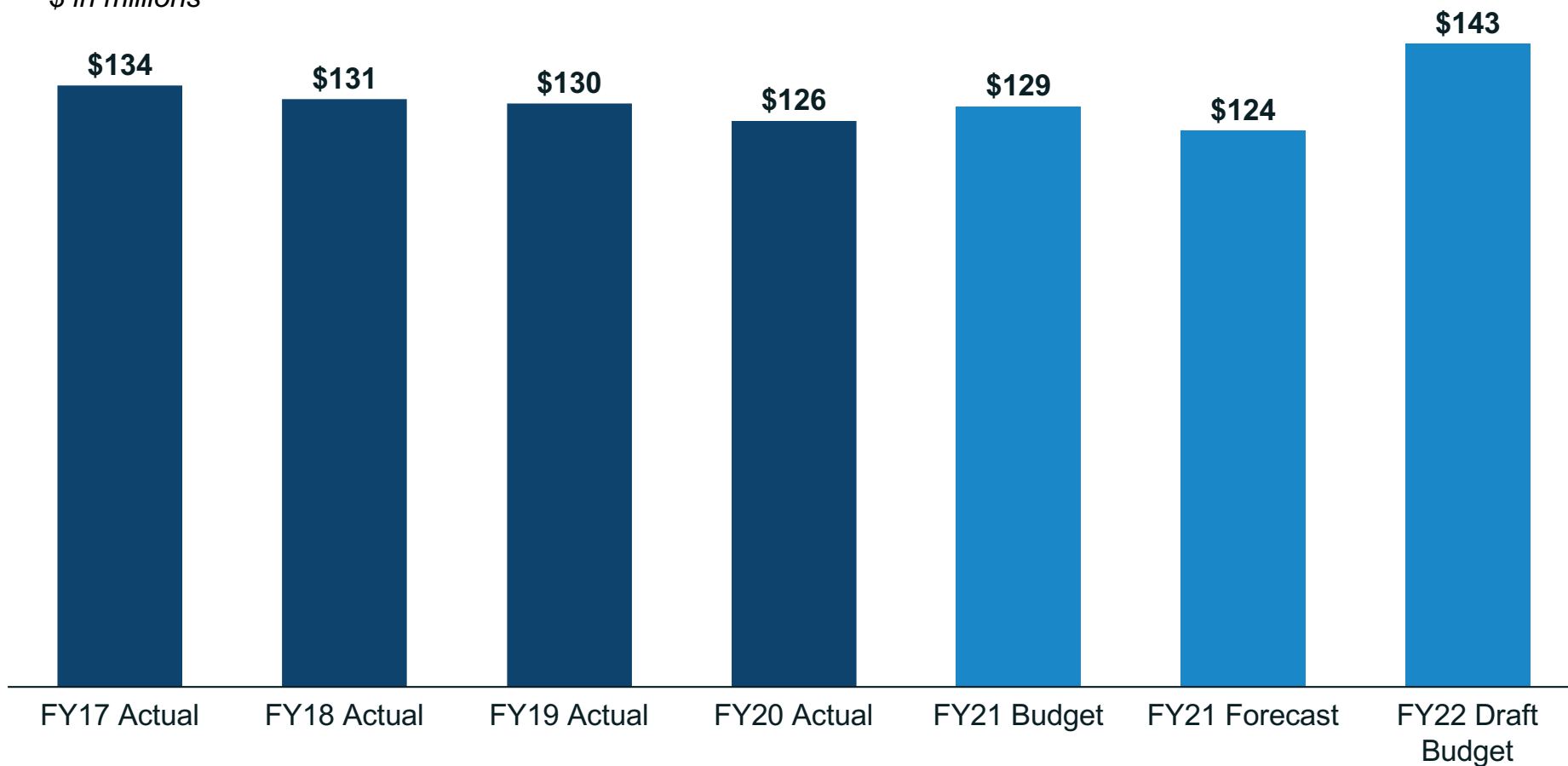
- There are still several unknowns due to the global pandemic, but we are assuming stable funding aligned with prior years
- FY21 Forecast assumes a half year contribution for SSR initiatives while FY22 Draft Budget assumes a full year contribution



Cash Expense Trends

- Cost containment throughout the organization has led to declining expenses
- More recently, expenses have declined primarily due to impacts from the COVID-19 pandemic
- FY22 Draft Budget assumes no travel restrictions, including three face-to-face ICANN Meetings

\$ in millions



Additional Budget Request: FY22 Key Dates

Community Kick off and
Submission period

9 November 2020 to 29 January 2021

SO/AC Consultations
at ICANN 70

20 March 2021 to 25 March 2021

Notify SO/ACs of Publication

14 May 2021 to 17 May 2021

Publication on Website

17 May 2021

Additional Budget Request Overview

The Additional Budget Request process pertains to a dedicated part of the overall ICANN annual budget that is set aside to fund specific requests from the community for activities that are not already included in the recurring ICANN budget.

Assessment Process:

- Allocating available resources to those requests which, on their face are directly and demonstrably related to current ICANN policy development, advisory and technical work
- Addressing capacity development 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
- Considering the availability of resources, both financial and staff, to support the individual and collective requests submitted in an equitable and transparent manner
- For travel related requests, a primary consideration is to prioritize events taking place at an ICANN Public Meeting or other ICANN-organized meeting (e.g. the GDD Summit)

ABR Principles

- The ABR process helps the ICANN Board and org better **understand and develop resources** for present and future ICANN community needs.

At ICANN Board/org discretion, a request from a community group may be granted broadly and consistently to all similarly-situated community groups.

- Only community groups **recognized by the ICANN Board** can utilize the ABR process.

Requests must be consistent with the charter of the requesting community group.

ICANN org will ensure the consistency of requests across different community groups.

- Every request merits a **fully resolved response**.

Decisions will be clearly articulated (e.g., “yes”, “no”, or “partial”) with well-defined rationales.

- Although recommendations come from ICANN org, the **ICANN Board is the final decisionmaker**.

Every request has both financial and resource commitments.