Planning and Finance Presentation

Presented by ICANN org
Planning and Finance Team

April 7, 2021

ICANN

Agenda

- ◉ Finance Presentation

  - ➢ ICANN Financial Accountability and Reporting Structure

  - ➢ FY20 Financials overview

- ◉ Planning Presentation

  - ➢ Planning at ICANN overview

  - ➢ FY22 Draft Plans Public Comments Overview
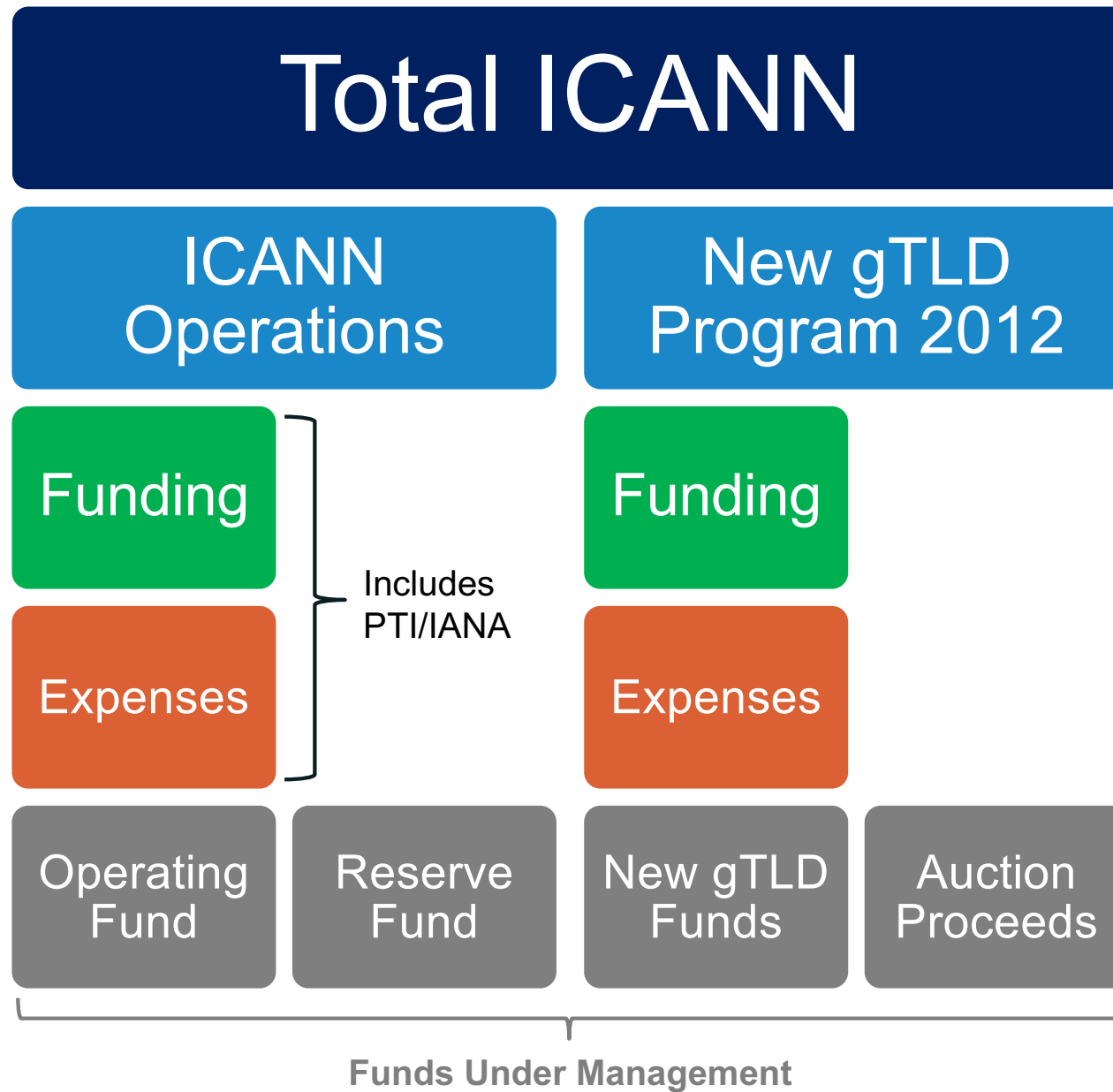
  - ➢ FY22 and FY23 Planning Next Steps

- ◉ Q&A

Financial Results

Finance Introduction and Agenda

- Financial Reporting Structure

- Fiscal 2020 Financial Results

  - Funding, Expenses

  - Funds Under Management
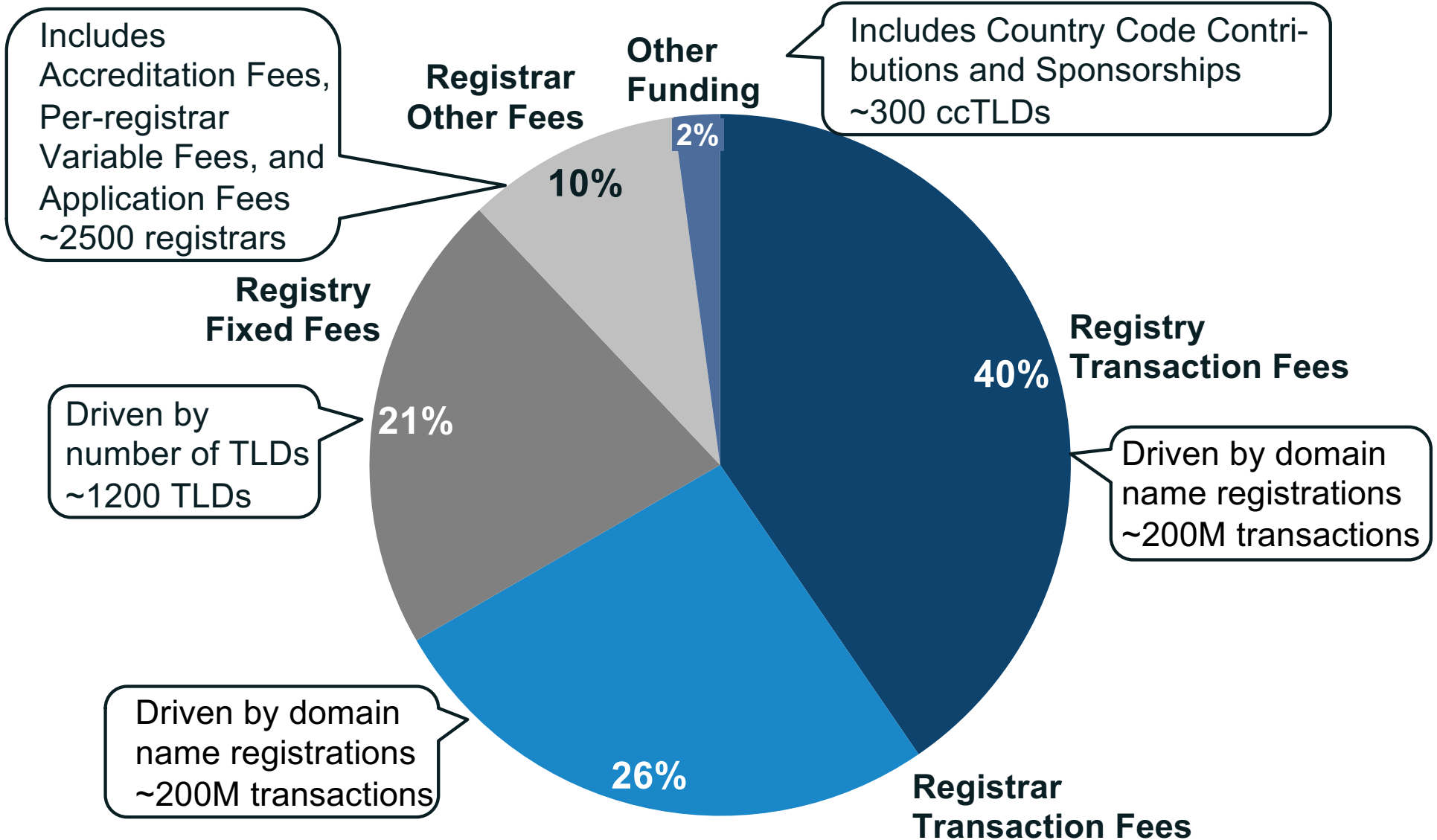
- Financial Reporting Overview

ICANN Financial Reporting Structure

Total ICANN

ICANN Operations

New gTLD Program 2012

Funding

Expenses

Includes PTI/IANA

Funding

Expenses

Operating Fund

Reserve Fund

New gTLD Funds

Auction Proceeds

Funds Under Management

FY20 (Jul 19 – Jun 20) Funding by Category

$USD in Millions

FY20 Funding- $141M

Includes Accreditation Fees, Per-registrar Variable Fees, and Application Fees ~2500 registrars

Registrar Other Fees

Other Funding

Includes Country Code Contributions and Sponsorships ~300 ccTLDs

2%

10%

Registry Fixed Fees

Driven by number of TLDs ~1200 TLDs

21%

40%

Registry Transaction Fees

Driven by domain name registrations ~200M transactions

26%

Registrar Transaction Fees

Driven by domain name registrations ~200M transactions

ICANN

$USD in Millions

FY20 Expenses- $126M

Includes face-to-face meeting for ICANN66 and virtual meetings for ICANN67 and 68

Travel & Meetings

Capital

Includes IT infrastructure and security improvements

6%

7%

Administration & Other

Includes rent, other facilities costs, and telecommunications

13%

Reflects an average headcount of 388 vs. budget of 405

58% **Personnel**

Profesional Services

17%

Includes contractor services, legal fees, language services and audit services

Funds Under Management Overview

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

Governed by

⊙ **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.

ICANN Investment Policy

⊙ **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.

New gTLD and Auction Proceeds Investment Policy

FY22 Budget Key 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 Funding and Operations

- 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

- The ICANN budget will continue to include funds for contingency

- The FY22 Additional Budget Request (ABR) Process is underway and ICANN is planning to notify the SO/ACs in mid-May

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

Financial Accountability- Reporting

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

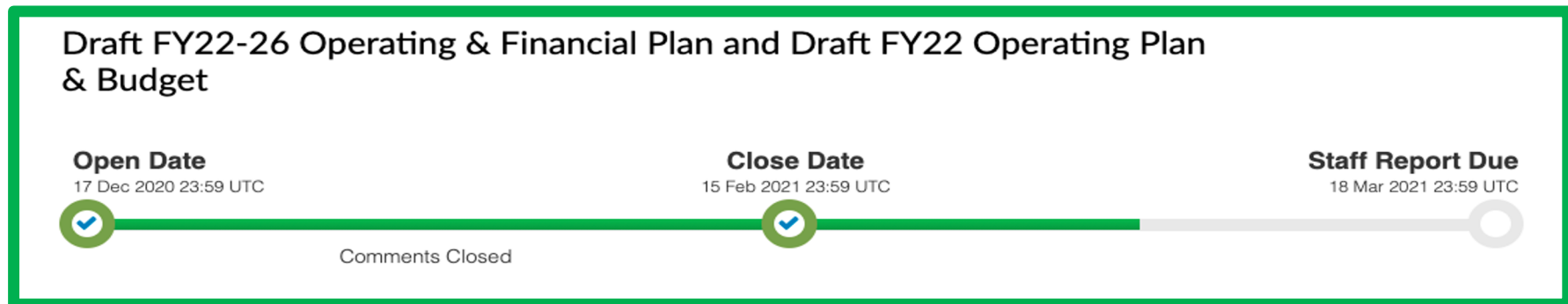| Periodically, throughout the year	Annually
• Quarterly Financial Reporting • Publication of the CEO Report • ICANN Meetings travel reports	• Independent Auditors Report • Annual Report • Board Expenses • ccTLD Contributions • Funding by Source • Operating Plan and Budget • Tax Return (Form 990) • ICANN org Remuneration

Link to Financial Documents:
https://www.icann.org/resources/pages/governance/current-en

FY22 Draft Plans and Public Comments Overview

Overview of FY22 Planning Documents

Draft FY22-26 Operating & Financial Plan and Draft FY22 Operating Plan & Budget

Open Date	**Close Date**	**Staff Report Due**
17 Dec 2020 23:59 UTC	15 Feb 2021 23:59 UTC	18 Mar 2021 23:59 UTC

Comments Closed

https://www.icann.org/public-comments/draft-opplan-budget-fy22-26-2020-12-17-en

The following documents were published on 17 Dec 2020 for public comment until 15 February 2021:

◉ Highlights Document

◉ Draft FY22 – 26 Operating and Financial Plan and FY22 Operating Plan Document

◉ Draft FY22 Budget Document

The following documents were published as supporting documents:

◉ ICANN Strategic Outlook: 2020 Trends Report

◉ Funding Forecast Assumptions Report for Fiscal Years 2022 - 2026

Public Comments by Year

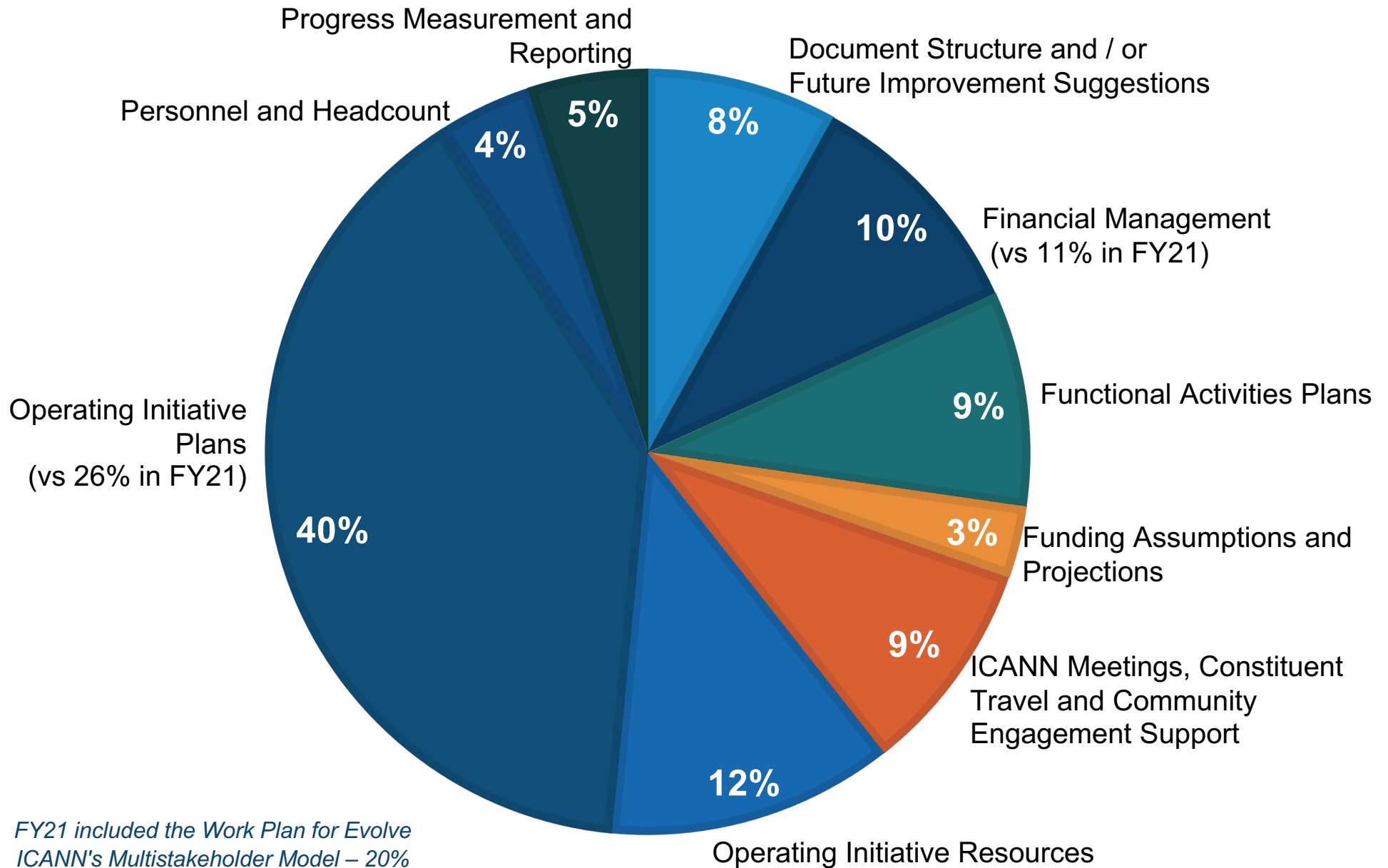Community involvement and engagement continues to remain high

153	134	184	143	171	218
FY17	FY18	FY19	FY20	FY21	FY22
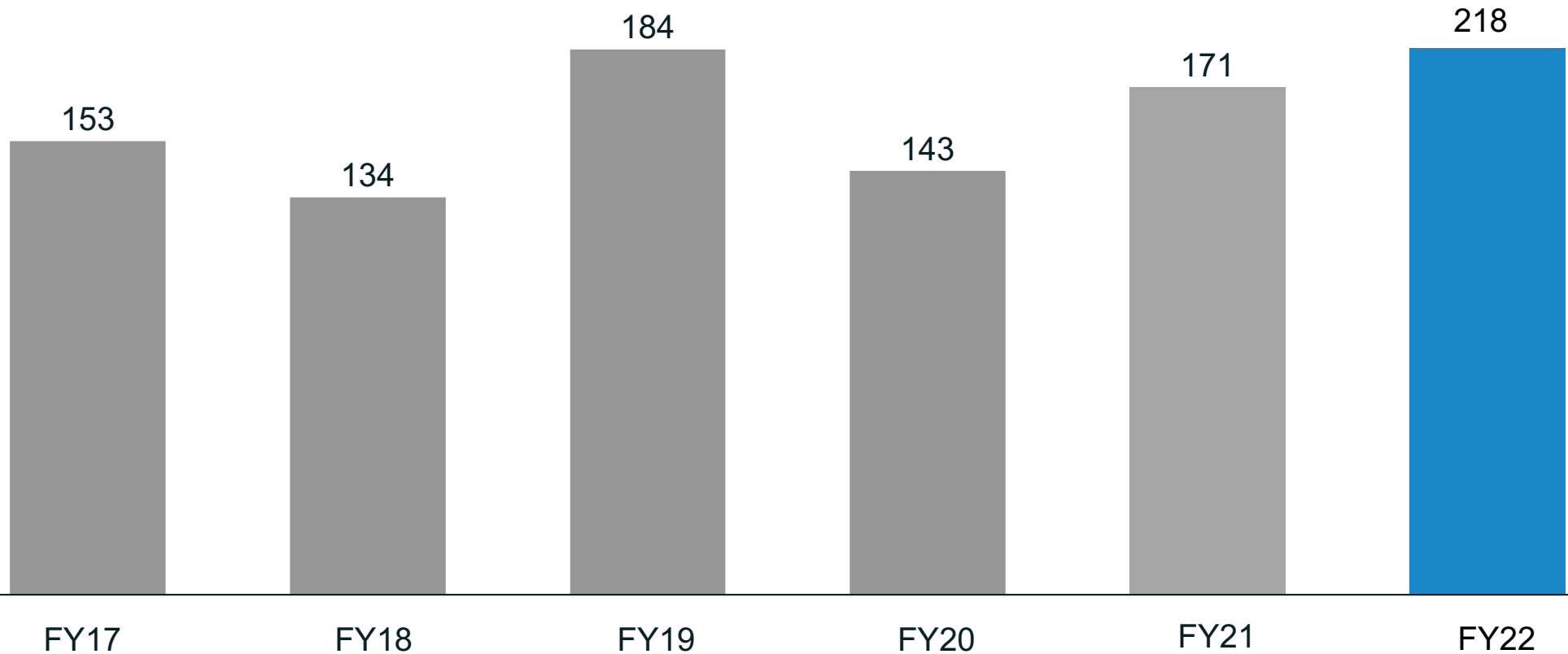
Public Comments: Breakdown by Submitter

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

Progress Measurement and Reporting — 5%

Personnel and Headcount — 4%

Operating Initiative Plans (vs 26% in FY21) — 40%

Operating Initiative Resources — 12%

ICANN Meetings, Constituent Travel and Community Engagement Support — 9%

Funding Assumptions and Projections — 3%

Functional Activities Plans — 9%

Financial Management (vs 11% in FY21) — 10%

Document Structure and / or Future Improvement Suggestions — 8%

❖ *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 Planning Next Steps

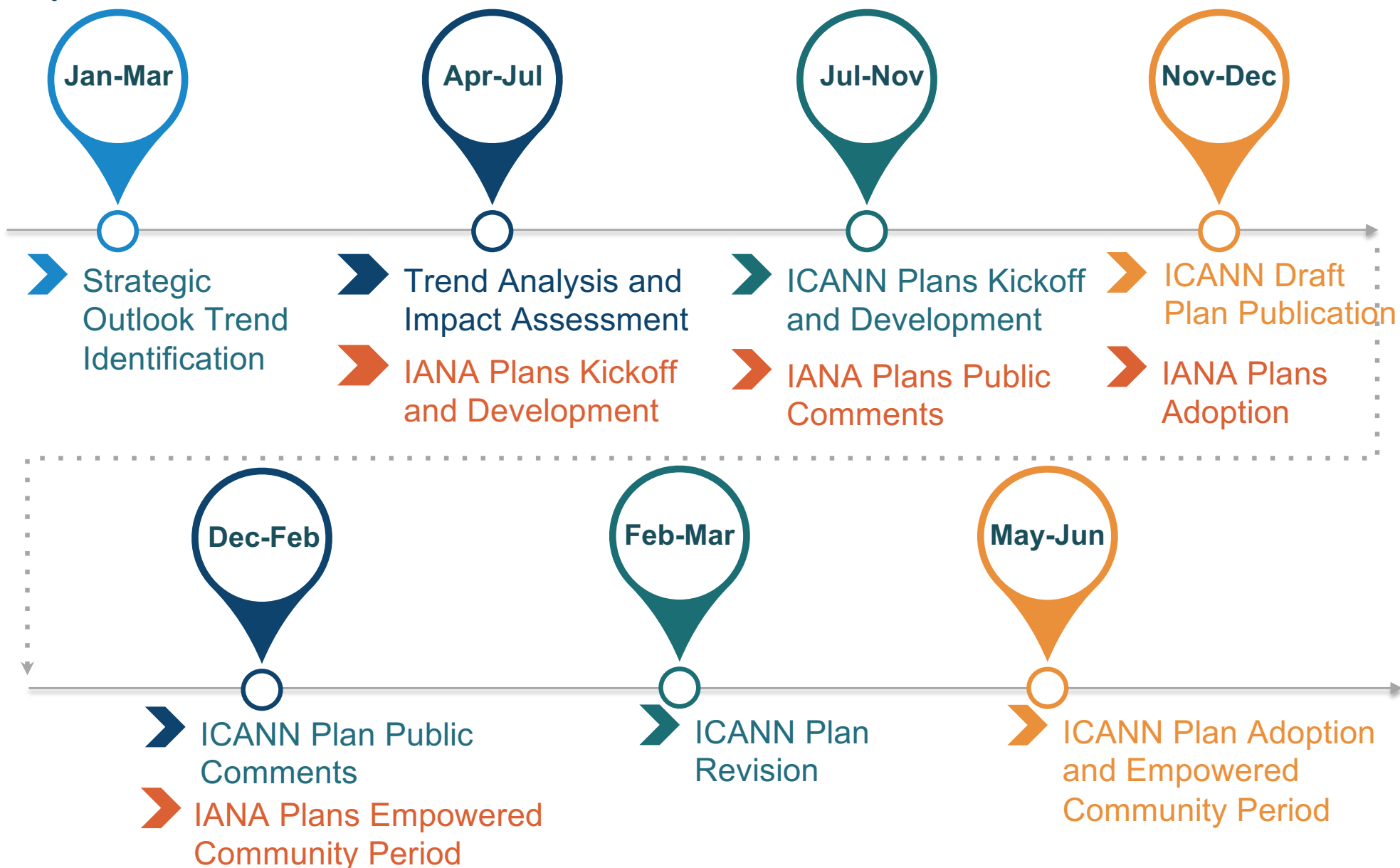| What	Who	When
FY22 Planning Process Kick Off	Community	ICANN 69 Prep Week
Review draft FY22-26 O&FP and FY22 OP&B	BFC	9 December 2020
FY22-26 O&FP Public Comment FY22 OP&B Public Comment	Community	17 December 2020 – 15 February 2021
Community Webinars	Community	12/13 January 2021 UTC
ICANN BFC recommends 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 Plans for Board adoption	BFC/ Board	April/May 2021
Empowered Community Period	Community	May – June 2021

FY23 Planning

Strategic Outlook Trends Identification & Analysis

Process repeats annually

NETWORK TEAM
Consolidate the trends
and prioritize

EXEC TEAM
Confirm trends &
prioritization

**EXEC TEAM
& BOARD**
Assess impacts of
trends and shifts, and
Make strategy & tactical
decisions

ORG & COMMUNITY
Functions & Regions /
SO/AC Groups-
level workshops
Identify trends and
impacts on ICANN

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

Community Participation

Jan-Mar
- Strategic Outlook Trend Identification

Apr-Jul
- Trend Analysis and Impact Assessment
- IANA Plans Kickoff and Development

Jul-Nov
- ICANN Plans Kickoff and Development
- IANA Plans Public Comments

Nov-Dec
- ICANN Draft Plan Publication
- IANA Plans Adoption

Dec-Feb
- ICANN Plan Public Comments
- IANA Plans Empowered Community Period

Feb-Mar
- ICANN Plan Revision

May-Jun
- ICANN Plan Adoption and Empowered Community Period

✉ Email The Planning Team ▶ **planning@icann.org**

Prioritization of ICANN's Work Project

- Planning at ICANN is one of 15 Operating Initiatives included in the Draft FY22-FY26 5-year Operating and Financial Plan with the following purpose:
  - ICANN org needs to prioritize its activities with community input to deliver its mission in the global public interest in both an efficient and cost-effective way

- The Planning at ICANN Operating Initiative includes the following description of the Prioritization project:
  - The analysis, design, and implementation of a work prioritization approach in collaboration with the ICANN Community, Board and org

- The Prioritization of ICANN's work is a project to develop a framework and techniques to prioritize with Community input

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 use the Q&A pod to ask questions
❖ The Remote Participants Manager will read out your question(s)

Appendix

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

Operating Initiatives
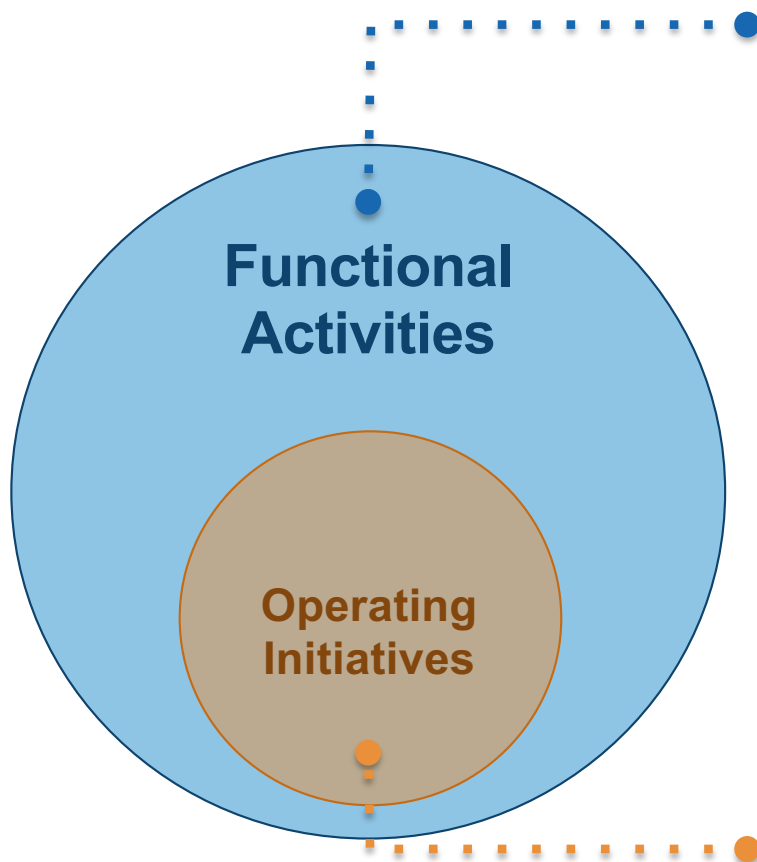
Functional Activities (34 in 5 groups)

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, tor 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	Policy Development and Implementation Support	Community Engagement and Services
◉ Office of the Chief Technology Officer	◉ Policy Development & Advice	◉ Global Stakeholder Engagement
◉ ICANN Managed Root Server	◉ Policy Research and Stakeholder Programs	◉ Regional Offices
◉ Internationalized Domain Names and Universal Acceptance	◉ Contracted Parties Services Operations	◉ Public Responsibility Support
◉ IANA Functions	◉ Technical Services	◉ Government & IGOs Engagement
◉ Contractual Compliance	◉ Strategic Initiatives	◉ GDD Accounts & Services
	◉ Constituent & Stakeholder Travel	◉ 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
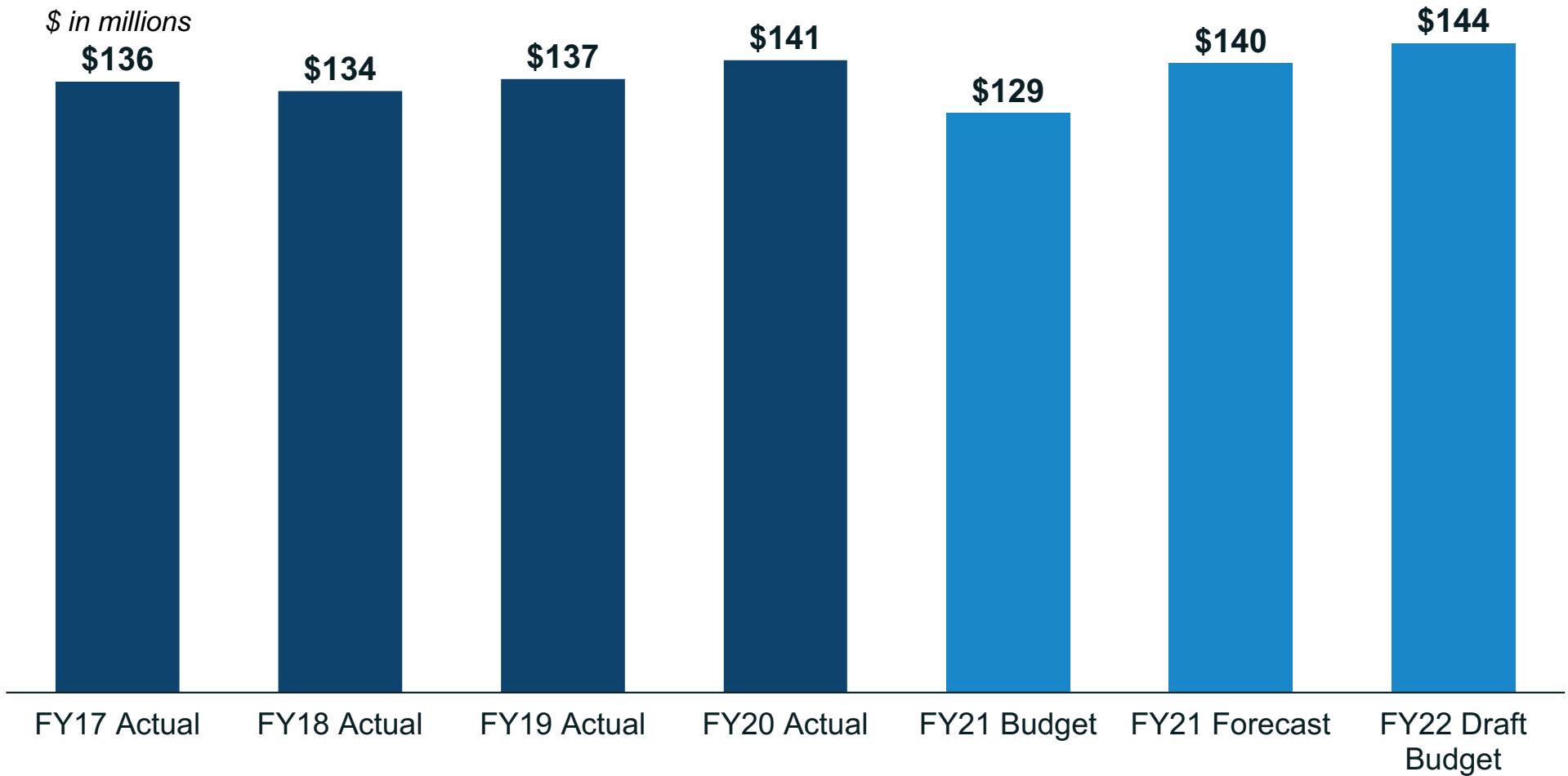
ICANN Shared Services

- 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

2 Facilitate DNS Ecosystem Improvements

3 Evolve and Strengthen the Multistakeholder Model to facilitate Diverse and Inclusive Participation in Policymaking

4 Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking

5 Develop Internal and External Ethics Policies

6 Promote and Sustain a Competitive Environment in the Domain Name System

7 Universal Acceptance

8 Root Zone Management Evolution

9 Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem

10 Through Targeted Engagement Improve Governmental and Intergovernmental Organization (IGO) Engagement and Participation in ICANN

11 Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration with Others that May Impact the ICANN Mission

12 Formalize the ICANN Org Funding Model and Improve Understanding of the Long-term Domain Name Market Drivers

13 Implement New gTLD Auction Proceeds Recommendations as Approved by Board

14 Planning at ICANN

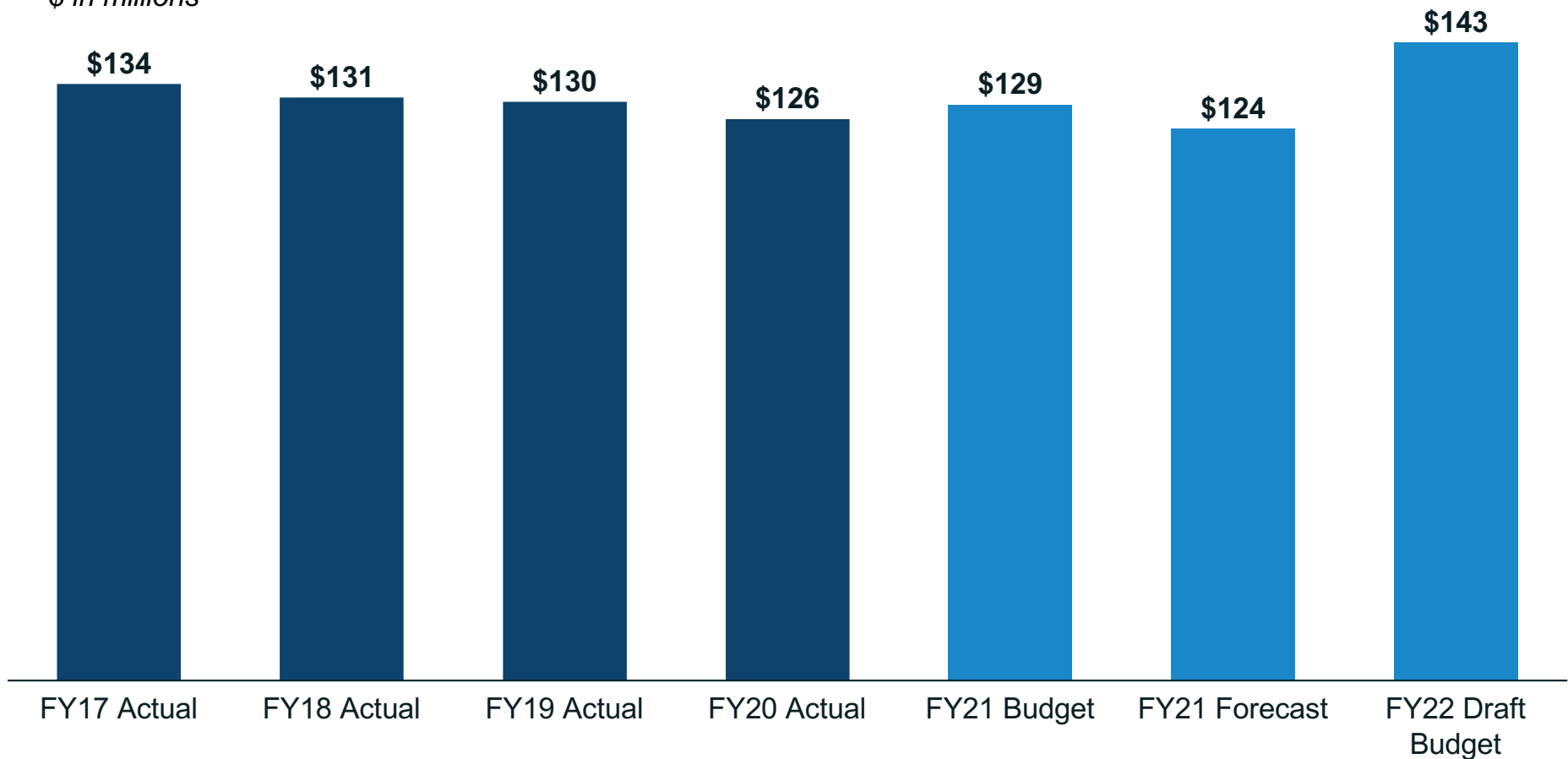**15** ICANN Reserves

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

$ in millions

FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget	FY21 Forecast	FY22 Draft Budget
$136	$134	$137	$141	$129	$140	$144

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

FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget	FY21 Forecast	FY22 Draft Budget
$134	$131	$130	$126	$129	$124	$143

Cash Expenses are total operating expenses before contribution to the Reserve Fund

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.