

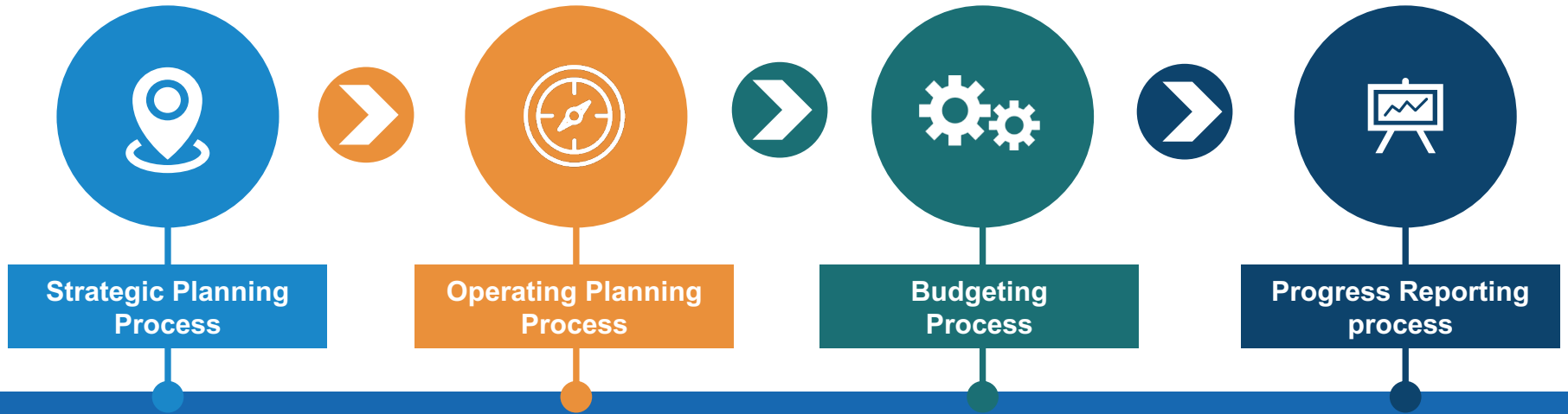
FY23 Draft Operating and Financial Plans

Presentation for ALAC - OFBWG



December 2021

Planning Process Overview



The process of defining ICANN's strategic direction, including its mission, vision, Strategic objectives and goals.

The process of determining key initiatives (Operating Initiatives) and what each functional area plans to do (Functional Activities), to achieve the strategic plan.

The process of allocating resources to planned activities, and prioritize activities as needed.

The process of explaining the achievement via a series of mechanisms.

Overview of the Draft FY23 Operating and Financial Plans

Open for Public Comment

07 December 2021

- Highlights Document
- Draft FY23 – 27 Operating and Financial Plan and Draft FY23 Operating Plan
- Draft FY23 Budget

Close for Public Comment

07 February 2022

Staff Report Due

23 March 2022



Link to Public Comment Page

<https://www.icann.org/en/public-comment/>

FY23 Planning Assumptions

Strategic Objectives Remain Unchanged

Based on the Strategic Outlook trends assessment, the Board has approved no changes to the Strategic Objectives set forth in the FY21–25 Strategic Plan

Affordability and Balanced Budget

The Draft plans are based on “base” scenario Operations funding projections. ICANN plans for operating expenses to remain at or lower than budgeted funding, drawing from designated and available funding sources

Face-to-Face Meetings and Engagement

Although there is still uncertainty, for planning purposes, the FY23 plans assume business travel and three face-to-face ICANN meetings and other engagement activity will resume

Multistakeholder and Policy Development

The policy making process under the multistakeholder model requires time and resources for collaboration, discussion and input from stakeholders. This results in requiring support and resources from Org during the progression of the work

FY23 Planning Assumptions – Continued

Continuing Operations

Majority of ICANN org's work continues year after year. This includes activities needed for organization operations, and important work to support ICANN's mission and mandate such as:

- Policy support and over ~4,000 virtual meetings and
- Compliance tickets with over ~30,000 responses per year

Community Recommended and Board Approved Implementation work

The WS2 Implementation and Enhancing the Effectiveness of ICANN's Multistakeholder Model work plan implementation work will continue to be prioritized in FY23 plans

Planning Prioritization Framework

The Planning Prioritization Framework project is underway. A list of Specific Review recommendations will be prioritized in collaboration with the Community and will be worked on in FY23

Planning For Board Approved Activities

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

Operating Plan Supplemental Resources

- **ICANN Rolling Five-Year Roadmap: Policy, Review and Cross-Community Working Groups (Appendix A):** A rolling five-year roadmap, with indicative and tentative timelines. Work related to these activities will be prioritized and resourced on an ongoing basis.
- **Operating Initiatives Supporting the Strategic Plan (Appendix B):** A mapping that showcases how ICANN org will achieve the objectives and goals set out in the Five-Year Strategic Plan. Each operating initiative is cross-referenced against the strategic goals, so readers can gain a comprehensive understanding to the strong interconnectedness of ICANN org's work.
- **Recommendations Relating to Cross-Community Working Group on Enhancing ICANN Accountability Work Stream 2 and Review (Appendix C):** A comprehensive list of recommendations and its status relating to reviews and cross-community working group. ICANN org will define, plan for the implementation of these recommendations, so that such implementation work can be considered for prioritization and scheduled for implementation accordingly.
- **ICANN Security, Stability, and Resiliency (SSR) of the Internet Unique Identifiers (Appendix D):** Although every function of ICANN org contributes to the overall Security, Stability and Resiliency (SSR) through its support of org's work to advance ICANN's Mission, this schedule highlights activities particularly focused on supporting the SSR of the unique Internet identifiers.

5-Year (FY23–27) Financial Plan Funding and Expense Assumptions

- The FY23–27 Financial Plan describes a “base”, “low”, and “high” scenario funding for ICANN Operations; the Operating Plan and Financials will be utilizing the base scenario¹ funding projections
- ICANN Operations Funding is projected to grow modestly over the five-year period
- ICANN Operations Expenses are projected to increase from recent trends primarily due to projected travel and meetings occurring at pre-pandemic levels
- Expense projections account for Board-approved work, such as the Next Round ODP, but do not account for that which has not been approved by the Board, such as SSAD Implementation
- Should the Board determine to proceed with the implementation of the SSAD, it is proposed that the funding of the corresponding costs come from the SFICR until cost recovery from requestors is implemented

New Approach to ICANN Reporting

- As the amount and complexity of ICANN org's work increases, it is imperative that we change the way we report to properly reflect our costs and activities
 - For example, ICANN org has embarked on two important initiatives with the SSAD and Next Round ODPs
 - Additionally, we expect to have other projects that will draw from the SFICR and other funds
- Going forward, ICANN org will highlight the holistic view of "Total ICANN" versus focusing on ICANN Operations
 - Total ICANN describes the financial components of ICANN Operations (including IANA), the New gTLD 2012 Program, and the Next Round of New gTLDs
 - It also includes ICANN's Funds Under Management
- Through financial reporting, we will also need to better explain the activities of ICANN Operations with specifics around projects, reviews, PDPs, etc.

Projected Funds Under Management

In Millions, USD	Forecast	5-Year Projections				
	FY22	FY23	FY24	FY25	FY26	FY27
ICANN Operations	\$77.4	\$77.4	\$77.6	\$78.0	\$78.4	\$78.8
<i>Funding</i>	\$149.1	\$152.0	\$155.3	\$158.7	\$160.1	\$161.7
<i>Expenses</i>	(\$129.4)	(\$152.0)	(\$155.3)	(\$158.7)	(\$160.1)	(\$161.7)
<i>Operating Fund Excess Transfers</i>	(\$20.0)	-	-	-	-	-
<i>Projected Investment Gains</i>	\$0.2	\$0.2	\$0.4	\$0.4	\$0.4	\$0.4
New gTLD Rounds	\$76.5	\$68.7	\$55.1	\$45.5	\$45.7	\$45.9
<i>Expenses</i>	(\$8.2)	(\$13.9)	(\$9.8)	-	-	-
<i>Projected Investment Gains</i>	\$0.3	\$0.3	\$0.2	\$0.2	\$0.2	\$0.2
SFICR	\$15.0	\$20.1	\$20.2	\$20.3	\$20.4	\$20.5
<i>Transfer from Operating Fund</i>	\$5.0	-	-	-	-	-
<i>Projected Investment Gains</i>	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Reserve Fund	\$154.3	\$175.2	\$181.3	\$187.7	\$194.2	\$201.0
<i>Transfer from Operating Fund</i>	\$15.0	-	-	-	-	-
<i>Projected Investment Gains</i>	\$5.9	\$6.1	\$6.3	\$6.6	\$6.8	\$7.0
Auction Proceeds	\$212.2	\$213.3	\$214.4	\$215.4	\$216.5	\$217.6
<i>Projected Investment Gains</i>	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1

- ICANN Operations 1 Year (FY23) Budget is balanced with no excess; future transfers to SFICR and Reserve Fund will continue to be assessed annually if excess is available
- New gTLD rounds includes projected costs for processing 2012 applications and Next Round ODP costs; further costs for Next Round will be included when approved by Board

Total ICANN FY23 Draft Budget

In Millions, US dollars	ICANN Operations	New gTLD Rounds	SFICR	Reserve Fund	Auction Proceeds	Total
Funds Under Management - 30 Jun 2022	77.4	68.7	20.1	175.2	213.3	554.6
Funding	152.0	-	-	-	-	152.0
Personnel	(86.5)	(7.2)	-	-	-	(93.7)
Travel & Meetings	(14.3)	(1.0)	-	-	-	(15.3)
Professional Services	(29.7)	(5.0)	-	-	-	(34.7)
Administration	(19.3)	(0.7)	-	-	-	(20.0)
Capital	(2.2)	(0.1)	-	-	-	(2.2)
Total Expenses	(152.0)	(13.9)	-	-	-	(165.9)
Operating Fund Excess Transfers (subject to Board Approval)	-	-	-	-	-	-
Change In Market Value	0.2	0.3	0.1	6.1	1.1	8.1
Funds Under Management - 30 Jun 2023	77.6	55.1	20.2	181.3	214.4	548.8
Total Average Headcount	423	25	-	-	-	448

- New gTLD Rounds consists of 2012 Round expenses and ODP expenses for the Next Round
- Operating Fund transfers resulting from unplanned excess will be recommended for Board approval after FY23 ends
- Should the Board determine to proceed with the implementation of the SSAD, it is proposed that the funding of the corresponding costs come from the SFICR

ICANN Operations FY23 Draft vs FY22 Forecast

In Millions, USD	FY23 Draft Budget	FY22 Forecast	Under/(Over) vs. FY22 Forecast	
	ICANN Operations	ICANN Operations	\$	%
Funding	\$152.0	\$149.1	\$3.0	2%
Personnel	86.5	78.4	(8.1)	-10%
Travel & Meetings	14.3	4.7	(9.6)	-206%
Professional Services ⁽¹⁾	29.7	26.8	(2.9)	-11%
Administration	19.3	16.9	(2.4)	-14%
Capital	2.2	2.5	0.4	15%
Total Operating Expenses	\$152.0	\$129.4	(\$22.7)	-18%
Net Operating Excess/(Deficit)	\$0.0	\$19.7	(\$19.7)	-100%
Average Headcount	423	394	(29)	-7%

⁽¹⁾ Includes Contingency expense which is unallocated to specific activities or functions

- The ICANN Operations FY23 Draft Budget Funding is \$3.0 million higher than the FY22 Forecast, driven by growth in domain name transactions
- The FY23 Draft Budget assumes unrestricted travel for the entire fiscal year, whereas the FY22 Forecast assumes pandemic-related travel restrictions for the first nine months of the fiscal year
- Expenses in the FY23 Draft Budget are \$22.7 million higher, primarily due to two incremental face to face ICANN Public Meetings and increased personnel costs driven by increased headcount

Closing Thoughts

- Prioritization will be a critical process to support the org and community in executing our work
- Additional staffing is needed as the volume and complexity of the work at ICANN increases
- Increasing the balance of the SFICR and further building the balance of the Reserve Fund will continue to be a focus for the org and will be assessed periodically versus being built into the plans
- We believe ICANN has the funding and cash sources needed to secure the necessary resources; most of this is built into the current plans, and some will be added to the plans as Board decisions are made

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 it is your turn.
- ❖ Mute your microphone when not speaking.



- ❖ Type your questions in the chat.
- ❖ The Remote Participants Manager will read out your question(s).