

ICANN Draft 5-Year (FY23–27) Operating & Financial Plan and Draft 1-Year (FY23) Operating Plan & Budget

**Community Webinar
Presented by ICANN Planning & Finance**



8 December 2021 at 16:00 UTC
9 December 2021 at 01:00 UTC

Webinar Information



This session is recorded.



This session is scheduled to last 1.5 hours.



Presentation is published here:

<https://community.icann.org/display/projfinadhocws/FY23+Operating+Plan+and+Budget+Webinars>



Q&A will be during and at the end of the presentation.

Welcome and Introduction

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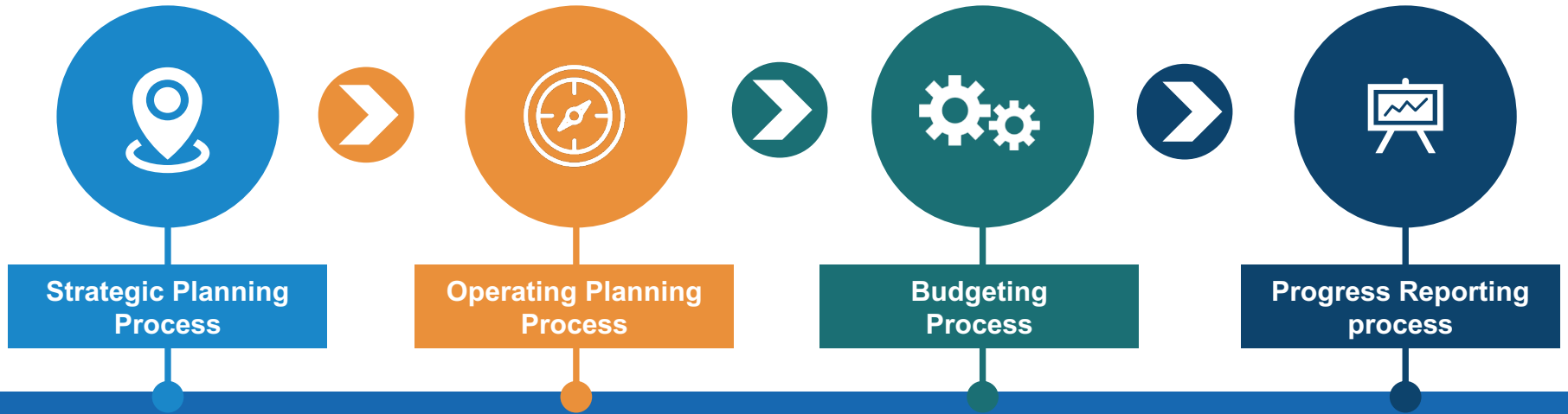
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Agenda

- ⦿ Planning Overview
- ⦿ 5-Year (FY23–27) and 1-Year (FY23) Operating Plan Highlights
- ⦿ 5-Year Financial Funding Projections
- ⦿ 5-Year Financial Plan and 1-Year Budget
- ⦿ Timeline and Next Steps
- ⦿ Preparing for FY24 Planning

Planning Overview

Planning Process Overview



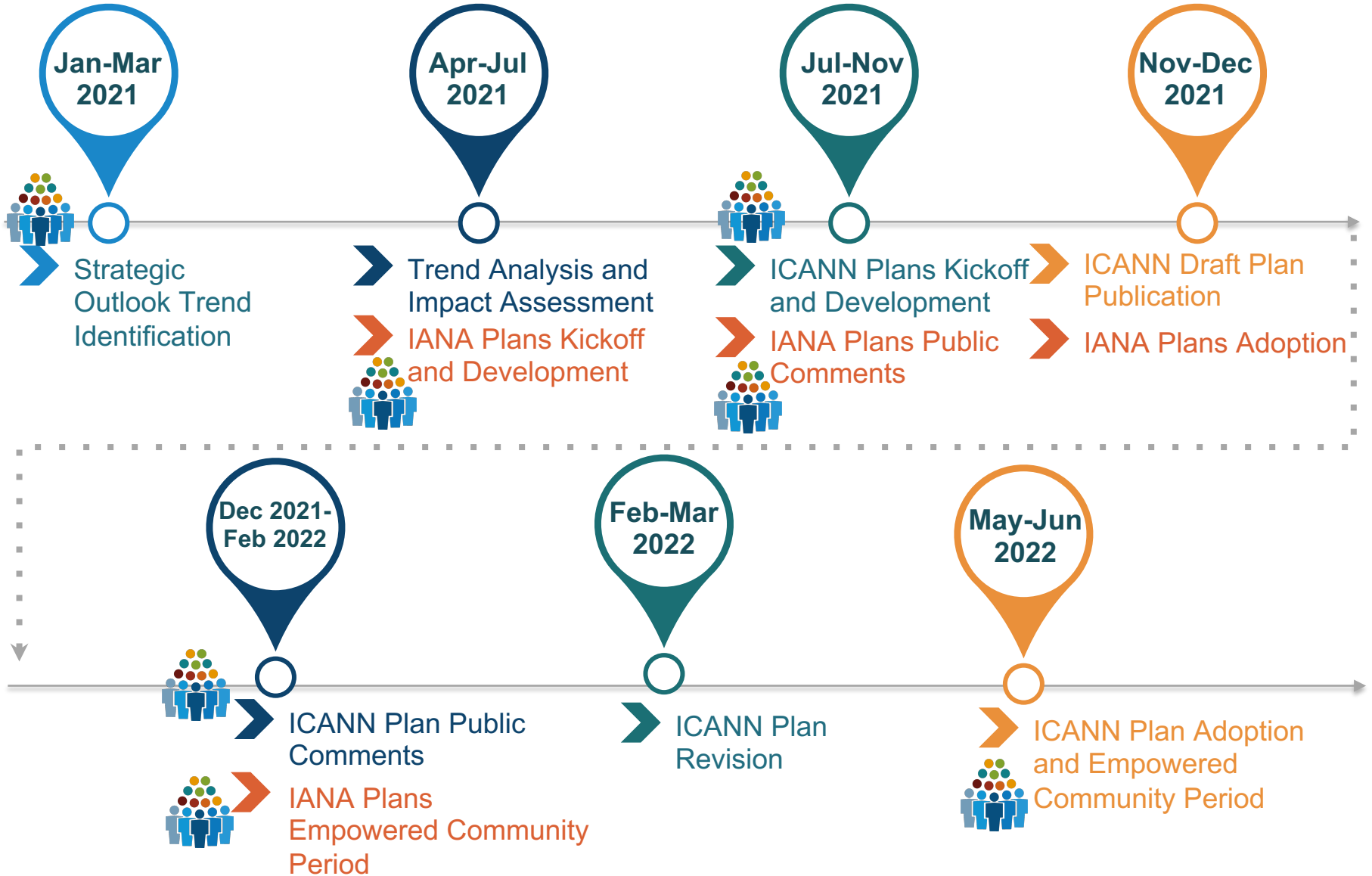
The process of defining ICANN's strategic direction, including its mission, vision, Strategic objectives and goals.

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.

When can community members participate?



ICANN's Bylaws



ICANN Strategic Plan



Developed every 5-year with annual update (as needed)



PTI Strategic Plan



Developed every 4-year with annual update



ICANN Operating Plan



Developed every year for the period of next 5-year



ICANN Budget



Developed every year



IANA Budget



Developed every year



PTI Budget



Developed every year

5-Year (FY23–27) and 1-Year (FY23) Operating Plan Highlights

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

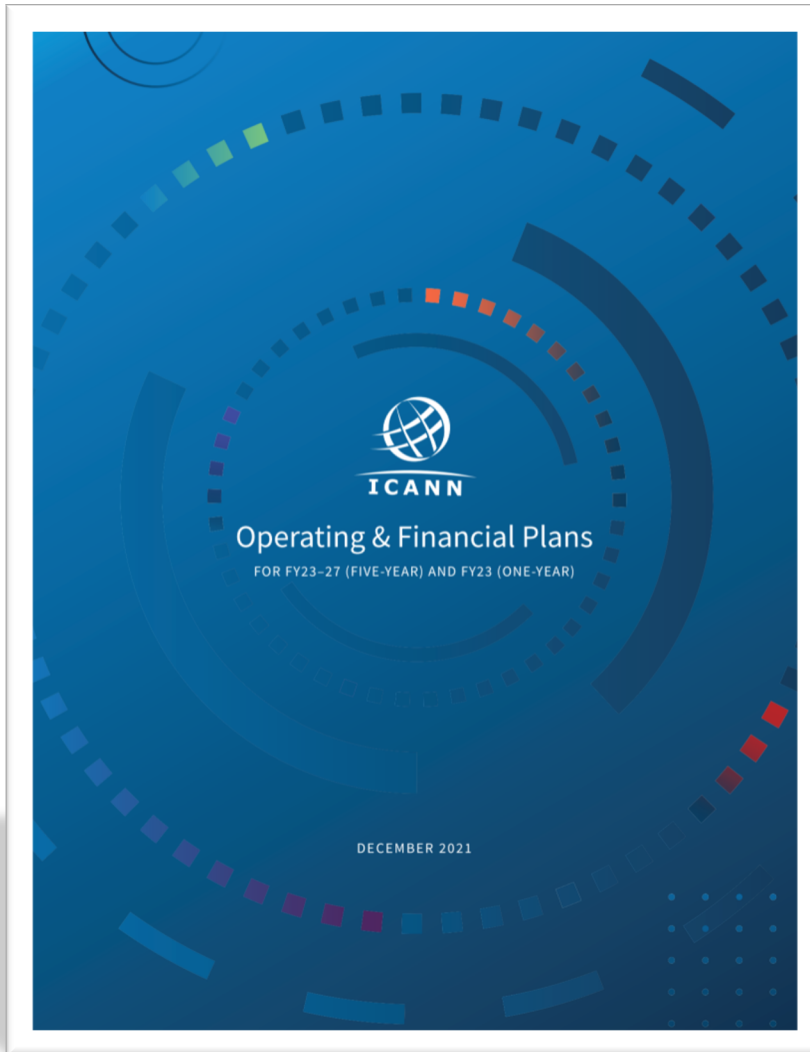
23 March 2022



Link to Public Comment Page

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

FY23 Planning Documents



<https://www.icann.org/public-comments/draft-opplan-budget-fy23-27-2021-12-07-en>

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

FY23 Planning Assumptions – Continued

Planning For Board Approved Activities

ICANN begins designing the expected implementation work only as recommendations and policies move forward and reach the stage of Board approval. Please refer to **ICANN Rolling Five-Year Roadmap: Policy, Review and Cross-Community Working Group** (Appendix A) of the draft plan for estimated timing for board approval

For Example:

ICANN Rolling Five-Year Roadmap: Policy, Review and Cross-Community Working Group*

| Calendar Year | 2021 | | | | | | | | | | | 2022 | | | | | | | | | | | 2023 | | | | | | | | | | |
|--|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|--|--|
| | FY2021 | | | | | | | | | | | FY2022 | | | | | | | | | | | FY2023 | | | | | | | | | | |
| Fiscal Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | | |
| Months | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | | |
| Legend: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Planning = Purple | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| In Progress = Green | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pending = Red | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Decision Making = Yellow | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Completed = Grey | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GNSO Policy | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Registration Data Policy for All gTLDs (EPDP Phase I) | Implementation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| System for Standardized Access to Non-Public Registration Data (EPDP Phase 2 - SSAD) | GNSO & Board Consideration (include SSAD ODP) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expedited Policy Development Process on gTLD Registration Data – Phase 2A | PDP Working Group Phase | | | | | | | | | | | GNSO & Board Consideration | | | | | | | | | | | | | | | | | | | | | |
| PDP New gTLD Subsequent Procedures | GNSO & Board Consideration (include ODP Assessment) | | | | | | | | | | | Implementation Planning (Completion Date) | | | | | | | | | | | | | | | | | | | | | |
| Expedited Policy Development Process on Internationalized Domain Names | | | | | | | | | | | | PDP Working Group Phase | | | | | | | | | | | GNSO & Board Consideration | | | | | | | | | | |

Draft FY23 Operating Plan

SSAD ODP is scheduled to be completed during FY22. At the point of planning, resources for SSAD implementation is not included in the FY23 plan.

New gTLD Subsequent Procedures ODP is included as the work took place in FY22 and will continue into FY23. But the resources to implement this PDP and carry out the next round is not included in the FY23 Plan as of now.

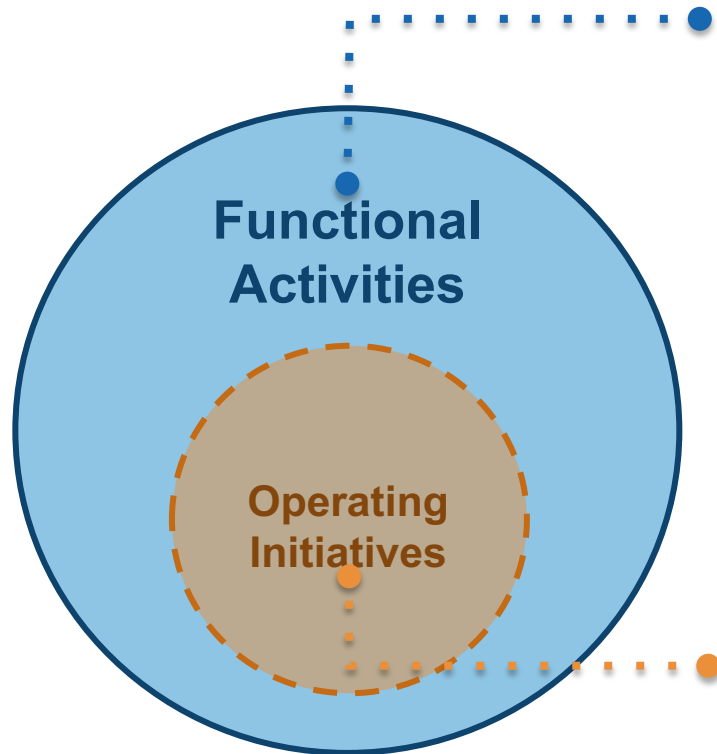
Connections between the Strategic and Operating Plans



**Numbers are for illustration purpose only*

5 Year and 1 Year 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 (33 in 5 Service Groups)

Activities of the Functions to:

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

Operating Initiatives (15)

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

The 33 Functional Activities are grouped into 5 service groups that represent the broad categories of work that ICANN org conducts in fulfillment of its Mission

FY23 Operating Initiatives Progress and Highlights – page 1 of 2

| | Operating Initiatives | Examples of Key Milestones |
|---|--|--|
| 1 | Support the Evolution of the Root Server System | <ul style="list-style-type: none"> Finalize prototype and begin internal operation of RSS Metric Monitoring System. Operate a prototype root zone distribution service (hyperlocal) for testing purposes. Publish and implement KSK Rollover Policy. |
| 2 | Facilitate DNS Ecosystem Improvements | <ul style="list-style-type: none"> KINDNS launched in FY21, and work will continue in FY23. Coordinate a Special Interest Forum on Technology (SIFT) to allow the community to engage technically with ICANN between Public Meetings. |
| 3 | Evolve and Strengthen the Multistakeholder Model to Facilitate Diverse and Inclusive Participation in Policymaking | <ul style="list-style-type: none"> Continue to work with the community to identify tools and other ways to ensure global representation in policy development processes, especially during a prolonged period of fully virtual meetings. |
| 4 | Evolve and Strengthen the ICANN Community’s Decision-making Processes to Ensure Efficient and Effective Policymaking | <ul style="list-style-type: none"> Support individual SOs, ACs, stakeholder groups, and constituencies in continuing to evaluate and revise their internal processes to improve decision-making and ensure transparency, including through work on implementing CCWG-WS2 and support for Empowered Community processes. |
| 5 | Develop Internal and External Ethics Policies | <ul style="list-style-type: none"> Improve internal ICANN org Ethics Program for FY23. Collaborate with the ICANN community to develop an ICANN Community Ethics Policy for FY23–24. |
| 6 | Promote and Sustain a Competitive Environment in the Domain Name System | <ul style="list-style-type: none"> Supporting the Board of Directors in developing information and analysis necessary to inform decisions on the policy recommendations, including execution and completion of an Operational Design Phase. Planning and executing operational readiness activities including systems, tools, process definition, procurement, and other activities. Planning and executing communications and outreach to support the program. |
| 7 | Promote the Universal Acceptance of Domain Names and Email Addresses | <ul style="list-style-type: none"> Conduct gap analyses of tools and systems for UA readiness. Continue to reach out to technology developers and tool providers for UA remediation. |
| 8 | Root Zone Management Evolution | <ul style="list-style-type: none"> Continue to monitor the policy development work being done in the ICANN community (most notably through the New gTLD Subsequent Procedures Policy Development Process and on IDNs) to ensure RZMS will meet those emerging requirements. |

FY23 Operating Initiatives Progress and Highlights – page 2 of 2

| | Operating Initiatives | Examples of Key Milestones |
|----|--|--|
| 9 | Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem | <ul style="list-style-type: none"> • Revise engagement plan to reflect the prioritization or reprioritization of engagement based on the ecosystem mapping and the MoU evaluation and relationship assessment completed in FY22. • Publish a document that serves as a definitional publication for the distinction between technical Internet governance and Internet governance. |
| 10 | Improve Governmental and Intergovernmental Organization (IGO) Engagement and Participation in ICANN Through Targeted Engagement | <ul style="list-style-type: none"> • Continue creating targeted materials as needed for government participants. • Delivery of the postponed FY22 High-Level Governmental meeting may occur in FY23 as a virtual or in-person event in conjunction with an ICANN meeting, depending on the COVID-19 pandemic safety protocols and discussions with the GAC. |
| 11 | Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration with Others that May Impact the ICANN Mission | <ul style="list-style-type: none"> • Utilizing the assessment and monitoring process from FY21, continue monitoring and assessing legislative and regulatory developments around the world that could have an impact on ICANN's ability to fulfill its Mission. • Publish country focus papers explaining how international, national, and regional Internet-related initiatives might touch on ICANN's Mission. |
| 12 | Improve Depth of Understanding Domain Name Market Drivers which Impact ICANN's Funding | <ul style="list-style-type: none"> • Continue to increase ICANN's overall domain market intelligence in relation to the forecasting process. For instance, ICANN org must continue to build its understanding of the prospective impacts of the COVID-19 pandemic on its future funding. • Annual delivery of funding assumptions and projections for the next five fiscal years. |
| 13 | Implement New gTLD Auction Proceeds Recommendations as Approved by Board | <ul style="list-style-type: none"> • Expects to conduct an implementation feasibility review assessment, develop the implementation plan and begin execution of deliverables outlined in the plan dependent on Board direction and approval. |
| 14 | Planning at ICANN | <ul style="list-style-type: none"> • Implement the draft prioritization framework during the planning process of FY24 draft operating plan and budget. |
| 15 | ICANN Reserves | <ul style="list-style-type: none"> • The minimum reserve fund target level was achieved in FY21 which is 6 years earlier than Board approved timeline |

Operating Plan Supplemental Appendices

- **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 Funding Projections

Funding Projection Approach: Marketplace Horizon Scan

1 Marketplace Horizon Scan



Evaluation of key trends and industry developments that are likely to have a significant impact on supply-side or demand-side conditions, including:

1. Global macroeconomic forecasts and commentary from sources such as the Organization for Economic Co-operation and Development, International Monetary Fund, World Bank, Economist Intelligence Unit, International Data Corporation, etc.
2. Interviews with contracted parties, both via their ICANN GDS Account Managers and via a third-party consultant.
3. Performance and guidance from publicly-traded industry participants via investor statements/documents.
4. Recent marketplace developments: actual or expected changes in supply-side and demand-side conditions.
5. Historical transaction data:
 - Volume of transactions, including new acquisition vs. renewals
 - Growth pattern of launched strings, in terms of DUMs
 - In-depth evaluation of both Legacy and New gTLDs
 - Data escrow records

2 Formulation of Assumptions



3 Forecast Generation



Funding Projection Approach: Formulation of Assumptions

1 Marketplace Horizon Scan



2 Formulation of Assumptions



3 Forecast Generation



Low Funding Scenario

- No new registrar accreditation applications
- Decrease in total number of contracted parties
- Decrease in volume of domain name transactions

Base Case Scenario

- New registrar accreditation applications and terminations largely cancel each other out
- Marginal decrease in total number of contracted parties
- Growth in domain name transactions mirror historical rates & alignment with global Gross Domestic Product (GDP) growth trends

High Funding Scenario

- Growth in new registrar accreditation applications
- Increase in total number of contracted parties
- Stronger than historical average growth rates in domain name transactions & alignment with global Gross Domestic Product (GDP) growth trends

Assumes the retention of the current fixed, transaction-based, and accreditation fees.
Does not include any funding assumptions for New gTLD Subsequent Procedures.

Scenario reflects an assumption of marketplace contraction

Scenario reflects an assumption of steady state of growth in a maturing industry

Scenario reflects an assumption of resurgent marketplace growth

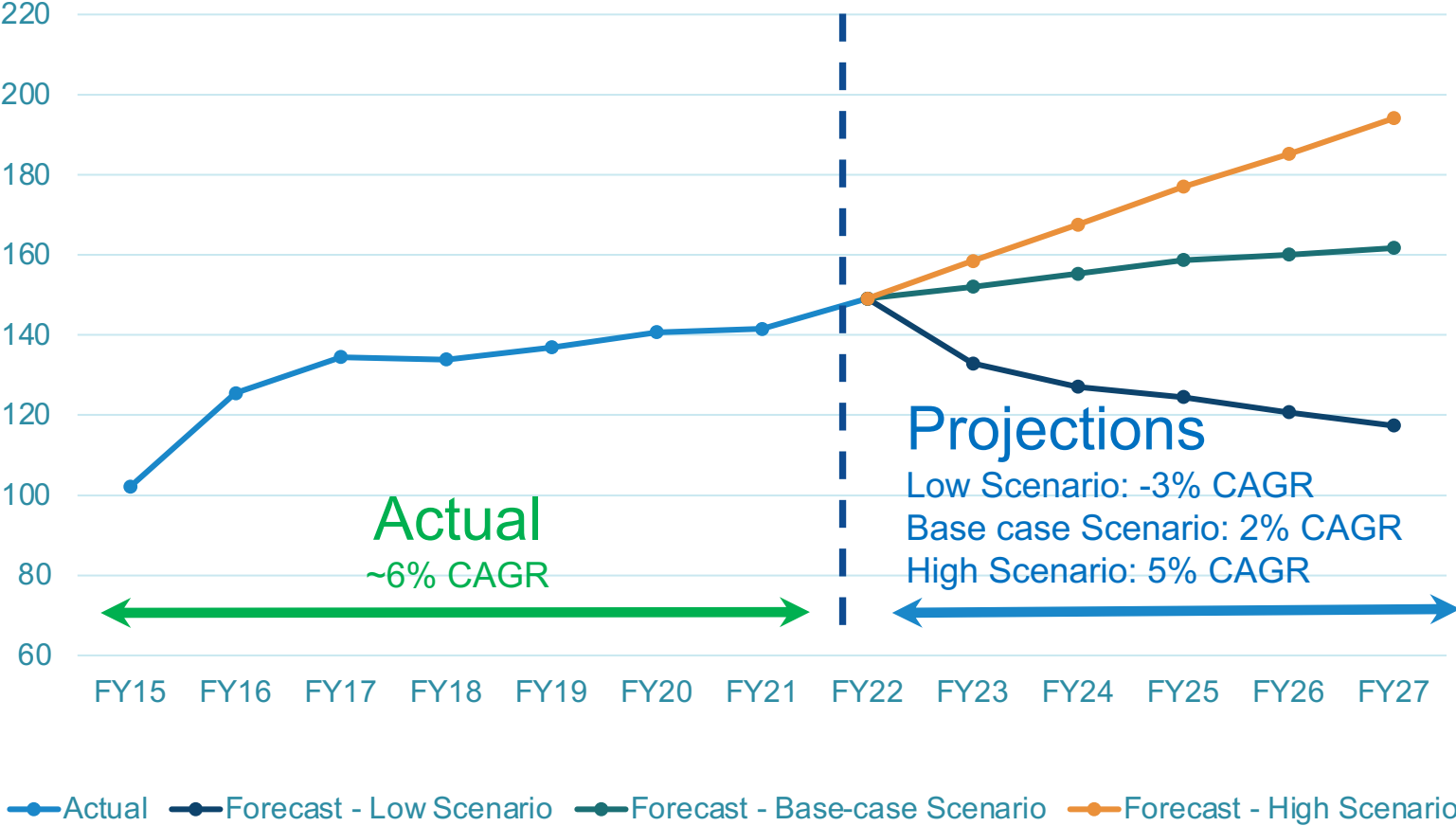
5-Year (FY23–27) Operations Funding Projections

1 Marketplace Horizon Scan

2 Formulation of Assumptions

3 Forecast Generation

FY27 operations funding forecast range: \$117M (Low Scenario), \$162M (Base case Scenario) and \$194M (High Scenario).



Note: CAGR = Compound Annual Growth Rate; CAGR values cover FY15-21 & FY23-27
 FY15–21 based on audited actuals, FY21–F26 include contributions for SSR Operating Initiative
 In millions, USD; Arithmetic inconsistencies due to decimal rounding

5-Year (FY23–27) Financial Plan

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

ICANN Operations 5-Year Financial Projections

| ICANN OPERATIONS <i>(in Millions USD)</i> | | | | | | |
|---|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|
| 5-Year Projections | FY23 Budget | FY24 Projections | FY25 Projections | FY26 Projections | FY27 Projections | 5-Year Total |
| Funding | \$152.0 | \$155.3 | \$158.7 | \$160.1 | \$161.7 | \$787.8 |
| Expense | | | | | | |
| Personnel | \$86.5 | \$88.3 | \$90.0 | \$91.4 | \$92.8 | \$449.0 |
| Travel and Meetings | \$14.3 | \$14.8 | \$15.2 | \$15.3 | \$15.4 | \$74.9 |
| Professional Services ⁽¹⁾ | \$29.7 | \$30.3 | \$31.0 | \$31.0 | \$31.1 | \$153.1 |
| Administrative | \$19.3 | \$19.7 | \$20.1 | \$20.1 | \$20.1 | \$99.2 |
| Capital | \$2.2 | \$2.3 | \$2.3 | \$2.3 | \$2.3 | \$11.5 |
| Total Operating Expenses | \$152.0 | \$155.3 | \$158.7 | \$160.1 | \$161.7 | \$787.7 |
| Net Operating Excess/(Deficit) | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.1 |
| Average Headcount | 423 | 423 | 423 | 423 | 423 | 423 |

(1) Includes Contingency budget for unplanned expenses \$6M/Annually

- ICANN Operations Funding projections leverage base scenario with modest growth
- Personnel costs increase throughout the 5-year period due to inflationary increases
- Travel and Meetings costs projected at pre-pandemic levels
- Headcount is projected to grow from now to FY23 to support upcoming work; while ICANN Operation's headcount will remain steady throughout the 5-year period, the org will grow in other segments to support the Next Round, Auction Proceeds, and projects utilizing the SFICR

1-Year (FY23) Budget

1-Year (FY23) Budget Assumptions

- Like the 5-Year (FY23–27) Financial Plan, the 1-Year (FY23) Budget uses the “base” ICANN Operations Funding scenario, which assumes modest growth
- The condition of the pandemic remains uncertain, including its impacts on ICANN’s Funding and Operations
 - Assumptions will be reviewed before adoption and during next year’s planning process
- Only activities supporting the implementation of Board-approved policies or review recommendations are specifically included in the budget
 - The FY23 Budget includes costs for the Next Round of gTLDs (Board Approved)
 - The FY23 Budget does not include costs relating to 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

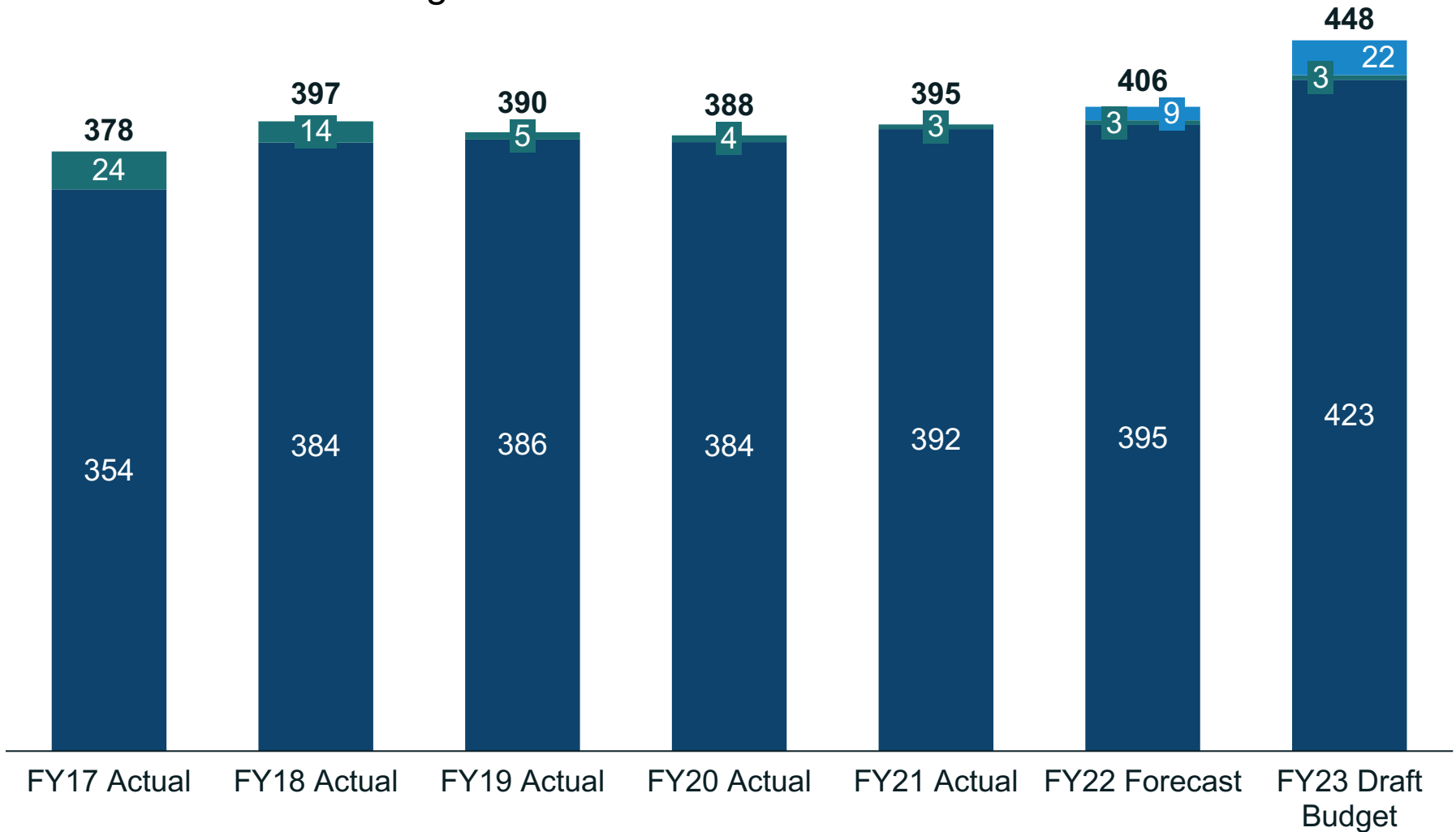
Total ICANN FY23 Draft Budget

| 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

Total ICANN Average Headcount Trends

- Headcount is projected to increase as the Org begins staffing to support the Next Round of New gTLDs and other new work



ICANN Operations FY22 Forecast vs FY22 Adopted

| In Millions, USD | FY22 Forecast | FY22 Adopted Budget | Under/(Over) vs. FY22 Budget | |
|--|------------------|---------------------|------------------------------|------------|
| | ICANN Operations | ICANN Operations | \$ | % |
| Funding | \$149.1 | \$144.4 | \$4.7 | 3% |
| Personnel | 78.4 | 80.1 | 1.7 | 2% |
| Travel & Meetings | 4.7 | 13.8 | 9.1 | 195% |
| Professional Services ⁽¹⁾ | 26.8 | 25.1 | (1.8) | -7% |
| Administration | 16.9 | 16.9 | 0.0 | 0% |
| Capital | 2.5 | 4.0 | 1.5 | 59% |
| Total Operating Expenses | \$129.4 | \$143.2 | \$13.9 | 11% |
| Excess/(Deficit) before Contributions | \$19.7 | \$1.1 | \$18.6 | n/a |
| Reserve Fund Contribution | 0.0 | 1.1 | 1.1 | n/a |
| Net Operating Excess/(Deficit) | \$19.7 | \$0.0 | \$19.7 | n/a |
| Average Headcount | 394 | 405 | 11 | 3% |

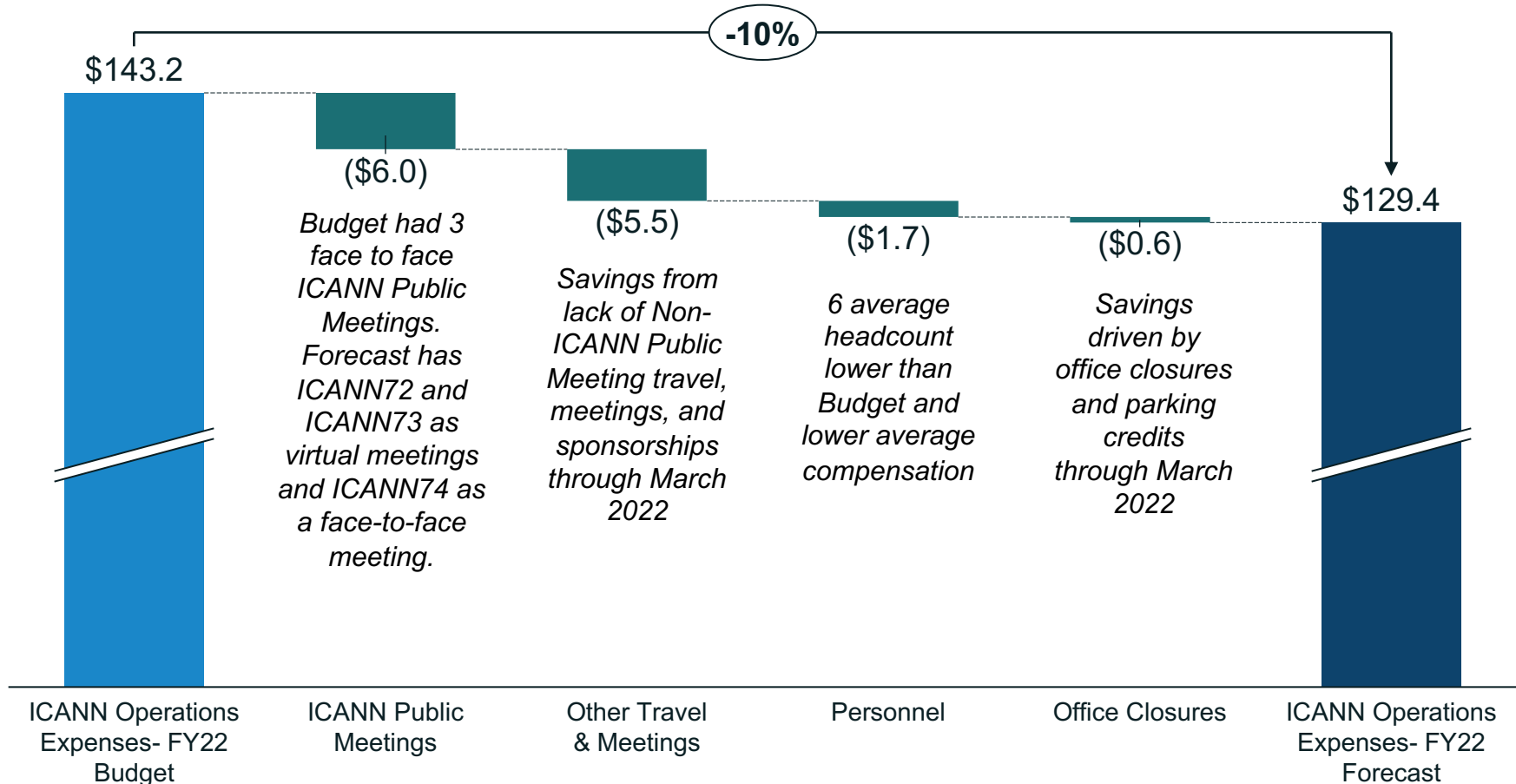
⁽¹⁾ Includes Contingency expense which is unallocated to specific activities or functions

- The ICANN Operations FY22 Forecast Funding is \$4.7 million higher than the FY22 Adopted Budget, primarily due to growth in domain name transactions
- The FY22 Adopted Budget assumed unrestricted travel for the entire fiscal year, whereas the FY22 Forecast assumes travel restrictions for the first nine months of the fiscal year
- Expenses in the FY22 Forecast are \$13.9 million lower, driven by less Travel & Meetings than planned as a result of the pandemic

Expense Analysis: FY22 Budget vs FY22 Forecast

- The ICANN Operations FY22 Budget was developed over a year ago and assumed travel restrictions would not exist
- Travel restrictions continue to persist and is the key driver of why spending is lower than planned

\$ in millions



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% |

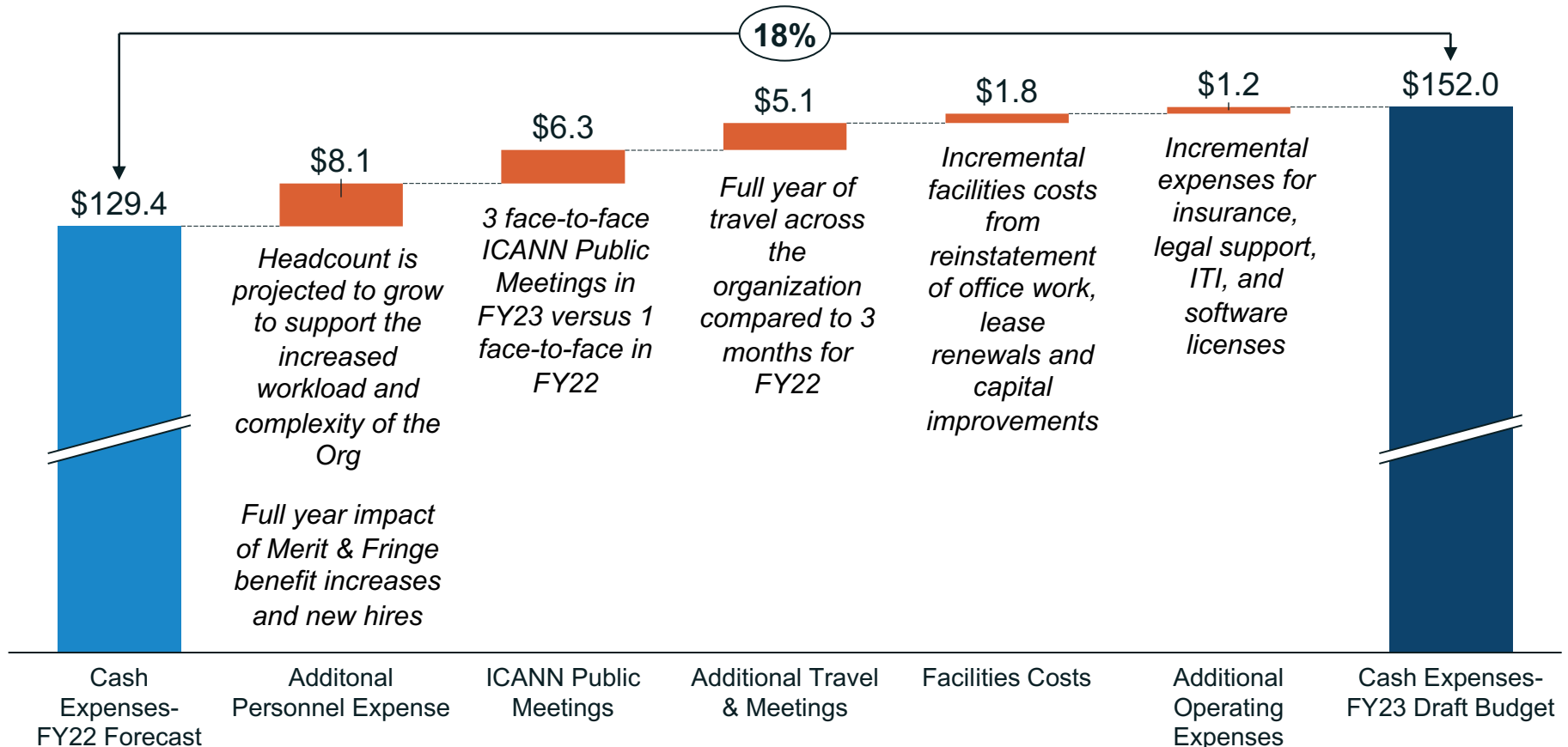
⁽¹⁾ Includes Contingency expense which is unallocated to specific activities or functions

- 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

Expense Analysis: FY22 Forecast vs FY23 Budget

- While the ICANN Operations FY22 Forecast expenses are impacted by the pandemic, ICANN org assumes activities to occur in FY23 without impact from the pandemic
- Excluding the impact of incremental expenses due to a return to full meeting operations, the FY23 Draft Budget expenses are growing ~8.5% over the FY22 Forecast

\$ in millions



New gTLD Program 2012 Round Overview

| New gTLD Program 2012 Round | Statement of Activities by Fiscal Year | | | | | Statement of Activities for Full Program (Dec 2021) Current Estimate |
|---|--|----------------|------------------|----------------|------------------------------|--|
| | FY12 - FY20 Actual | FY21 Actual | FY22 Forecast | FY23 Budget | FY24 & Beyond Forecast | |
| New gTLD Applicant Fees | 360 | 0 | 0 | 0 | 1 | 361 |
| Refunds | (52) | - | (0) | (0) | (0) | (53) |
| Applicant Fees (Net of Refunds) | \$ 308 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 308 |
| Initial and Extended Evaluation | (68) | - | - | - | - | (68) |
| Quality Control and Objection Processes | (11) | - | - | - | - | (11) |
| Pre-delegation | (12) | - | - | - | - | (12) |
| Program Costs | (38) | (2) | (3) | (2) | (9) | (54) |
| Staff Costs | (56) | (1) | (1) | (1) | (1) | (61) |
| Operating Expenses | \$ (185) | \$ (4) | \$ (4) | \$ (4) | \$ (10) | \$ (206) |
| Historical Development Costs | (32) | - | - | - | - | (32) |
| Risk Costs | (25) | (4) | (1) | - | - | (31) |
| Non Operating Expenses | \$ (58) | \$ (4) | \$ (1) | \$ - | \$ - | \$ (63) |
| Other Income/(Expense) | \$ (2) | \$ - | \$ - | \$ - | \$ - | \$ (2) |
| Investment Income/(Expense) | \$ 11 | \$ 0 | \$ 0 | \$ - | \$ - | \$ 11 |
| Total Expenses | \$ (234) | \$ (8) | \$ (5) | \$ (4) | \$ (10) | \$ (259) |
| Net Remaining New gTLD Funds | \$ 74 | \$ (8) | \$ (5) | \$ (3) | \$ (10) | \$ 49 |

- New revenue recognition standard (ASC 606) was adopted in FY21 and impacted the timing of the recognition of the revenue from the application fees
- No impact to ICANN's funding or cash balances
- Risk costs and investment gains are not estimated for future years

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

Timeline and Next Steps

Next Steps - Community and Board Involvement

| What | Who | When |
|---|----------------------|---------------------------------------|
| FY23 Planning Process Kick Off | Community | 15 September 2021 |
| Review draft FY23-27 O&FP and FY23 OP&B | BFC | 30 November 2021 |
| FY23–27 O&FP Public Comment FY23 OP&B Public Comment | Community | 07 December 2021- 07 February 2022 |
| Two Community Webinars | Community | 08/09 December 2021 |
| BFC recommends IANA Budget Approval | BFC/ Board | January / February 2022 |
| Review ICANN FY23 Draft Plans Public Comment inputs | Board & Community | ICANN 73 05 - 10 March 2022 |
| Summary Report Due Date | ICANN Org | 23 March 2022 |
| BFC Recommends ICANN FY23 Plans Approval | BFC/Board | April / May 2022 |
| Empowered Community Period | Community | May- June 2022 |

Additional Budget Request: FY23 Key Dates

1

Community Kick off and
Submission period

October 2021 to January 2022

2

Submissions Due – send to
planning@icann.org

31 January 2022

3

SO/AC Consultations
at ICANN 73

05 March to 10 March 2022

4

Notify SO/ACs of Publication on
Website

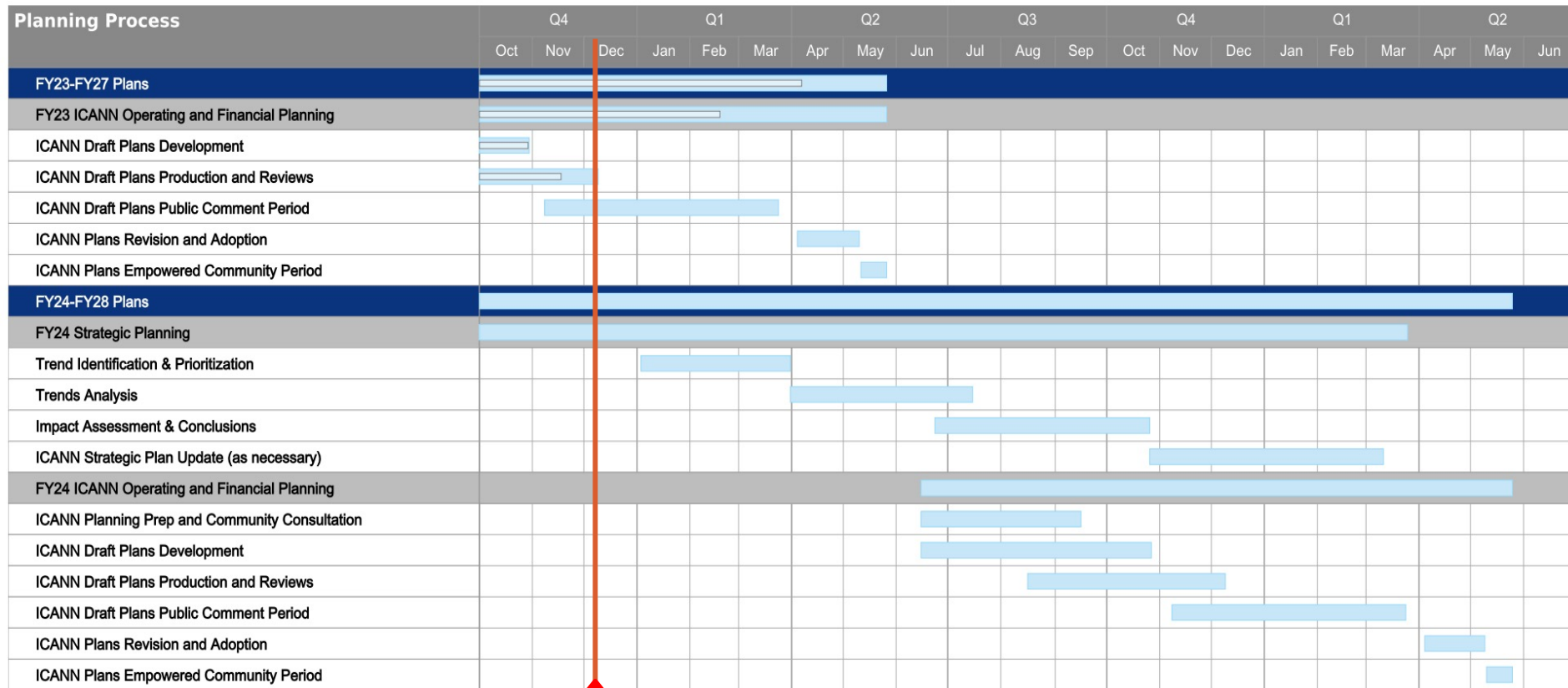
May 2022

Visit the [FY23 Additional Budget Request \(ABR\) Process](#) page on the Finance and Planning community wiki for more information.

FY24 Planning Process

Preparing for FY24 Planning (Draft Timeline)

- ⦿ As we continue to progress to the next key steps of the FY23 Planning process, the first phase of the FY24 Annual Planning Process will launch in January 2022 with the FY24 Strategic Outlook trends identification process
 - This is the opportunity for community members to participate in Trends identification sessions virtually in February and March 2022. More details coming soon via SO/AC groups



▼
Today

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.



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

How to Get Involved



Participate in the ICANN
Public Comment

07 December 2021- 07
February 2022

[https://www.icann.org/en/
public-comment/](https://www.icann.org/en/public-comment/)



Visit the Finance and
Planning Community
Wiki page

<https://community.icann.org/display/projfinadhocws/Finance+and+Planning+Community+Group+Workspace>



Subscribe to the
community-
finance@icann.org
email list for regular
updates on planning
activities
by emailing the
planning team



Email planning@icann.org

Appendix

Functional Activities – 33 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
- Governmental & IGO Engagement
- GDD Accounts & Services
- Global Communications & Language Services
- Global Meetings Operations
- Ombudsman

Functional Activities – 33 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 Shared Services
- Board Operations
- Security Operations
- ICANN Offices

FY23 Service Groups and Functional Activities

| In millions, USD Service Group / Functional Activity | FY23 Draft Budget Expenses | | | | FY22 Forecast Expenses | | | | Increase/(Decrease) Expenses | | | |
|---|----------------------------|---------------|--------------------------|----------------|------------------------|---------------|--------------------------|----------------|------------------------------|--------------|--------------------------|---------------|
| | FTE ⁽¹⁾ | Pers. | Non Pers. ⁽²⁾ | Total | FTE ⁽¹⁾ | Pers. | Non Pers. ⁽²⁾ | Total | FTE ⁽¹⁾ | Pers. | Non Pers. ⁽²⁾ | Total |
| Technical and DNS Security | 73 | \$14.9 | \$10.4 | \$25.3 | 73 | \$14.2 | \$5.9 | \$20.1 | 0 | \$0.6 | \$4.6 | \$5.2 |
| Policy Development and Implementation Support | 73 | \$13.9 | \$6.9 | \$20.8 | 71 | \$12.6 | \$4.4 | \$16.9 | 2 | \$1.4 | \$2.5 | \$3.9 |
| Community Engagement & Services | 92 | \$18.7 | \$12.5 | \$31.2 | 91 | \$17.4 | \$8.2 | \$25.6 | 1 | \$1.4 | \$4.2 | \$5.6 |
| ICANN Org Governance | 34 | \$11.2 | \$7.7 | \$18.9 | 34 | \$10.8 | \$6.7 | \$17.5 | 0 | \$0.4 | \$1.0 | \$1.4 |
| ICANN Org Shared Services | 118 | \$24.6 | \$24.0 | \$48.6 | 118 | \$22.2 | \$21.5 | \$43.8 | 0 | \$2.3 | \$2.5 | \$4.8 |
| Subtotal ⁽³⁾ | 390 | \$83.3 | \$61.5 | \$144.8 | 387 | \$77.2 | \$46.7 | \$123.9 | 3 | \$6.1 | \$14.8 | \$20.9 |
| Budgeted New Hires | 37 | \$5.7 | \$0.0 | \$5.7 | 23 | \$2.6 | \$0.0 | \$2.6 | 14 | \$3.1 | \$0.0 | \$3.1 |
| Contingency | 0 | \$0.0 | \$6.0 | \$6.0 | 0 | \$0.0 | \$5.2 | \$5.2 | 0 | \$0.0 | \$0.8 | \$0.8 |
| Organizational Adjustments and Allocations | 0 | (\$2.4) | (\$2.0) | (\$4.5) | 0 | (\$1.4) | (\$1.0) | (\$2.4) | 0 | (\$1.1) | (\$1.0) | (\$2.1) |
| Total | 427 | \$86.5 | \$65.5 | \$152.0 | 410 | \$78.4 | \$50.9 | \$129.4 | 17 | \$8.1 | \$14.6 | \$22.7 |

⁽¹⁾ Full-Time Equivalents at the end of the fiscal year

⁽²⁾ Non Personnel Expenses include Travel & Meetings, Professional Services, Administration and Capital

⁽³⁾ Subtotal of allocated Functional Activities. Items below the Subtotal are not allocated and are defined in the Glossary of the FY23 Draft Budget document

- The chart above shows the five Service Groups under which ICANN Operations Functional Activities are included
- To view the expenses by Functional Activity, please download the Excel file [here](#)

Financial Overview: Total ICANN FY22 Forecast

| Total ICANN Financials | | | | | | | For the Twelve Months Ending 30 Jun 2022 | | | | | | |
|---|------------------|-----------------|-------------|--------------|------------------|----------------|--|--|--|--|--|--|--|
| In Millions, US dollars | ICANN Operations | New gTLD Rounds | SFICR | Reserve Fund | Auction Proceeds | Total | | | | | | | |
| Funds Under Management - 30 Jun 2021 | 77.4 | 76.5 | 15.0 | 154.3 | 212.2 | 535.5 | | | | | | | |
| Funding | 149.1 | - | - | - | - | 149.1 | | | | | | | |
| Personnel | (78.4) | (3.1) | - | - | - | (81.5) | | | | | | | |
| Travel & Meetings | (4.7) | (0.2) | - | - | - | (4.8) | | | | | | | |
| Professional Services | (26.8) | (4.6) | - | - | - | (31.5) | | | | | | | |
| Administration | (16.9) | (0.3) | - | - | - | (17.2) | | | | | | | |
| Capital | (2.5) | (0.0) | - | - | - | (2.6) | | | | | | | |
| Total Expenses | (129.4) | (8.2) | - | - | - | (137.6) | | | | | | | |
| Operating Fund Excess Transfers | (20.0) | - | 5.0 | 15.0 | - | - | | | | | | | |
| Change In Market Value | 0.2 | 0.3 | 0.1 | 5.9 | 1.1 | 7.7 | | | | | | | |
| Funds Under Management - 30 Jun 2022 | 77.4 | 68.7 | 20.1 | 175.2 | 213.3 | 554.6 | | | | | | | |
| Total Average Headcount | 394 | 12 | - | - | - | 406 | | | | | | | |

- ICANN Operations FY22 Forecast reflects recent positive trends in Funding and lower than planned Expenses due to the impact of the pandemic
- New gTLD Rounds consists of 2012 Round expenses and ODP expenses for the Next Round
- Operating Fund transfers were approved by the Board in July and October 2021
- Forecasting a positive investment return for each fund depending on its corresponding investment policy