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

ICANN

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.

Team

Becky Nash
Planning

Nathalie Vergnolle
Planning

Victoria Yang
Planning

Margaret Benavides
Planning

Shani Quidwai
Finance

Alex Morshed
Finance

Kirsten Crownhart
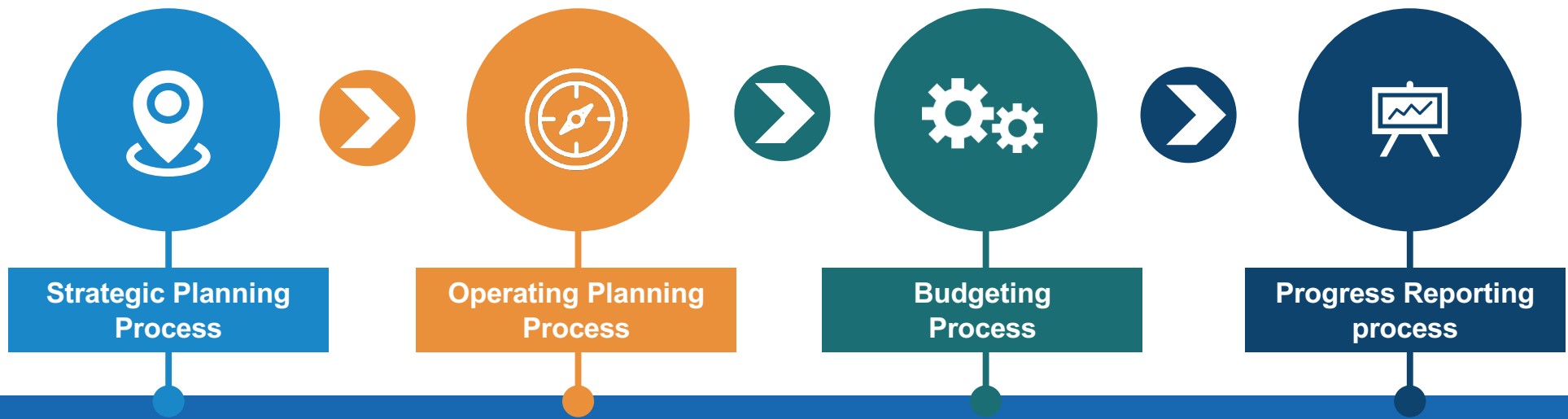*Finance*

Russ Weinstein
GDS

Mukesh Chulani
GDS

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

Welcome and Introduction

Planning Overview
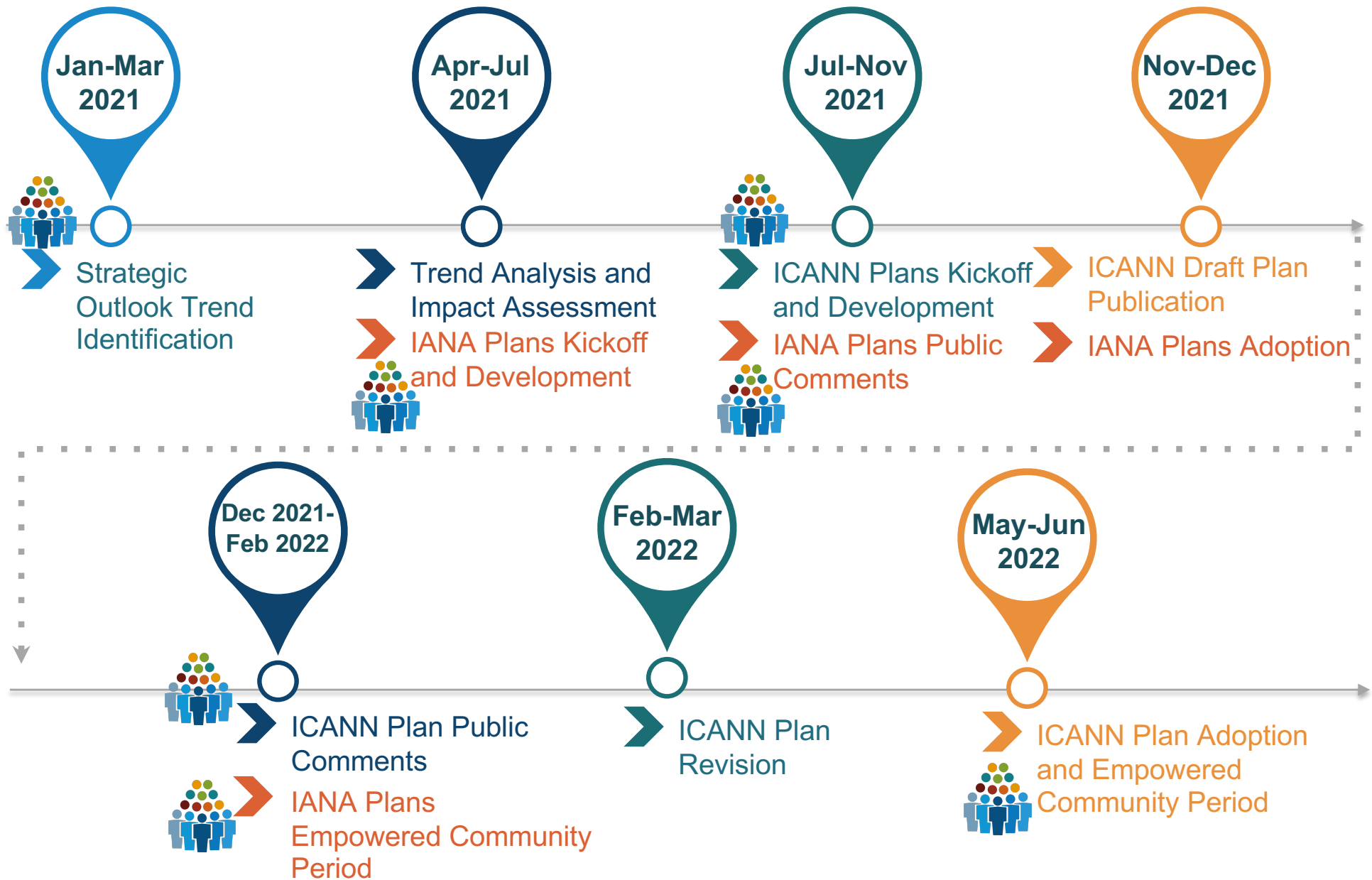
Planning Process Overview

Strategic Planning Process

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

Operating Planning Process

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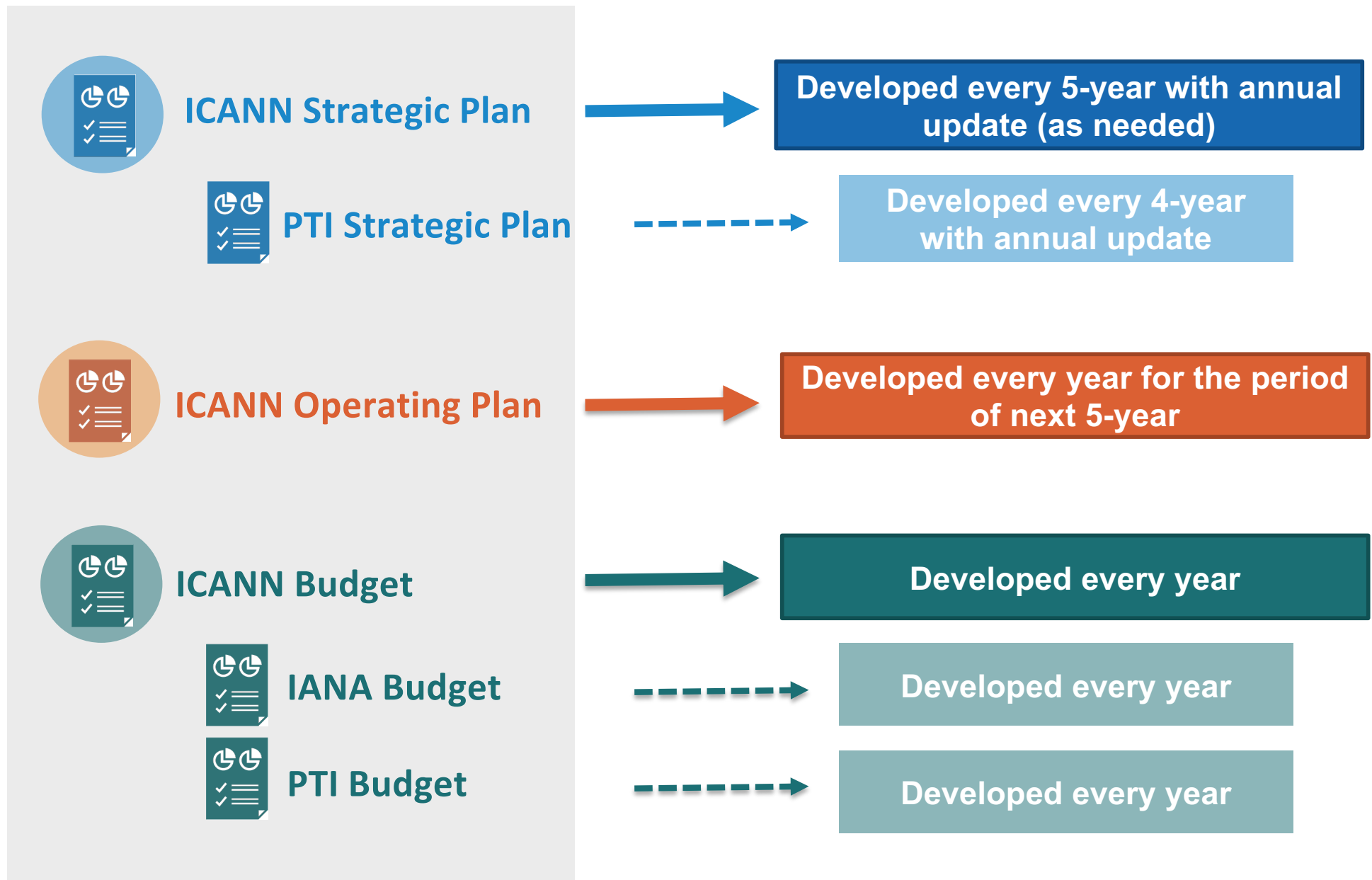
Budgeting Process

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

Progress Reporting process

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

ICANN

When can community members participate?

Jan-Mar 2021
- Strategic Outlook Trend Identification

Apr-Jul 2021
- Trend Analysis and Impact Assessment
- IANA Plans Kickoff and Development

Jul-Nov 2021
- ICANN Plans Kickoff and Development
- IANA Plans Public Comments

Nov-Dec 2021
- ICANN Draft Plan Publication
- IANA Plans Adoption

Dec 2021-Feb 2022
- ICANN Plan Public Comments
- IANA Plans Empowered Community Period

Feb-Mar 2022
- ICANN Plan Revision

May-Jun 2022
- ICANN Plan Adoption and Empowered Community Period

Community Participations

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

◉ Funding Forecast Assumptions for Fiscal Years 2023 – 2027

Closed for Public Comment
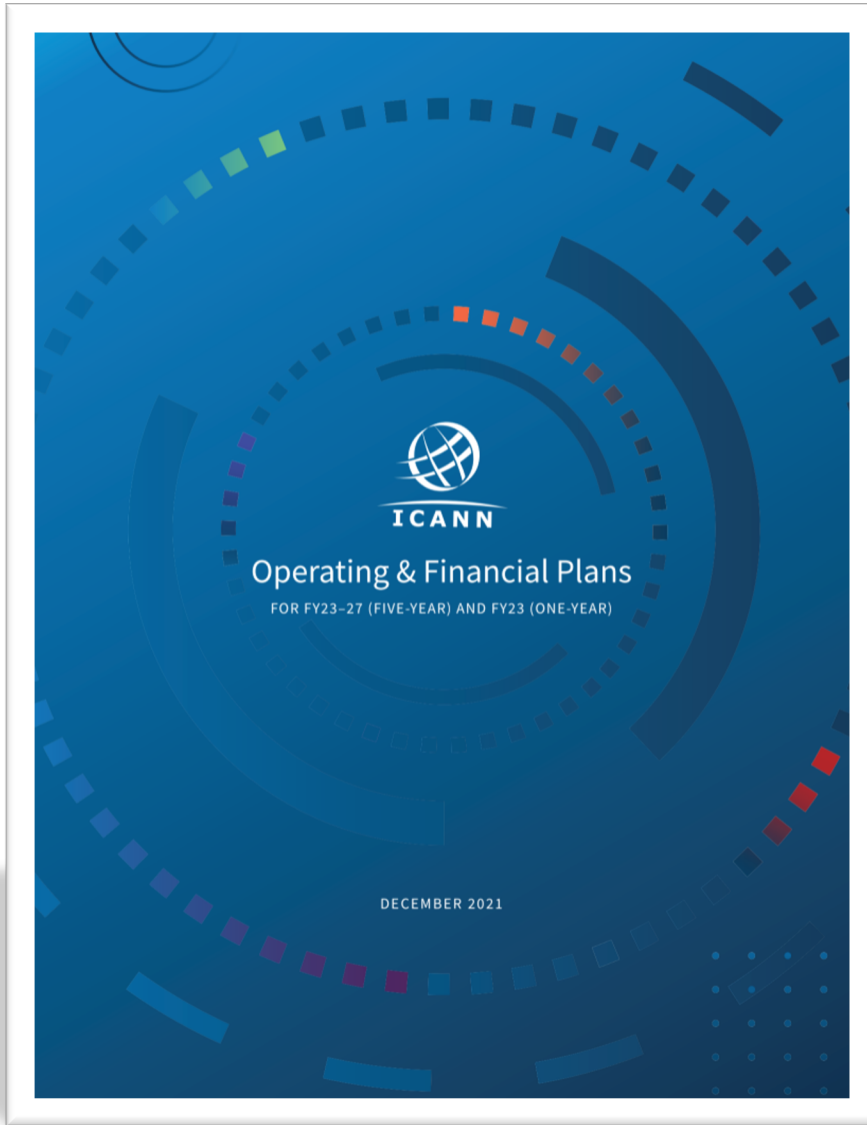06 February 2022

Staff Report Due
23 March 2022

Link to Public Comment Page
https://www.icann.org/en/public-comment/

FY23 Planning Documents

ICANN

Operating & Financial Plans

FOR FY23–27 (FIVE-YEAR) AND FY23 (ONE-YEAR)

DECEMBER 2021

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: o Policy support and over ~4,000 virtual meetings and o 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 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:

Draft FY23 Operating Plan

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

	Calendar Year	2021												2022							2023

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

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

Strategic Plan

Strategic Objective

Strategic Goal 1*
- Targeted Outcome 1.1
- Targeted Outcome 1.2

Strategic Goal 2
- Targeted Outcome 2.1
- Targeted Outcome 2.2

Strategic Goal 3
- Targeted Outcome 3.1
- Targeted Outcome 3.2

Operating Plan

Operating Initiatives | Progress Measurements

Functional Activities | Progress Measurements

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.
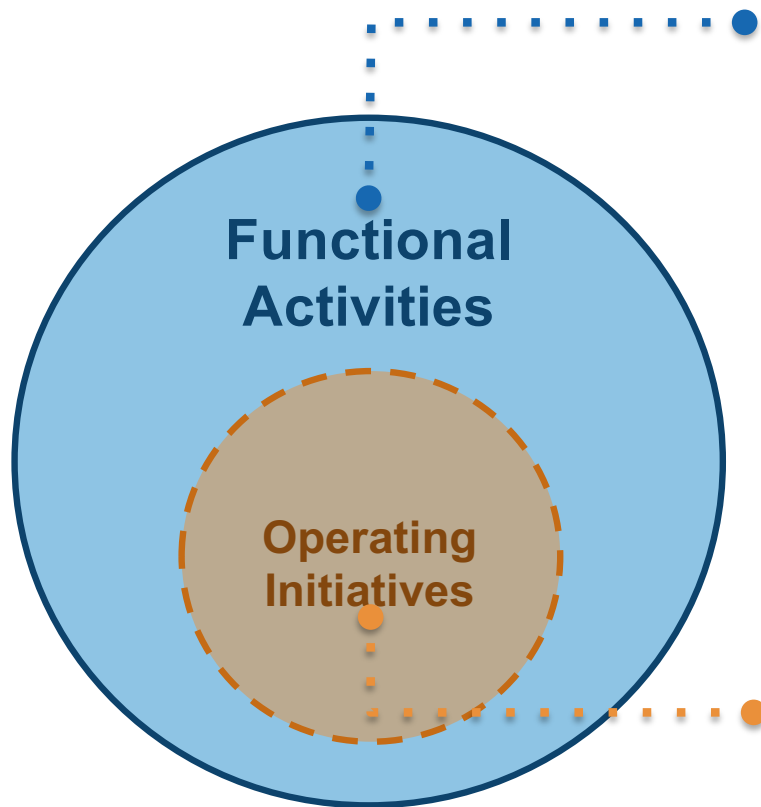
Functional Activities (33 in 5 Service Groups)

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

Functional Activities

Operating Initiatives

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

ICANN

	Operating Initiatives	Examples of Key Milestones
1	Support the Evolution of the Root Server System	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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.

	Operating Initiatives	Examples of Key Milestones
1	Support the Evolution of the Root Server System	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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.

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

2 Formulation of Assumptions

3 Forecast Generation

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

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).

Actual
~6% CAGR

Projections
Low Scenario: -3% CAGR
Base case Scenario: 2% CAGR
High Scenario: 5% CAGR

FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27

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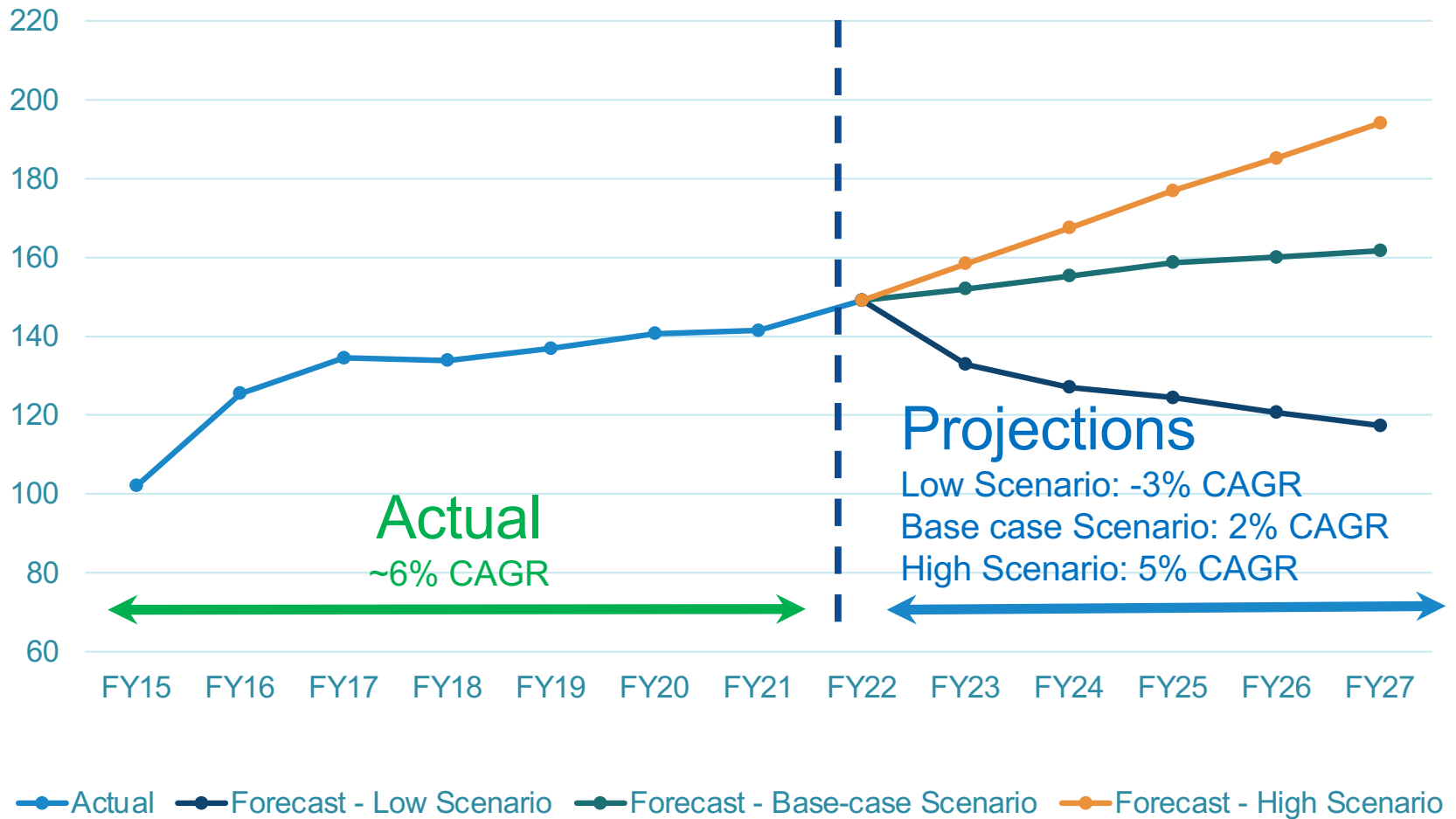
Note: CAGR = Compound Annual Growth Rate; CAGR values cover FY15-21 & FY23–27
FY15–21 based on audited actuals, FY21–F26 include contributions for SSR Operating Initiative
In millions, USD; Arithmetic inconsistencies due to decimal rounding

5-Year (FY23–27) Financial Plan and 1-Year (FY23) Budget

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 scenario[1] 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

[1] Base scenario reflects conservative and achievable funding based on recent positive trends and possible negative impacts

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 FY22	5-Year Projections FY23	FY24	FY25	FY26	FY27
ICANN Operations	**$77.4**	**$77.4**	**$77.6**	**$78.0**	**$78.4**	**$78.8**
Funding	*$149.1*	*$152.0*	*$155.3*	*$158.7*	*$160.1*	*$161.7*
Expenses	*($129.4)*	*($152.0)*	*($155.3)*	*($158.7)*	*($160.1)*	*($161.7)*
Operating Fund Excess Transfers	*($20.0)*	*-*	*-*	*-*	*-*	*-*
Projected Investment Gains	*$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**
Expenses	*($8.2)*	*($13.9)*	*($9.8)*	*-*	*-*	*-*
Projected Investment Gains	*$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**
Transfer from Operating Fund	*$5.0*	*-*	*-*	*-*	*-*	*-*
Projected Investment Gains	*$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**
Transfer from Operating Fund	*$15.0*	*-*	*-*	*-*	*-*	*-*
Projected Investment Gains	*$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**
Projected Investment Gains	*$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

Beginning balances displayed each year, followed by cash inflow/outflows during the year

ICANN Operations 5-Year Financial Projections

ICANN OPERATIONS (in Millions USD)						
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 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; 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
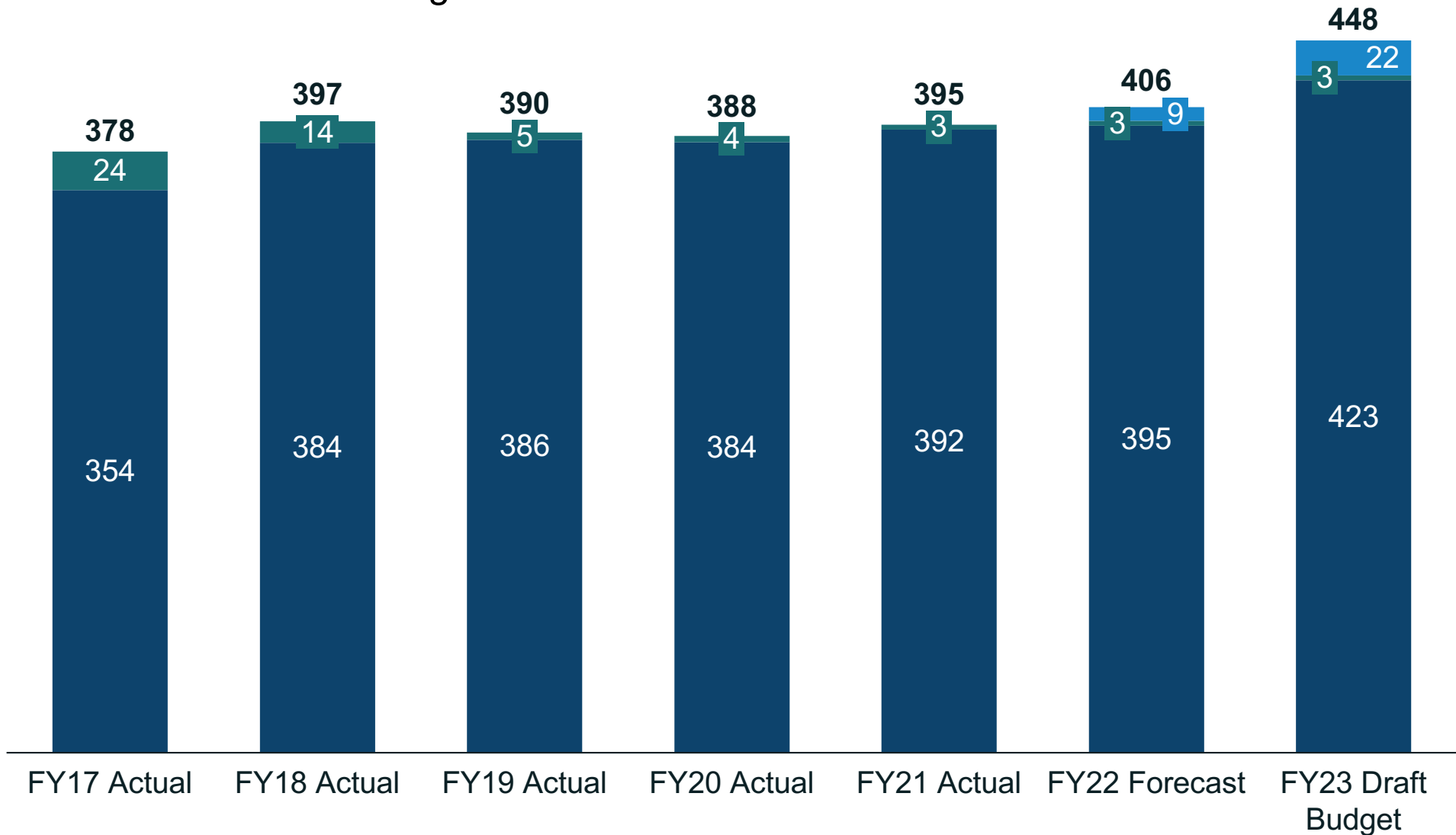
Total ICANN Average Headcount Trends

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

	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Forecast	FY23 Draft Budget
Total	**378**	**397**	**390**	**388**	**395**	**406**	**448**
Subsequent Procedures ODP						9	22
New gTLD Program 2012 Round	24	14	5	4	3	3	3
ICANN Operations	354	384	386	384	392	395	423

Legend: ■ Subsequent Procedures ODP ■ New gTLD Program 2012 Round ■ ICANN Operations

ICANN Operations FY22 Adopted vs FY22 Forecast

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

(1) Includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives
(2) 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

-10%

$143.2

($6.0)

Budget had 3 face to face ICANN Public Meetings. Forecast has ICANN72 and ICANN73 as virtual meetings and ICANN74 as a face to face meeting.

($5.5)

Savings from lack of Non-ICANN Public Meeting travel, meetings, and sponsorships through March 2022

($1.7)

6 average headcount lower than Budget and lower average compensation

($0.6)

Savings driven by office closures and parking credits through March 2022

$129.4

| ICANN Operations Expenses- FY22 Budget | ICANN Public Meetings | Other Travel & Meetings | Personnel | Office Closures | ICANN Operations Expenses- FY22 Forecast |

ICANN Operations FY23 Draft vs FY22 Forecast

In Millions, USD	FY23 Draft Budget ICANN Operations	FY22 Forecast ICANN Operations	Under/(Over) vs. FY22 Forecast $	%
Funding [1]	**$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 [2]	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%**

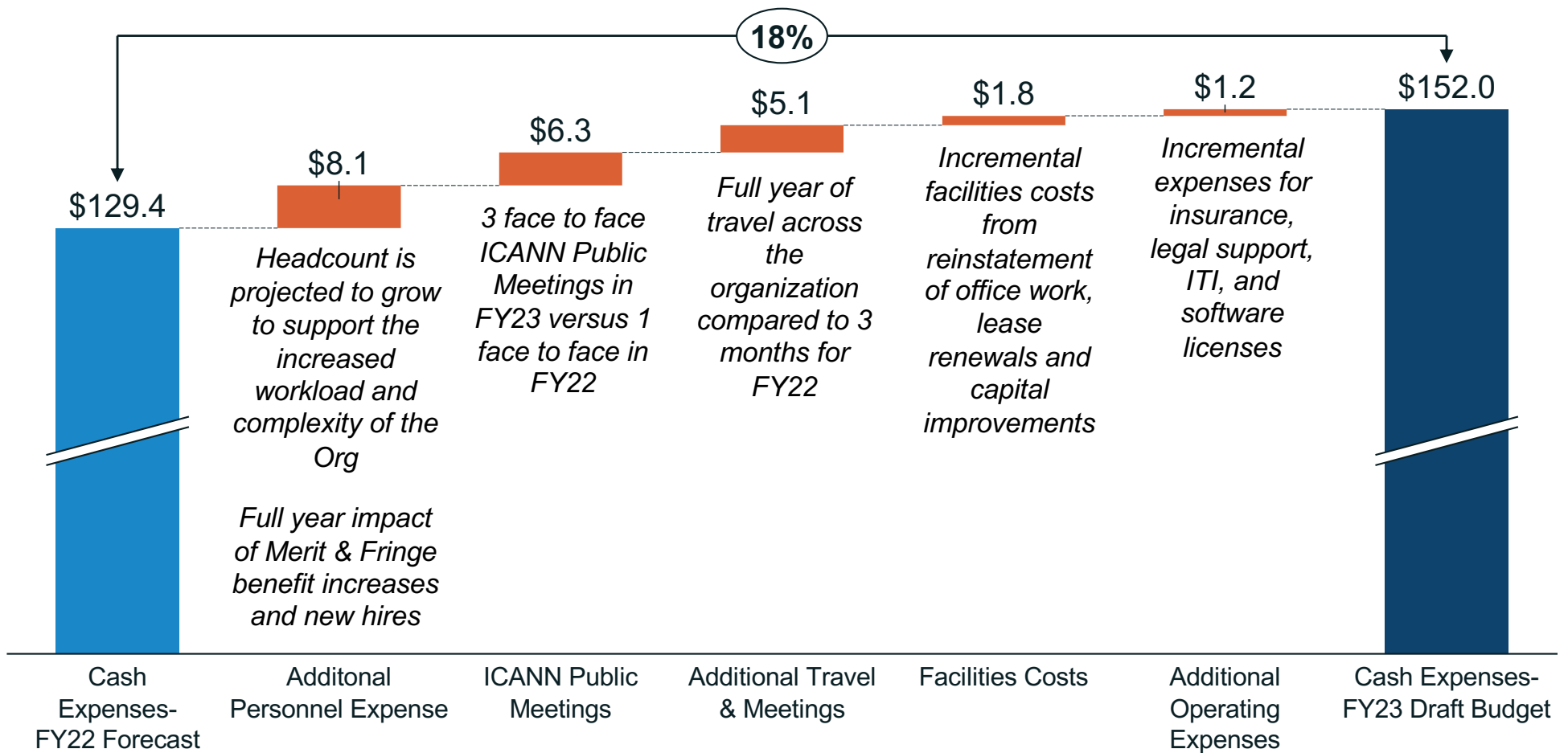(1) Includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives
(2) Includes Contingency expense, which is unallocated to specific activities or functions

- 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

18%

| $129.4 | $8.1 | $6.3 | $5.1 | $1.8 | $1.2 | $152.0 |

Headcount is projected to grow to support the increased workload and complexity of the Org

Full year impact of Merit & Fringe benefit increases and new hires

3 face to face ICANN Public Meetings in FY23 versus 1 face to face in FY22

Full year of travel across the organization compared to 3 months for FY22

Incremental facilities costs from reinstatement of office work, lease renewals and capital improvements

Incremental expenses for insurance, legal support, ITI, and software licenses

| Cash Expenses- FY22 Forecast | Additonal Personnel Expense | ICANN Public Meetings | Additional Travel & Meetings | Facilities Costs | Additional Operating Expenses | Cash Expenses- FY23 Draft Budget |

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 priority for the Org and will be assessed annually, this is not built into the plans

- We believe ICANN has the funding and cash sources needed to secure the necessary resources; some 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	7 December 2021- 6 February 2022
Two Community Webinars	Community	8/9 December 2021
BFC recommends IANA Budget Approval	BFC/ Board	January / February 2022
Review ICANN FY23 Draft Plans Public Comment inputs	Board & Community	ICANN 73 5 - 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

ICANN

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

Monday, January 31, 2022

3

SO/AC Consultations at ICANN 73

05 March 2022 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

    o 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.
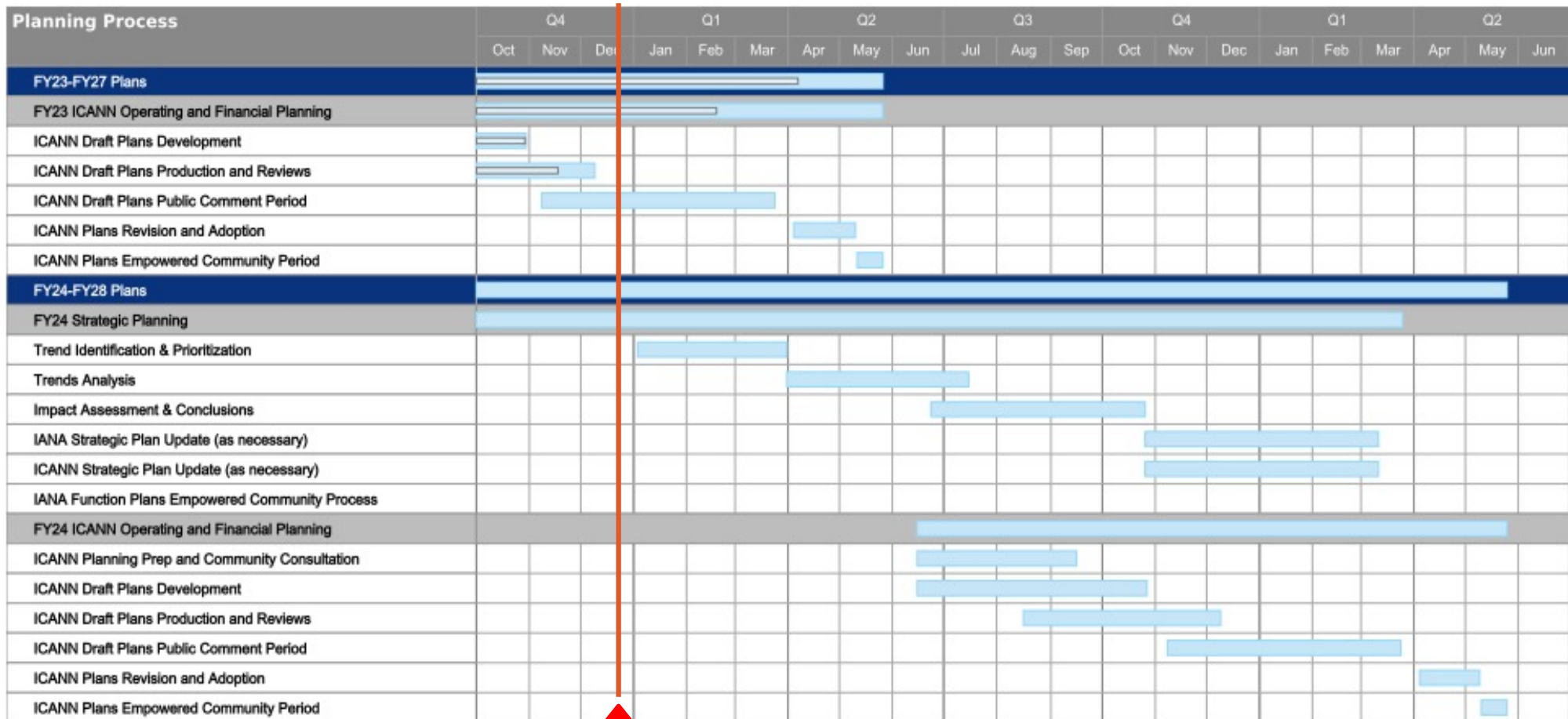
Today

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- 06 February 2022

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

Visit the Finance and Planning Community Wiki page

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

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	FY23 Draft Budget Expenses				FY22 Forecast Expenses				Increase/(Decrease) Expenses			
Service Group / Functional Activity	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