At-Large Workspace: Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan

Public Comment Close	Statement Name	Status	Assignee (s)	Call for Comments Open	Call for Comments Close	Vote Open	Vote Close	Date of Submission	Staff Contact and Email	Statement Number
05 August 2019	Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan	ADOPTED 11Y, 0N, 0A	Maureen Hilyard Judith Hellerstein Marita Moll	01 August 2019	04 August 2019	05 August 2019	08 August 2019	05 August 2019	Victoria Yang victoria.yang@icann.org	**AL-ALAC-ST-0819-01-01-EN**

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Brief Overview *See ICANN page for embedded graphics

Purpose: The ICANN Draft Strategic Plan for Fiscal Years 2021–2025 sets out five strategic objectives and related goals based on areas of challenge and opportunity for ICANN to shape its future successfully. For ICANN to achieve on those objectives it must prioritize its work, plan resources appropriately and ensure that its financial plan is developed thoroughly, also considering existing projects, daily operations and anticipated projects not related directly to the Draft Strategic Plan. The objective of this public comment is to obtain feedback on the two key elements of the Fiscal Year 2021–2025 Operating & Financial Plan (FY21–25 O&FP):

1. Financial assumptions and high-level projection of the "base-case," "high," and "low" funding scenarios for Fiscal Year 2021 through Fiscal Year 2025.
2. 16 major operating initiatives that ICANN org should prioritize to successfully achieve the objectives set out in the FY21–25 Draft Strategic Plan.

Current Status: This draft includes high-level descriptions of ICANN's Operating Initiatives and why they are important to the success of the FY21–25 Draft Strategic Plan, paired with the financial assumptions and high-level projection of the "base-case," "high," and "low" funding scenarios for Fiscal Year 2021 through Fiscal Year 2025.

Next Steps: Based on feedback from this public comment period, ICANN org will develop a comprehensive draft FY21–25 O&FP that will be posted for public comment in December 2019. The Fiscal Year 2021 Operating Plan & Budget (FY21 OP&B) will also be posted for public comment in December 2019. Posting both plans at the same time will allow the ICANNcommunity to review the first-year plan in the context of the five-year plan.

Section I: Description and Explanation

The ICANN Draft Strategic Plan for Fiscal Years 2021–2025 sets out five strategic objectives and related strategic goals. **Strategic Objectives** directly correlate to the primary trends identified by the ICANN Community, ICANN Board, and ICANN Org. They represent areas of challenge and opportunity for ICANN to shape its future successfully. **Strategic Goals** identify the intended results of the Strategic Objectives.

The Draft Strategic Plan will be complemented by a five-year Operating and Financial Plan that describes ICANN org's Operating Initiatives and Operating Activities. **Operating Initiatives** are major initiatives ICANN Org will undertake to achieve the objectives and goals set out in the Strategic Plan. **Operating Activities** are the day-to-day activities supporting the organization's mission. For ICANN to successfully achieve the objectives set out in its Draft FY21–25 Strategic Plan, ICANN must prioritize its work, plan resources appropriately and ensure its financial plan is developed with those objectives in mind.

During the first public comment period, ICANN org is seeking feedback from the community on:

1. Financial assumptions and high-level projection of the "base-case," "high," and "low" funding scenarios for Fiscal Year 2021 through Fiscal Year 2025.
2. The major initiatives that ICANN org should prioritize to successfully achieve the objectives set out on the FY21–25 Draft Strategic Plan.

The above two areas are foundational and key to the development of the entire FY21-25 O&FP. We welcome all your comments, and encourage you to consider the following questions:

- Are the financial assumptions appropriate? What additional assumptions should ICANN org consider in estimating funding projections for FY21-25?
- Are the listed Operating Initiatives the ones to advance the objectives of the Strategic Plan? Is the list of Operating Initiatives complete or are any major initiatives missing?

It is important to note that these Operating Initiatives are not a comprehensive list of ICANN org efforts that will support the Draft Strategic Plan. ICANN's day-to-day operating activities will be detailed in the next version of this document, which will be posted for public comment in December 2019, that will include:

- Financial Assumptions and Projections – The five-year financial projection will include the consolidated Statement of Activities and Consolidated Statement of Cash Flow, the estimated resources and costs of the Operating Initiatives and Operating Activities.
- Operating Initiatives – Descriptions of the major initiatives ICANN org will undertake to achieve the objectives set out in the FY21–25 Strategic Plan, the purpose, desired outcome, projected roadmap and major milestones, estimated resources and costs, key measurements and dependencies, along with foreseen risks and potential mitigation of each initiative.
- Detailed workplan based on the efforts currently underway to improve the effectiveness of ICANN's multistakeholder model
- Operating Activities – Descriptions of the day-to-day activities necessary to run ICANN org, including the purpose of these activities, estimated resources and costs, key measurements and dependencies.
- Implementation of Review Recommendations, such as WS2 (https://community.icann.org/display/WEIA) or the Consumer Choice and Trust (CCT) Review – Descriptions of how ICANN org could plan for the implementation of these review recommendations, including assessing alignment with Operating Initiatives and Core Activities, estimating resources and costs, and setting funding allowances for the implementation.

Section II: Background

The ICANN Board has developed a Draft ICANN Strategic Plan for Fiscal Years 2021-2025 in consultation with the community. At ICANN64 in Kobe, Japan, ICANN org presented to the community the 2-phase approach of developing the Operating & Financial Plan for Fiscal Years 2021-2025.

This Public Comment Proceeding is to obtain community feedback on Draft Financial Assumption and Projections, and Draft Operating Initiatives.

Section III: Relevant Resources

- Draft FY2021 – FY2025 Financial Assumptions and Projections
- Draft FY2021 – FY2025 Operating Initiatives

Section IV: Additional Information

Section V: Reports

FINAL VERSION SUBMITTED (IF RATIFIED)

The final version to be submitted, if the draft is ratified, will be placed here by upon completion of the vote.



FINAL DRAFT VERSION TO BE VOTED UPON BY THE ALAC

The final draft version to be voted upon by the ALAC will be placed here before the vote is to begin.



DRAFT SUBMITTED FOR DISCUSSION

The first draft submitted will be placed here before the call for comments begins. The Draft should be preceded by the name of the person submitting the draft and the date/time. If, during the discussion, the draft is revised, the older version(S) should be left in place and the new version along with a header line identifying the drafter and date/time should be placed above the older version(s), separated by a Horizontal Rule (available + Insert More Content control).

Please see Google Doc - 05 August 2019 (view only)

AT-LARGE ADVISORY COMMITTEE

ALAC Statement on Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan

Introduction

On 14 June 2019, public comment opened for Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan. On the same day, an At-Large workspace was created for the statement. The At-Large Consolidated Policy Working Group (CPWG) decided it would be in the interest of end users to develop an ALAC statement on the public comment.

During the CPWG meeting that week, members of the working group discussed the public comment, as well as the end user stance on the public comment and prior ALAC statements on the topics of finance, operations and the ICANN Strategic Plan. Maureen Hilyard, ALAC Chair, Marita Moll, ALAC Member of the North American Regional At-Large Organization (NARALO), and Judith Hellerstein, Member of NARALO, volunteered as co-penholders for the statement.

ICANN policy staff in support of the At-Large community sent a call for comments to the ALAC Finance & Budget Subcommittee, CPWG and ALAC mailing lists. Staff created a Google Doc for drafting the ALAC statement.

On 24 July 2019, the first draft of the ALAC statement was posted by the co-penholders for community comment. ICANN policy staff in support of the At-Large community sent a call for comments to the CPWG and ALAC mailing lists, requesting feedback by 04 August.

On 05 August 2019, the ALAC Chair, Maureen Hilyard, requested that the statement be transmitted to the ICANN public comment process, copying the ICANN staff member responsible for this topic, with a note that the statement is pending ALAC ratification.

Executive Summary of ALAC Responses (full statement on following page)

We suggest that ICANNs revenues will remain fairly constant -- neither growing exceedingly nor shrinking excessively over the next five years. Maintaining such equilibrium will require careful curation of the domain name assets through unfailing attention to the primary strategic goal of security, stability and trust (Assumption H). Reliance on New gTLDs as a source of new revenue is a strategy the ALAC does not support.

Not yet completed section

AT-LARGE ADVISORY COMMITTEE

ALAC Statement on Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan

Background:

As stated in the document, the ICANN Draft Strategic Plan for Fiscal Years 2021–2025 set out strategic objectives and strategic goals. The Draft Strategic Plan will be complemented by a five-year Operating and Financial Plan that describes ICANN org's Operating Initiatives and Operating Activities. Operating Initiatives are major initiatives ICANN Org will undertake to achieve the objectives and goals set out in the Strategic Plan. Operating Activities are the day-to- day activities supporting the organization's mission. For ICANN to achieve on those objectives it must prioritize its work, plan resources appropriately and ensure that its financial plan is developed thoroughly., also considering existing projects, daily operations and anticipated projects not related directly to the Draft Strategic Plan.

- ICANN shared these 16 Operating Initiatives that ICANN Org plans to focus on during the period of FY21-25. These are major workstreams that support the objectives identified in the Draft Strategic Plan. ALAC commented on this public comment and their comments can be found here.
- Additionally we commented on the related public comment regarding the two year planning process and this can be found here.
- As well as to the ICANN Draft FY20 Operating Plan And Budget And Five-year Operating Plan. This statement can be found here.
- Lastly, ALAC also provided comments to the ALAC Statement on Evolving the Multistakeholder Model at ICANN, this statement can be found here.

This public comment references all of these past comments as they are all relevant to the Operating Initiatives mentioned in this document.

AT-LARGE ADVISORY COMMITTEE

ALAC Statement on Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan

The ALAC has considered the draft financial assumptions, projections and operating initiatives, and we offer the following comments:

Financial assumptions

We are being asked to comment on assumptions that are yet to be validated by external information, such as market research. We note that we do not have all the background data that financial planners would use to make such assumptions. However, our deep involvement in the evolving context in which ICANN operates leads us to present several cautionary points with respect to the financial assumptions.

The assumptions and market trend documents place a great load on the assumption that a new round of new gTLDs will continue to allow for the creation of new gTLD-based business models, and greater identity specialization for registrants. This also assumes that registries and registrars will encourage greater awareness of what these models might be, and how they can help registrants develop their businesses based on geographic or brand gTLDs.

For example, some registries and registrars have been most proactive in helping to build their particular brands by offering support and advice for registrants and businesses to make the most of their domains and websites, with marketing and website development advice to support a successful digital presence for their users via social media, as well as on an individual basis.

The ALAC is not optimistic that assumptions A and B will be highly successful vehicles to new revenue. Although the first round of new gTLDs did bring in considerable revenue, we point out that these earlier rounds represented the "low hanging fruit" in the new gTLD market. Future rounds will require more resources. Additionally, while we know how much money came in from the earlier rounds, we do not know how much the next round will cost, nor do we know the sustainability of new gTLDs which are still dormant or somewhat dormant. Moreover, there is no evidence that there is a pent-up demand for brands and geoTLDs. Although there have been some lessons learned, any next round would seek to reach more difficult areas (see assumptions F & G), and this new round could be more expensive. We also have not seen any cost-benefit analysis for doing this new round. Has this been done?

The ALAC notes there is little to no evidence that either of these gTLD categories will generate large profits for ICANN in the long run. In the attached paper, ICANN even noted this and stated many of the brands picked up in the last round were picked up solely for defensive purposes. The assumption that this will suddenly change is just that - an assumption.

The ALAC has already registered its concerns and recommended caution with respect to new GTLD rounds.

ICANN's financial health requires that the case for domain names remain strong, and ICANN's focus should be on security, stability, strengthening the multistakeholder system and other fundamental tasks noted in the strategic plan, rather than focussing on further rounds of new gTLDs for the time being. In addition, it is still too early to know the real financial impact of the most recent gTLD expansion, in terms of a cost-benefit analysis.

What we can agree on, and what ICANN is putting money towards, is that there is an urgent need to resolve current challenges around Universal Acceptance, which will open new markets in areas with a low rate of domain name adoption (assumption G).

We suggest that ICANN's revenues will remain fairly constant - neither growing exceedingly nor shrinking excessively over the next five years. Maintaining that equilibrium will require careful curation of the domain name assets through unfailing attention to the primary strategic goal of security, stability and trust (assumption H). The ALAC cannot support the strategy of reliance on these new gTLDs as a source of new revenue.

Our conclusions, given the concerns above, are to find a middle ground. The ALAC believes that reasonably conservative financial projections would be the best way forward.

Operational issues

In the ALAC comment regarding the Strategic Plan and its 16 different objectives, the ALAC condense these 16 down to 5 overarching objectives:

1. Strengthen the security of the Domain Name System (DNS) and the DNS Root Server System
2. Improve the effectiveness of ICANN's multistakeholder model of governance, facilitating diverse and inclusive participation in policy-making
3. Evolve the unique identifier systems to continue to serve the needs of the global Internet user base
4. Address geopolitical issues impacting ICANN's mission to ensure a single and globally interoperable Internet
5. Ensure ICANN's long-term financial sustainability

As we have noted above and in our comments concerning the strategic plan, 2-year planning process, financial budget and operating plans, and the evolving multistakeholder model, we agree that the security of the DNS and the root server system is the primary goal in the ICANN strategic plan. We agree that resources towards promoting DNSSEC and increasing its deployment is key. Security, stability and trust are the fundamental pillars upon which financial assumptions rest.

The ALAC agrees that work which needs to be done on evolving the multistakeholder system is substantial and complex and that it must be ongoing with adequate resources directed towards its completion. The objectives related to diverse and inclusive participation in policy making in an efficient and effective way are essential to improving the system. The At-Large community is already devoting as much energy as possible to this process, on the assumption that the process will continue to be supported as fully as possible. We welcome the commitment in this document to continue to provide a high level of staff and resource support to SOs and ACs engaged in this process, and some of the suggestions regarding prioritization, standard protocols, etc. as long as they are a result of engagement and agreement at the level of affected ICANN constituencies.

We share the goal that internal and external ethics policies must be exemplary. However, we are somewhat concerned about the review and evaluation of the current face-to-face meeting strategy. The ALAC underlines that face-to-face meetings are essential to the functioning of the multistakeholder model. At-Large and other members of the volunteer community will not be able to maintain the level of engagement needed to do this work if they are unable to hold some of their discussions in the most efficient manner as possible, by utilizing face-to-face meetings. There may be efficiencies to be found in meeting logistics, but they must not compromise the ongoing work of volunteer teams at these face-to-face meetings. Volunteers are already contributing considerable personal resources - including time and money - towards supporting the multistakeholder system.

The ALAC commented on the importance of the unique identifiers system and root zone management in this recently filed comment.

With respect to a new round of gTLDs, we have pointed out that this is not a priority for Internet end users. We do not support allocating major resources to a new round until there is more evidence that a major demand exists and that such an activity will truly benefit the global Internet community.

The ALAC agrees and has also noted in previous comments filed on the multistakeholder model that ICANN must continue to engage with other bodies in the Internet ecosystem. Keeping abreast of relevant regulatory and legal issues around the world, engaging with IGF, ITU, governments and regulatory bodies is essential. Stepping away from these responsibilities would result in an organization which was out of step with changing conditions around the world.

Formalizing ICANN's funding model and determining the long-term drivers is a responsibility of any organization of the size and importance of ICANN. We expect that the community will be part of this process. Getting these assumptions right will be the driver of success in most of the other operating initiatives. We expect opportunities for all ICANN constituencies to have some input to the eventual model and see our responses to the financial assumptions in this comment as part of this process.

Planning at ICANN

As ALAC stated in its response to the 2-year planning process public comment, would find it extremely helpful if ICANN org provided a priority level to each of the published projects. As the orientation document to this public comment stated, each of the ICANN funded projects corresponds to a different strategic objective, but there is no indication as to the priority level for that project and where it falls in the budget cycle. Providing some sort of clarity as to the priority given each project and how it compares to other projects on the list in terms of priority would provide the community with a better idea of the established priorities of all projects in the published list.

The ALAC/At-Large community propose some clarity via a listing of priorities and statements on the impact of each project on ICANN org and on each of the unique ACs and SOs. This would be helpful, in the context of a vast number of ICANN org projects. If the At-Large community were aware of ICANN org priorities, it would help the community reshape our agenda to become more in line with the ICANN org workflow. It would give us an idea of which issues we need to emphasize, should we feel an issue is extremely critical. Without an understanding of the priority of each of ICANN project, it is difficult for the community to respond and advocate effectively.

As the ALAC wrote in its response to the ICANN Strategic Plan, we believe that keeping the system up-and-running, safe, and maintaining the multistakeholder system are the top priorities. Beyond these priorities, the community should be directly involved in setting other priorities. As priorities are usually linked to funding, the community should also have an opportunity to identify and point out the impact of changes to funding. Ample time needs to be given for community input.

The ALAC/At-Large community believes that while policy development and implementation activities are integral to the planning process, so are other activities, such as those that enable communication, collaboration, and outreach, between RALOS, At-Large members and other constituencies. Such activities are integral to the planning process. A jointly developed priority list would help the community advocate for the projects they feel are essential to each constituency. It would also help us plan better and target our own policy and outreach and engagement activities.

Auction Proceeds

It is gratifying to read that ICANN org will be prepared to support the next phase of this work by providing staff support to deliver feasibility assessments and costing as inputs to the ICANN Board for consideration of the Cross-Community Working Group on New gTLD Auction Proceeds (CCWG-AP), and will implement the adopted recommendations, as At-Large members have spent hundreds of hours working these past 2.5 years on the CCWG-AP and are working towards the conclusion of phase two of this project. Phase three is implementation of the recommendations.

ICANN Reserves

The ALAC is a strong supporter of the need by all constituencies and of the ICANN Board to safeguard ICANN's long-term financial sustainability, and to be accountable to the public in pursuit of ICANN's mission. Please see our comment on the replenishment of the reserve fund. Specifically, that while the ALAC supported the allocation of operational savings at the average level of US $3 million per year, it did so with the understanding that this implicit reduction on spending budgets must be spread evenly over the entire budget. As seen in the draft FY19 budget, there is a temptation to focus reductions on specific (vulnerable) parts of the community, potentially endangering the multistakeholder model. That must not happen in this case. We stated that ICANN might need to consider a temporary increase on per-domain registrar fees. In past years, where ICANN finances were growing, we did not hesitate to reduce registrar fees in some years. We similarly should not hesitate to increase them in this case.