
ICANN71 | Prep Week – Planning and Finance Update
Wednesday, June 2, 2021 – 18:00 to 19:30 CEST

VICTORIA YANG: All right. Good day, everyone. My name is Victoria from ICANN Org Planning Team. Thank you. Thank you. Welcome to ICANN71 Prep Week: ICANN Org Planning and Finance Update Session.

This session is recorded. And this session, like all other ICANN activities, is governed by the ICANN Expected Standards of Behavior and the ICANN Community Anti-Harassment Policy. For details, please refer to the link in the chat.

This session is going to last for 90 minutes. For your convenience, the presentation deck is posted on both the ICANN71 Meeting page and the Finance and Planning Community wiki page.

We will cover several topics during this presentation. To ensure the session is interactive and your questions are addressed timely, we will have Q&A during the presentation at the end of each topic, as well as at the end of the entire presentation. Please feel free to either raise your hand or type your questions in the chat. We encourage everyone and appreciate your participation.

With that, I will hand this over to Xavier, ICANN Senior VP and CFO. Xavier, the floor is yours.

Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.

XAVIER CALVEZ:

Thank you, Victoria. Thank you, everyone, for participating, for some of you very late in the night or actually very early in the morning. It's nice to be here with all of you. This is yet another ICANN meeting that we're entering in a virtual fashion. So we're all hoping that we're going to be able to see each other soon. But in the meantime, it's nice to see each other virtually. So thank you again for your participation.

Planning at ICANN is an activity that never stops. There is always something going on. And we obviously want to be able to provide you an update as to where things stand, and also take advantage of this time to be able to provide an update on where the financials of the organization stand. It's good news, overall, of course, in these circumstances where ICANN has been blessed with steady funding and there's lower expenses that the organization is incurring, which obviously largely is driven by the absence of traveling, which we're all missing to be able to do so that we are working together. But the beneficial impact from a financial standpoint is simply that the organization has lower expenses going on. So we'll have visibility on that with this update.

And also an update on where we are in terms of planning, this is an interesting time in the year from a planning and financial standpoint because we just finished the planning of FY22. We're engaged in the planning of FY23 already and we are dealing with soon the end of FY21 that is finishing at the end of June. So we're dealing with three years at any one time of the year, and that's an interesting part of the year for us.

We look forward for this update, to provide this update but to receive your questions and your comments. Your questions are always an opportunity to be able to explain things better, not only for the benefit of the one who asks the question, but for the benefit of everyone around who's participating in these sessions. So welcome again. And with that, let's get on with the next section. Thank you.

VICTORIA YANG:

Thank you very much, Xavier. Hi, everyone. So here are our presenters for today: Becky Nash, Nathalie Vergnolle, and myself from the Planning Team; Shani Quidwai, Alex Morshed, and Kirsten Crownhart from ICANN's Finance Team.

This is our agenda. Starting with the Fiscal Year '21's update, we will go through FY21 quarter three financials. Moving into FY22's update, we will cover the FY22 planning status and the high-level plan, followed by the Supplemental Fund for Implementation of Community Recommendations and prioritizations. And finally, for FY22 update is going to be the FY22-26 Five-Year Financial Plan and FY22's One Year Budget. The session will conclude with a sneak peek of FY23's planning timeline and the current status.

We understand this is a lot of topic. We will stop for questions at the end of each topic. Again, we welcome questions during the presentation so please participate. Feel free to raise your hand or type your questions.

All right. So we will start with FY21's update. Kirsten, the floor is yours.

KIRSTEN CROWNHART: Thank you, Victoria. Hello to everyone. This is Kirsten Crownhart from the ICANN Finance Department. Before we talk about Fiscal '22 and the Fiscal '23 updates, we thought it would be helpful to give a recap of the financial results through our quarter three, which is July of 2020 through March of 2021.

Overall, ICANN Org’s financials have been strong and are expected to remain so through the end of Fiscal '21, which ends this month of June. Funding through March is \$106 million, which is \$9 million over the budget and relatively flat for the last year. The Fiscal '21 budget did estimate for negative funding impact due to the global pandemic and uncertainties regarding the economy and the domain market. But thus far, the domain market has remained resilient and the fact that funding remains aligned with prior years is a noteworthy item.

Expenses through March are \$85 million, which is \$9 million under the budget. The expense savings are mainly due to travel restrictions that started to take place as a result of the pandemic. Both the ICANN69 and ICANN70 were held virtually, which generated a savings against the budget. The budget did assume the three face-to-face public meetings in the full cost associated with those meetings, but travel has remained restricted for the full year, and therefore, generated cost savings versus the budget. In addition to lower travel costs, there’s also been savings on administrative expenses due to the office closures.

Net excess through March is \$21 million, which is \$18 million higher than the budget. This is due to higher funding than planned in addition to lower than planned expenses. Later in the presentation, Shani Quidwai will cover the creation of the Supplemental Fund for Implementation of Community Recommendations which will be created utilizing an initial allocation from this net excess.

Then lastly, the Funds Under Management, which are the funds that ICANN has available to carry out all this work and mission, increased \$31 million versus the prior year. This is primarily due to the net excess just noted above and investment gains in some assets, despite some of the volatility within the market over the last year. We will review these funds in more detail in a few slides. Next slide, please.

This slide and for the next four slides, please note that this information is also available on our website ICANN.org under the Financials page. Every quarter, these financials are posted. So if you're wanting to understand more how ICANN's financials are trending and performing against the prior year or against budget, this is a good resource. This slide basically shows the current FY21 as well as last year's figures the results for the first nine months of the year, which is July through March.

As covered in the previous slide, funding here, you can see is \$9 million higher than budget and relatively flat to the prior year. The Fiscal '21 budget had projections that funding would be lower than prior years due to the pandemic. These projections were developed at the very beginning of the pandemic in March of 2020, and there were a lot of

uncertainties at the time. So we took a cautious approach to estimating the funding and are pleased to see that it's been very similar to prior years and that funding is remaining stable.

Expenses are \$9 million lower than the budget and \$8 million lower than last year, with the key driver being reduced travel in meetings. The Fiscal '21 budget assumed three face-to-face ICANN meetings and the travel restrictions would end within the first three months of FY21, but instead, these travel restrictions have remained in effect throughout Fiscal '21. And for reference, last year Fiscal '20, there was one face-to-face ICANN meeting. Finally, headcount is in line with budget and we do expect headcount to remain close to budget moving forward. Next slide, please.

Okay. So this slide shows an overview of the funding with a pie chart describing the various sources of funding. The largest piece of funding, which is 40% of the total, is coming from registry transaction fees. These are driven by domain name registrations.

The second largest piece of the funding, which is 26% of the total, is the registrar transaction fees which are also driven by domain registrations.

Next, 21% of our funding comes from registry fixed fees, and this is essentially an annual fixed fee that is driven by the number of TLDs. Similarly, we have accreditation fees associated with registrars that compose about 10% of the funding.

So overall, our funding is \$106 million through March and is aligned with prior year and higher than what we projected in the budget. Next slide, please.

This slide shows the breakdown of ICANN’s expenses. Overall, the expenses are \$85 million through March of 2021. The largest expense or 67% of the total is personnel. This includes all the salary costs, healthcare benefits, and other employee costs associated with ICANN staff.

The second largest expense is professional services, which compose about 15%. There’s a variety of items that fall within the professional services, but some examples are legal fees, language services, and contractors.

The next expense is administration costs, which are 13% of the total. Admin expenses include such items as rent, other facility costs, telecommunication costs, and licensing.

To highlight, travel and meetings would have been a much larger piece of the total but travel restrictions were not in effect so currently there are only about 2% of the total. But typically, with the type of travel that ICANN performs, that would need to be a much bigger piece of the pie. Next slide, please.

So, finally, the slide is the Funds Under Management. So it shows all the funds that ICANN manages and are available to carry out across all the organizational operations. The light blue bars are the balances at

the end of Fiscal '20 or June of 2020, and then the dark blue bars are the balances at the end of March of 2021.

Starting with the auction proceeds, these are the funds that are collected from the 2012 new gTLD applications round. The balance has remained relatively flat with minimal investment gains because ICANN is not yet utilizing these funds and is in process of developing plans and allocations for those funds.

Next are the new gTLD application fees. We are still processing and have operations associated with completing the new gTLD applications from the 2012 round. Therefore, the balance has decreased about \$8 million and ICANN will continue to draw funds to process those remaining applications or any costs associated with the program.

The Reserve Fund has increased \$15 million over the year and this is due to investment gains within that portfolio. There's also a contribution of \$10 million that ICANN is planning to make to the Reserve Fund in the month of June, so it's not yet shown in these figures.

Lastly, we have the Operating Fund that ICANN has to carry out all of our day-to-day operations. This is where all of the funding discussed earlier comes into, and these are all the expenses we incur on a day-to-day basis comes out of this fund.

The balance has increased \$24 million, and that it's due to the fact that we have been operating in an excess. Right now due to lower

travel than what we have projected, that funding has remained resilient and higher than projections. Overall, the Funds Under Management that ICANN has available has increased \$31 million over the past nine months. With that, I can pause for any questions that there might be. Thank you.

VICTORIA YANG:

Thank you, Kirsten. At this point I don't see any hand and no questions either in the chat, so we will proceed to the next topic. And meanwhile, if you come up with any questions, feel free to type in the chat. We have someone monitoring the chat.

Thank you, everyone. This is Victoria again from ICANN Org Planning. I will be updating you where we are with the FY22's planning cycle.

This slide is ICANN's planning process overview. For the benefit of any newcomers or anyone who isn't too familiar with ICANN's planning process, we hope this slide can be helpful.

ICANN planning processes start with the strategic planning process. This is the process to define ICANN's strategic direction, includes its mission, vision, strategic objectives and goal. With that, we move into operating planning of which we determine key operating initiatives and to the functional activity plan to achieve a strategic plan. The budget process is to allocate resources to the planned activity and prioritize as needed. And, after all, everything needs to be measured in order to inform the future planning cycle.

For FY22, on this slide you can see some of the major milestones we had so far. ICANN Organization published the draft Five-Year Operating and Financial Plan and the one year which is FY22 Operating Plan and Budget for Public Comment in last December. During this public comment period, ICANN had two webinars in January, where we presented the draft plan and seeking participation and feedback from the community.

The public comment period ended around mid February and ICANN Org had also a webinar at ICANN70 during the Prep Week, where we reviewed the draft plan and the public comment received, as well as the statistics from the public comment. Around mid March, we published the Staff Report of Public Comment. All these are hyperlinked for your convenience, if you're interested to review any of these documents.

On April, the BFC recommended to the Board that it adopted the FY22-26 Operating and Financial Plan, as well as the FY22 Operating Plan and Budget. And the Board did adopt both plans on May 12. With that, we entered into the Empowered Community process. So it began a week after the Board adoption. If no rejection action petition is raised, the entire community period will conclude on 18 June and the plan will go into effect on July 1.

Here we have a screenshot of where all these adopted plans are posted on our website and there is a link as well for your convenience.

Here, for anyone who is interested to read the Operating Plan, we want to highlight that the structure of the plan here which consists of

ICANN’s functional activity and operating initiatives. In the Operating Plan, you will see that functional activity at either to operate organization such as HR, finance, or to implement ICANN’s mission such as contractual compliance or the IANA function.

The Operating Initiatives are key initiatives which represent major work to deliver the Strategic Plan. There are 15 Operating Initiatives in the Operating Plan.

On this slide, you can see some of the FY22 Operating Plan highlight. First and foremost, we have assumed that face-to-face meeting and engagement will be back to pre-pandemic level, although there is still a lot of uncertainty. But for the purpose of planning, we have built into this assumption.

Next, we are very pleased that Work Stream 2 Recommendation Implementation work is prioritized in FY22’s plan. We appreciate there are other Board adopted recommendations at this point which will be subject to prioritization. Also for the Operating Initiative mentioned, we have included progression measurement in the FY22 plan. And finally, our cost saving and efficiencies are assumed over the next five years.

On this slide, the highlights of what activities are not included in FY22’s plan. So from a high level process point of view, ICANN began to design the implementation work only as recommendation and policy move forward and reach the stage of Board approval. And therefore, some of the activities such as listed here, the next round of gTLDs, the auction proceeds, recommendation implementations, etc. are not

included in FY22's plan at this point. So at the time of FY22's planning process, we were not able to include those activities as they have not progressed to the stage of Board approval. However, any implementation activity, once it's reached to the stage of Board approval, if any, and subject to prioritization, will be utilizing the available fund such as the Supplemental Fund for Implementation of Community Recommendations, which we'll be covering more in the next topic. With that, I will pause and see if there's any questions.

BECKY NASH:

We do have a question in the chat, Victoria, from Sebastian.

VICTORIA YANG:

Please go ahead.

SÉBASTIEN BACHOLLET:

Thank you. Thank you for the presentation. I have two questions. One regarding Kirsten's presentation and it is regarding the fact that during the pandemic, we see that we had managed to work from home that working remotely was possible. ICANN was actually a good example of that. Do you think there will be further consideration given to the size of ICANN's offices in the future? Do you foresee any financial changes related to that?

Then on to my second question. I understand that when you work on the budget, you need to have clear assumptions and clear input. And I know that we have already begun discussing the implementation of

the Work Stream 2. But in the following work with ATRT3 in particular on accountability and transparency, there were a number of issues that were dealt with regarding the evolution of what had been suggested in Work Stream 2. So was that taken into consideration, or else, will it be taken into consideration in the future? Thank you very much.

XAVIER CALVEZ:

Thank you, Sebastien, for both your questions. I'm going to deal with the first one first. Sebastien's question was given that we have seen that we are now able to work remotely, whether we foresee any changes in ICANN's strategy in the future in terms of the use of our offices and their existence?

As Sebastien very well put it, we have assessed the organization's capability to work outside the office and from home. We have witnessed possibility to do it and many others' companies' possibility to do it. Not everyone could but we were lucky enough to be able to pull through.

Then throughout the period, we also saw that the lack of interaction was very cruelly felt by all. And the capability to work together and to have close relationships that lead to the exchange of ideas and to teamwork has been seen as something extremely necessary, all the more so in the current situation.

So our strategy is to continue using those offices and to continue to work at the office to be present together in the same place at the same

time at ICANN’s offices. That should be the case as soon as it is practically possible and feasible to bring our staff back into the office in the case of those who worked in any given office where we are not now working. So we feel that everything should be sufficiently clearer and reassuring so that our staff will not be running into any risk by going back to the office. But I assure you we have the intent of going back to the office as soon as possible and as health and sanitary conditions allow for that.

Then in terms of whether the implementation of recommendations of the Work Stream 2 will take into consideration the results of the ATRT3 and their deliberations? Yes. That will be the case. There are a number of recommendations, as Sebastien was saying, which were commented by the ATRT3 group, comments which will be taken into consideration in the recommendations that are now at the stage of planning because that is what we’re working on. We are now working on the planning for Work Stream 2. So they are underway of being taken into consideration amongst those recommendations.

So thank you, Sebastien, for making sure that that is the case. I think many people are cognizant of those recommendations and follow them and must also be satisfied with those information. So thank you for your questions, Sebastien.

VICTORIA YANG:

Thank you very much, Xavier. We also have a question in the chat from Paul McGrady. “@Xavier,” the question is, “the implementation work is now a huge item. I note that the Vice President, Implementation

Operations position has been posted for a long while now. Obviously, that role will be very important to help us all get all of this implementation work done. Will that role be filled soon?”

XAVIER CALVEZ:

Thank you, Paul, for the question and for your interest in looking into this. And, yes, as Paul is indicating, the position has been open now for nearly six months. It’s a long time and there’s been a lot of interest in this position, which is great to see. Whether internally in the organization, in the community, in the public, generally speaking, which is again a very positive thing from our perspective, I think it reflects the interest and the value of the implementation of work that there is at the moment.

I’m really hoping we’re coming closer. We are, of course, coming closer to the end. We have entered into the second and expected final round of interviews of the candidates. This is not done yet, but at the end of that second round, we’re expecting to be able to make a choice on the incumbent and finalize therefore the hiring or the appointment of that person in the role. So just a few more weeks, hopefully. And again, thank you for your interest there and we look forward for that position to be filled in. This is going to obviously help us tremendously accelerate our work here. Thank you.

VICTORIA YANG: Thank you very much both Xavier and Paul. At this point, I don't see any other questions so we are going to move to the next section. Shani, the floor is yours.

SHANI QUIDWAI: Thank you, Victoria, and hello, everyone. This is Shani Quidwai from the ICANN Finance Department. During this portion of the presentation, I will provide an overview of the Supplemental Fund for Implementation of Community Recommendations. This topic was introduced to the community a little over a month ago. We are to discuss this and ICANN's prioritization work. This was also recently approved by the Board approximately one month ago. If we could move to the next slide, I'll go through some of the more specific details.

This Supplemental Fund was created in order to bring support and flexibility for upcoming activities and project that ICANN Org faces. At this point, we've only developed and approved the concept of having the fund. There are no funds or amount in the actual fund yet. It's just the concept. So an initial allocation of funding to this is in the process of being recommended but has yet to be approved.

Some of the key benefits or reasons that we created this fund is that it provides an opportunity for large or long projects to be funded that are hard to manage within our annual budgeting process and don't fit easily within the annual funding that we receive. One of the benefits that we expect to see is that this forces discipline and planning and accounting for project expenditures. Because in order to get an

approval to put funding or to utilize the funds within here, we have to plan out the project and highlight what the costs and resources associated with the project would be that will improve transparency and accountability. And from an operational standpoint, having these true segregated resources increases the support and the capacity of the organization to address and work on these projects that are included in strategic and operating plans and require funding. If we move to the next slide, please.

Here we have an overview of some of the projects that it could potentially utilize this. So projects to be covered by this fund will only be approved if there's sufficient budget in the fund. This will ensure that ICANN does not spend beyond our funding. An illustrated [inaudible] of this criteria would be cross-community recommendations, such as the evolution of the multistakeholder model, GDPR-related work such as the SSAD, and Review Implementation such as CCT or ATRT3.

We plan to allocate funds at inception, which is where we are now, and then plan to replenish this every year with allocations through our budgeting process. So there will be transparency and the community will be able to see exactly what we plan to recommend as allocation on an annual basis.

One key item to note here that's noted in red is that this fund would not relate to work for the next round of TLD SubPro or the auction proceeds. Those are both intended to be self-funded programs that would not leverage this. And what I mean by self-funded, all of the

work associated from the recommendations of the auction proceeds, we would be utilizing the funds that we collected in the auction proceeds, and then regarding the next round of TLDs, we plan to fund or carry out that program through the application fees that we would receive once the process starts. So those would be separate and not be utilizing this fund.

How does the SFICR work? The SFICR's funding and expense allocations would be evaluated during our annual planning process. Projects that have been approved by the Board or soon to be approved by the Board and cannot fit within the budget due to their cost and duration would be the candidates to utilize this fund. These projects will be proposed to be funded via the SFICR as part of the annual and five-year plan process. It is part of our annual processes and goes through public comment.

The governance of this fund is defined by the ICANN Invest Policy. And as noted, it's annually. So this is a tool the organization can continue to leverage in the future. We don't view this as something that we plan to use for the next few years. This is a tool that we plan to keep around and leverage for these types of projects moving forward. If we can move to the next slide, please.

As far as the next steps, as I noted, this has been the concept and development of this has been approved by the Board. We did go through a webinar to go through this in more detail about a month ago, and you can find the recording to that in the materials on our wiki. The link to that is included in this presentation.

As far as the next steps, we are working to develop an allocation of funding to this and potential projects that we'd be utilizing that funding. And separately, we're also developing an FAQ document to help answer common questions that we've been getting regarding the fund as we presented this to the community and Board and other groups. So with that, I will pause—that is the end of my update—and see if there's any questions. Thank you.

VICTORIA YANG:

Thank you very much, Shani. At this point, I don't see any questions nor hand, so let's move to the next topic. Becky?

BECKY NASH:

Thank you very much, Victoria. Hello, everyone. This is Becky Nash from ICANN Planning. I'm going to give an update on the prioritization of ICANN's work project. Next slide.

Just got some background. Planning at ICANN is actually one of the 15 Operating Initiatives included in the adopted FY22 through 26 Operating Plan and Financial Plan. And based on the fact that the Internet and the domain name systems continue to evolve, and the system services and policies that enable this growth have become more complex, it is critical that ICANN's ecosystem and its governance model evolves alongside the Internet and the DNS. So, one of the key goals and targeted outcomes of the Operating Initiative of planning at ICANN is the analysis design and implementation of a work

prioritization framework in collaboration with the ICANN community, Board and Org.

By working together to improve the way ICANN plans its work, the community, Board, and Org can determine what work needs to be prioritized and how our resources can be used most efficiently. The need to prioritize ICANN’s work was also reinforced in one of the six main topics articulated by the community for enhancing the effectiveness of ICANNs multistakeholder model and also in the recommendations in the Final Report from the ATRT3’s Final Report that was adopted by the Board.

The objective of the prioritization project is to create a framework to help ICANN’s ecosystem prioritize its work within the planning cycle and that should be in a manner that is transparent, inclusive, and efficient. So the Prioritization Framework needs to be broadly adopted by the community, Board, and Org as the basis for decision making on how to prioritize work in the scope of the project.

We want to highlight that this should be an effective decision-making process without hampering workflow and day-to-day operations as part of planning, and it should be implemented in the annual planning cycle which is subject to public comment.

The Planning department at ICANN Org is responsible for facilitating prioritization at the organizational and ICANN ecosystem level in order to include those prioritized projects that are agreed upon into the annual Operating Plan and Financial Plans. Next slide, please.

As an overview of the project, again, the objective is the development of a Prioritization Framework that will be inclusive, open, simple, short, and effective. And simple is really important so that this decision-making mechanism can be broadly adopted by all of ICANN.

The prioritization process has several key elements that we are consulting upon right now in order to prepare for a framework that fits the ICANN ecosystem. And the key elements of a prioritization process is the identification of the scope of work to be prioritized. Because of the fact that there are large multi-year projects in addition to key annual projects, those are the types of work that we're talking about and isn't necessarily all of ICANN's continuing operations or smaller projects that would be within the oversight of, say, a executive or functional leader.

The next key element is the identification of the participants and their roles and responsibilities in the process. So we are working on building out which participants and how we come together, what the process will be, and then the roles and responsibilities in the process as it relates to the annual planning cycle.

We need to design together the frequency for the prioritization planning process. At a minimum, it would be once a year but we do want to consult with the community, Board, and Org about frequency if it is possible to do it more than once a year.

The selection of agreed upon prioritization technique is very important. ICANN Org has done some research on several proposed models of prioritization. But again, the key principles that we want to

hear from the community, Board, and Org is related to keeping it simple and not overcomplicated. So we're looking forward to sharing with you some selections of techniques that we believe will be fitting for this type of decision-making process.

Another key element is the identification of systems, reports, or tools to manage the process. We all agree that we need to have an organized view of what is the work ahead of us in order to prioritize, in order to come together for this decision making and making choices together.

Another key element of the Prioritization Framework—and this is for the development of this process—is the engagement and consultations. We want to stress that this is the opportunity to provide input and feedback. We are reaching out to a diverse number of stakeholders and we're performing informal consultations. We then are suggesting a pilot of the techniques in the framework because it is a valuable component of validation that we can all learn together. That is part of the FY23 planning process and our suggestion is to then have it subject to public comment as part of the annual planning process. Next slide, please.

On this slide, we're providing the steps and the overall timeline. The timeline is tentative as it's evolving as we are scheduling consultations with the community, Board, and Org. And we want to stress that the Prioritization Framework will continue to keep evolving to ensure continuous improvement to meet the needs of the community, Board, and Org for the planning process.

But on the timeline, when we look at the lines, we have the June period now where we have the public webinar. The Planning Team has been preparing consultations in order to go through the key elements of what is needed to design a sustainable decision-making process. And then we will be publishing a paper as a V1 of the report out on the consultation input.

We will then prepare in August and September to incorporate the framework into a pilot. The suggested approach for the pilot is to look at the review recommendations and use the technique in order to incorporate into the FY23 planning process the selected prioritized review recommendations for that portion of the work. The reason I'm highlighting that for FY23, it will be a small scope of work in order to be able to walk the walk or use that opportunity to validate the model.

Subsequently, we will have another briefing paper published. And based on all of the feedback that we receive, the FY23 draft plans will be submitted for public comment, including a Prioritization Framework and the pilot results.

We will then consider, after the public comment ends and we receive public comments, how we need to revise the framework to then be able to incorporate a framework and a process that's agreed upon for the FY24 planning process.

On this slide, we're now looking at the suggested consultations. So the objective of the consultation is to collect diverse stakeholder input to inform the iterations of the draft prioritization process. So this talks

about the designing of the framework in order to develop a process that will be sustainable for future planning cycles.

So we have suggested meeting with the SO and AC leadership group. We've also suggested several of the planning and financial groups because we would like to hear how this would help and the reaction for the work that many of the SOs and ACs do in committees for public comment in the annual planning process. And then we are seeking to review this with the ATRT3 review and implementation shepherds. And also public webinars, it is very important to collect a diverse number of inputs from all across ICANN's ecosystem. In addition, we will be consulting with our Board committees that have oversight over various parts of strategic planning in the planning process. And of course, it is key for the ICANN Org Executive Team and our planning liaisons to provide us input as well.

I'm just going to pause. If we go to the next slide, it will be the next section. And if there are any questions, we're happy to answer them at this time.

VICTORIA YANG:

Yes. So we have two questions, one of which is answered via chat by Xavier. That question was from Nigel Hickson. We do have another question about a speaker in the chat and I'm going to read out the question from Dave. "Will the SFICR fund for the same projects and initiatives that can last for one or more financial period/s?" Shani, would you like to answer this question?

SHANI QUIDWAI: Sure. Thank you, Victoria. We may need Dave to clarify the question a little more but I'll try to answer it. The SFICR will fund multi-year projects and it would fund the entirety of the project. So if there was a project that was three years, when it's approved to utilize this funding from the SFICR, it would be able to leverage it for all three years of the project. So hopefully that answers the question.

VICTORIA YANG: Thank you. Dave, please feel free to further clarify if it's not clear for you. Thank you for confirming, Dave. Meanwhile, we're going to move to the next agenda item. Alex?

ALEX MORSHED: Thank you, Victoria. This is Alex Morshed from the ICANN Finance Team. I'm going to provide an overview of the Five-Year Financial Plan and One Year FY22 Budget, along with explanations and assumptions used for each. Next slide, please.

Okay. So starting with the five-year, so for funding, while developing the Five-Year Financial Plan, ICANN Org developed base low and high scenarios. The operating plan and the supporting financials assume the base case scenario for funding projections.

Headcount is expected to stay stable through the five-year period, and expenses in general are assumed to remain stable or increase slightly.

The five-year financials will plan for annual contributions to the Reserve Fund. You'll see on the schedule here that the contributions are broken out to show what is needed to maintain the minimum target balance in the Reserve Fund, which is 12 months of operating expenses versus additional allocations that are being made beyond the minimum.

Lastly, I just wanted to mention the financial plan will be balanced, meaning the total expenses, plus the planned contributions to the Reserve Fund will not exceed total funding. Next slide, please.

Moving on to FY22, our one year budget. So like the Five-Year Financial Plan, the FY22 Budget will be balanced where projected expenses will not exceed projected funding. Here we're showing the adopted budget in comparison to the FY21 forecast, as we published in December 2020 the draft documents.

So the forecast here includes four months of actual financial results and eight months of expenses. So compared to the forecast, funding is projected to grow, driven by a full year of SSR contributions versus a half year in FY21.

Expenses in general are projected to increase driven by the assumption that travel in meetings will resume to historical levels, including three face-to-face ICANN meetings. And other factors include the increased spend on operating initiatives requiring incremental resources and contingency to cover unknown expenses. Next slide, please.

The FY22 Funds Under Management. So this chart shows our funds under management by fund with actual balances at the end of FY20 and projections for the ending balances of FY21 and FY22.

We will maintain higher than historical balance and operating fund due to economic uncertainty and pending Board decisions. The Board recently approved a \$10 million transfer to the Reserve Fund. So you can see that with the dotted line reflected in the FY21 bar, and also subsequent \$1 million transfer planned for FY22, that being pending Board approval.

The 2012 New gTLD Program Funds are in light blue bars and you'll notice these are decreasing by year as we incur program costs.

And then finally, auction proceeds. The focus of this fund is capital preservation. You'll see the dark blue bars are increasing slightly every year due to modest investment gains. Next slide.

The 2012 New gTLD Program. So we have the financials of the 2012 round here. There are a lot of numbers but I just wanted to highlight a couple of things. The program is expected to end sometime after FY23. You'll see the remaining new gTLD funds in the lower right-hand corner. But keep in mind that risk costs are not projected in our budgets and forecasts because they're hard to predict. So that means the remaining new gTLD funds will be reserved for these types of unexpected or difficult to estimate expenses.

That's it for my section. I'll pause here to see if there any questions. I believe Dave had a question about Funds Under Management so

hopefully I answered it, but please let us know if we need more clarification. So feel free to put questions in the chat. For now I'll hand it over to Nathalie to go over the final topic.

NATHALIE VERGNOLLE:

Thank you, Alex. Hi, everyone. My name is Nathalie Vergnolle, also from the Planning Team. At this time, I'm going to give you an update on FY23 planning. You've already heard about FY21, FY22, but work has actually already started towards the development of our FY23 plan.

Looking at the work already underway and upcoming towards the development of the Fiscal Year '23 plans, there are three main tracks of work. The first track of work relates to strategic outlook, which is a process by which we identify trends that affect ICANN and prioritize those. This is an important work that provides input into the development of the plans. This work is underway already and we have completed the first step in the process, which was to collect input on the trends. I will come back to that in the next slide.

The second track of work relates to the development of the IANA plans, and that work will actually start this month in June and will include a public comment period towards the month of October and November.

The last track of work will be the development of the ICANN plans. That effort is scheduled to start in July and will include also a public

comment period through the month of December and January of next year.

And if we can move on to the next slide to talk a little more about the work that has already been conducted relating to the strategic outlook process. So we completed the first step, which was to collect inputs on the trends that might impact ICANN. We had 16 sessions, all of them virtual, of course, including six stakeholder groups from the community which included the ccNSO, the GNSO, the ALAC, RSSAC, SSAC, and the GAC. It is worth underlying that we have a growing number of community participants year after year, with this year 122 community members and Board members participating in the exercise, which is great to see this number increasing year over year. The Board and ICANN Org’s Executive Team are also very engaged in the process and each of them run two sessions of the strategic outlook. So we collected a quite extensive number of data points, over 1200 data points. That will be extremely useful in identifying the trends that affect us.

So the first raw data is available on our Strategic Planning webpage and we will continue to provide updates on the progress of this process along with the other efforts towards the development of FY23 plans. I think that concludes the sneak peek on FY23. So back to Victoria.

VICTORIA YANG:

Thank you, Nathalie. Thank you, everyone, for the presentation on each of these topics. Now we’re going to open for questions. As usual,

you can either raise your hand and feel free to speak up or you can type your questions in the chat and we'll be monitoring the chat as well.

All right. I don't see any question at this point. But for your convenience, I did catch that message asking links for financial reports adopted plan. We are going to post that very shortly in the chat. Thank you.

I still don't see any questions coming through. Becky, Xavier, do you have any closing remarks that you would like to address?

BECKY NASH:

Thank you, Victoria. I do want to thank everybody for attending this webinar. We know that we provided both a planning and finance update with multiple topics, and we do appreciate all of your comments. We will paste into the chat the link for the Financial Reporting page as of right now. And then the slide that we're on has links to where we have several presentations from the Planning and Finance past webinars on the Community Finance and Planning wiki. Please at any time do not hesitate to e-mail us at ICANN's planning box at planning@icann.org.

We do want to thank all of the Board members that attended. If there are no further questions, we can close the session. Thank you, everyone, very much. We look forward to a great ICANN71.

[END OF TRANSCRIPTION]