

ICANN

VIRTUAL POLICY FORUM

71

14–17 June 2021

Planning and Financial Update

2 June 2021

Webinar Information



This session is recorded.



This session is scheduled to last 1.5 hour.



Presentation is published here on [ICANN71 Prep week web page](#) and [ICANN Finance and Planning Community Wiki page](#).



Q&A will be during and at the end of the presentation.
Please use feel free to raise your hand or type in the chat to ask questions.

Opening Remarks



Xavier Calvez

SVP Planning &
Chief Financial Officer

Presenters



Becky Nash
Planning



Shani Quidwai
Finance



Nathalie Vergnolle
Planning



Alex Morshed
Finance



Victoria Yang
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Kirsten Crownhart
Finance

Agenda

FY21 Update

- ⦿ FY21 Q3 Financials

FY22 Update

- ⦿ FY22 Plans
- ⦿ Supplemental Fund for Implementation of Community Recommendations
- ⦿ Prioritization
- ⦿ FY22-26 Financial Plan and FY22 Budget

FY23 Update

- ⦿ Tentative Timeline
- ⦿ Strategic Outlook

FY21 Financial Update



Kirsten Crownhart
Finance

FY21 Q3 Financial Overview (Jul 2020 – Mar 2021)

Through Q3, ICANN org's **financials have been strong** and are expected to remain so through FY21

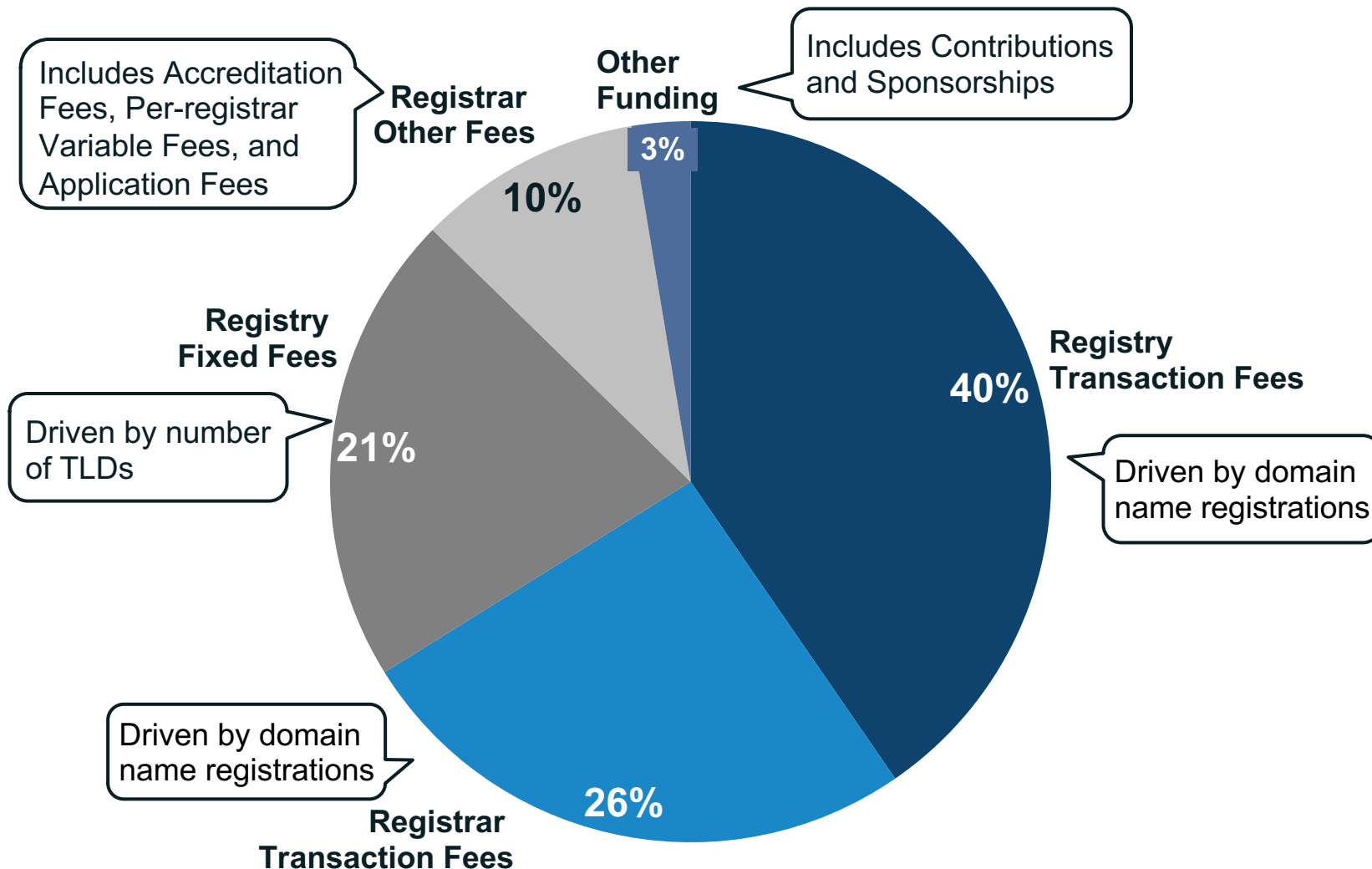
- **Funding** through March is \$106M or **\$9M higher than budget** despite the COVID-19 pandemic
 - The domain name market has remained resilient, but a continuation of these market trends remains uncertain
- **Expenses** through March are \$85M or **\$9M lower than budget** primarily due to:
 - Travel restrictions and savings from holding ICANN69 and ICANN70 virtually
 - Savings on administrative expenses from Regional Offices
- **Net Excess** through March is \$21M or **\$18M higher than budget** due to higher funding than planned in addition to lower than planned expenses
- **Funds Under Management** increased by **\$31M versus the end of FY20**
 - Increase primarily due to net excess and investment gains despite market volatility from the pandemic

FY21 (Jul 20 – Mar 21) Financial Overview

ICANN Operations	FY21 YTD Actual	FY21 YTD Budget	Var	FY20 YTD Actual	Var
Funding	\$106	\$97	\$9	\$107	(\$1)
Expenses	\$85	\$94	\$9	\$93	\$8
Net Operating Excess/(Deficit)	\$21	\$3	\$18	\$14	\$7
Average Headcount	393	394	1	386	-7

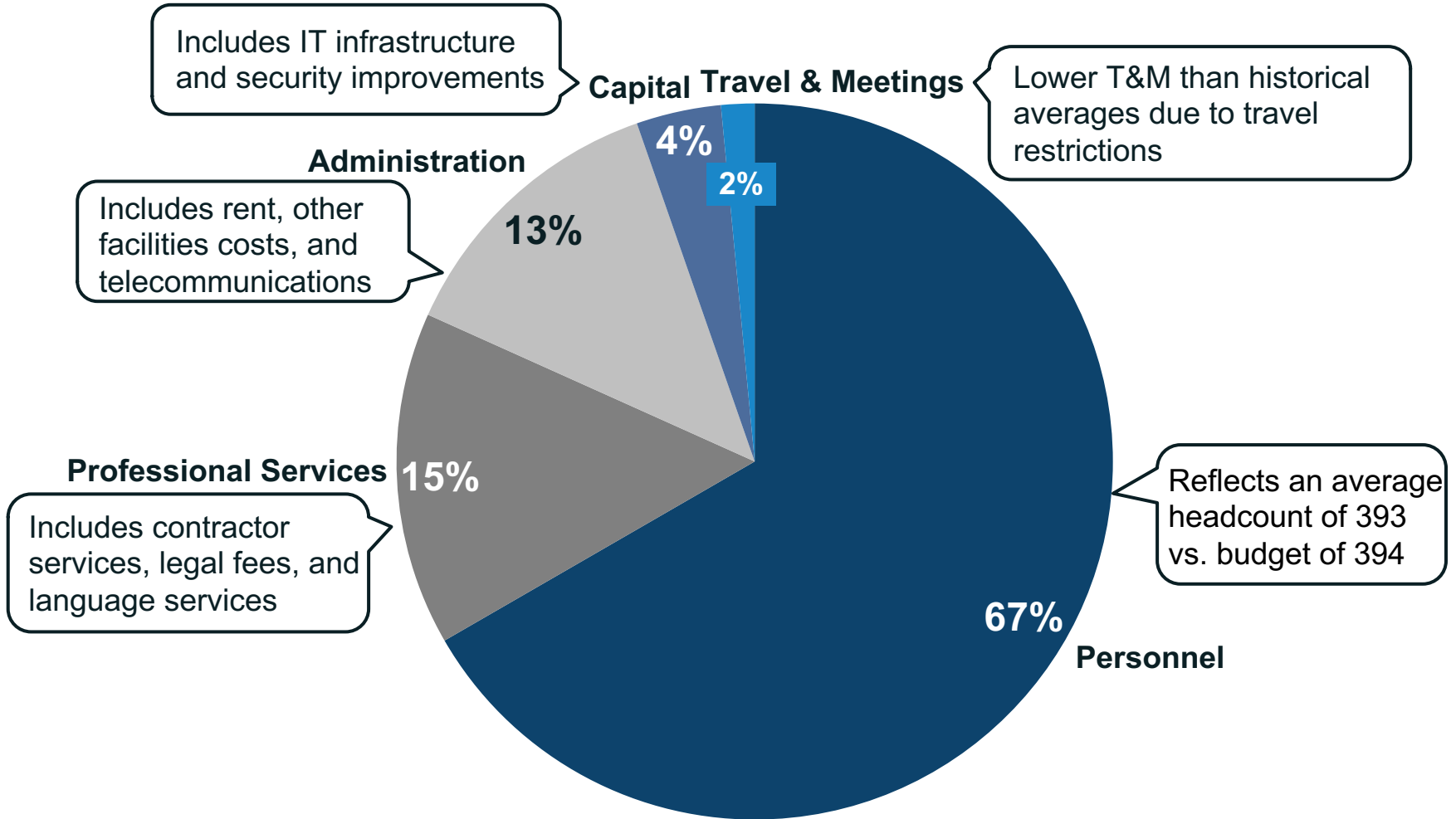
FY21 (Jul 20 – Mar 21) Funding by Category

YTD FY21 Funding- \$106M



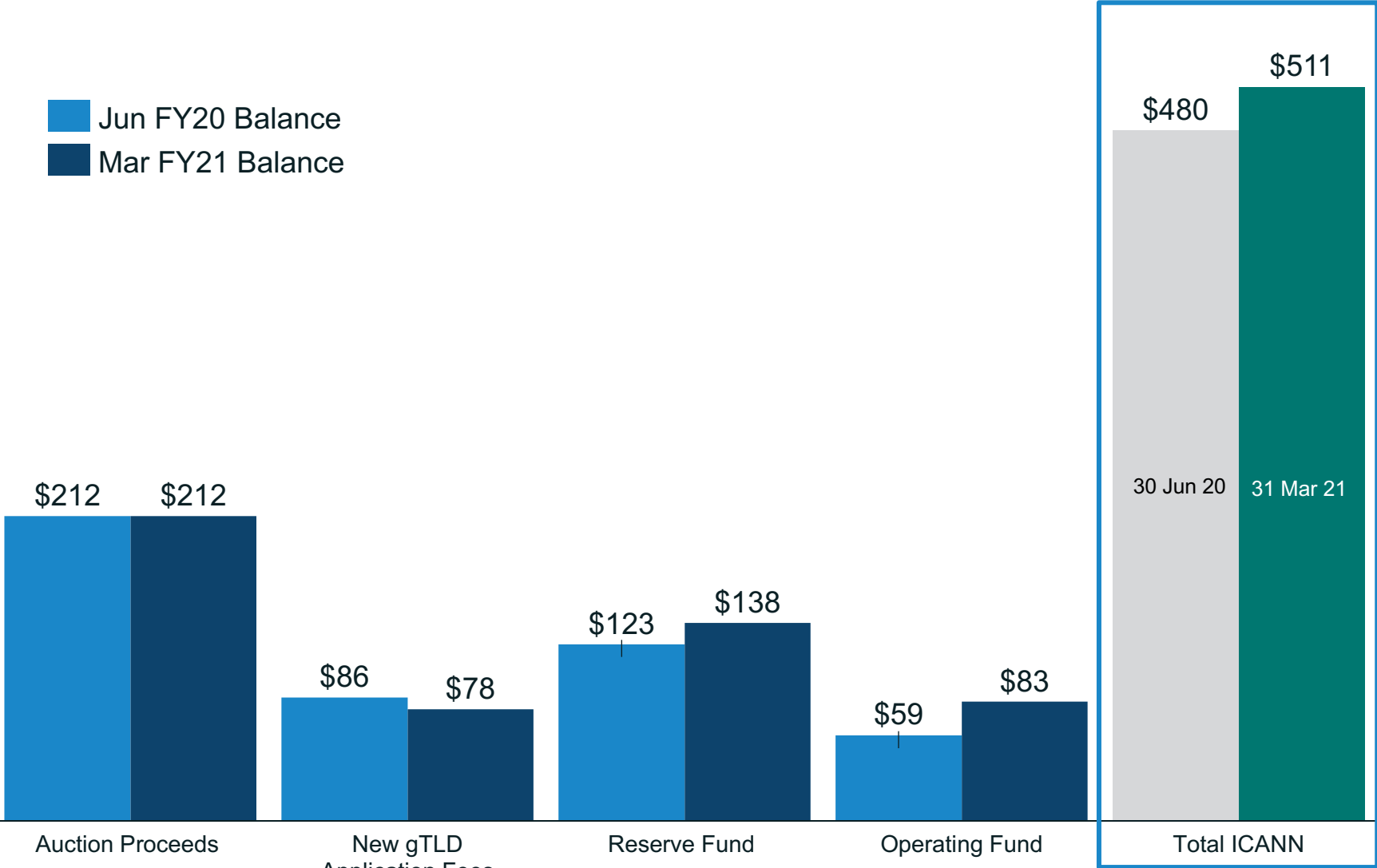
FY21 (Jul 20 – Mar 21) Expenses by Cost Category

FY21 YTD Expenses- \$85M



FY21 Funds Under Management

■ Jun FY20 Balance
■ Mar FY21 Balance



Total ICANN represents sum of month-end balances for all accounts

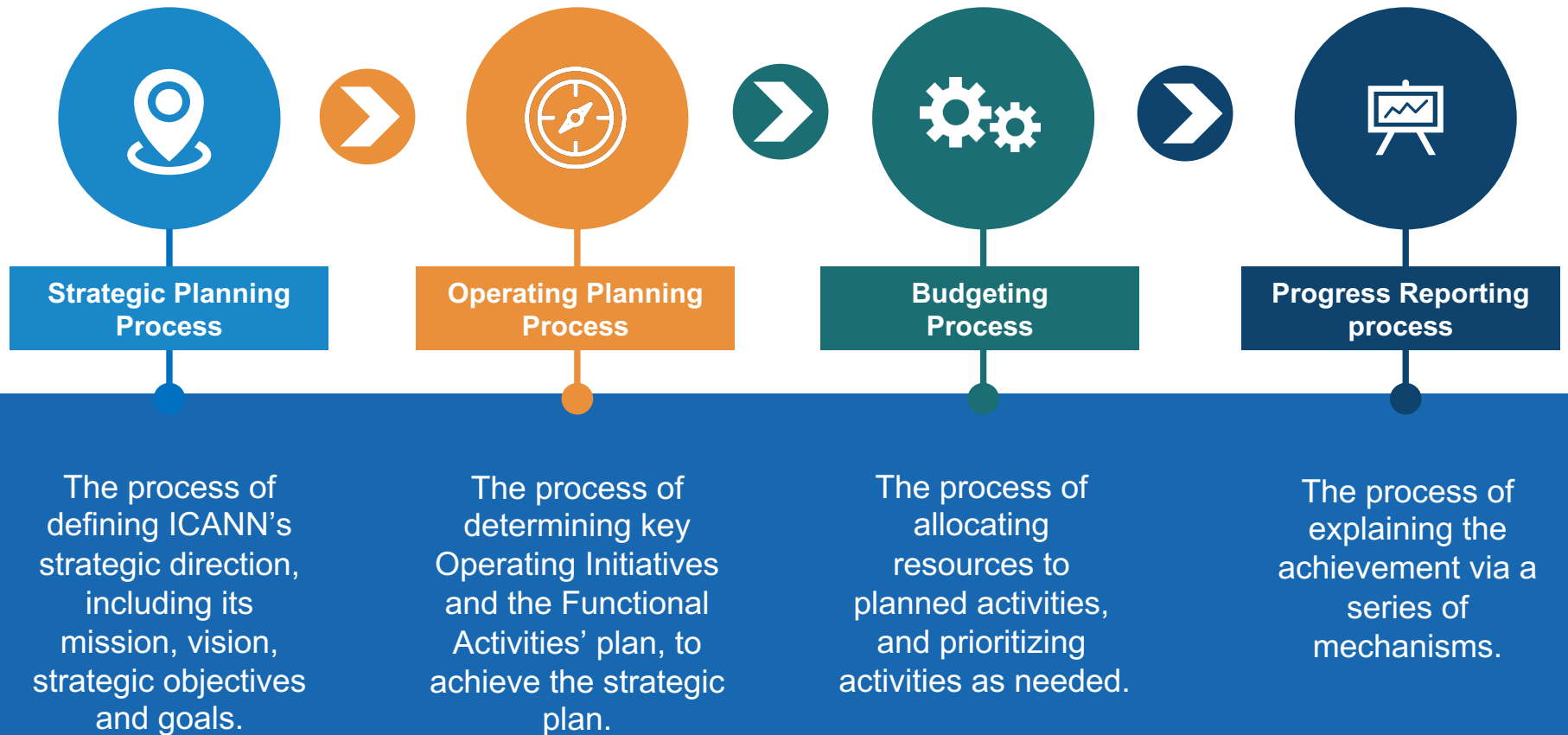


FY22 Plans



Victoria Yang
Planning

ICANN Planning Processes Overview



FY22 Planning Milestones

- ICANN org published the draft FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget for public comment in December 2020
 - These drafts were developed based on the FY21-25 Strategic Plan which shall remain in force and unchanged as [approved](#) by the ICANN Board.
- ICANN org held [two webinars](#) in January 2021 to present the draft plans and to seek participation and feedback from the Community
- The [public comment](#) period ended in February 2021 and ICANN org held a planning webinar at [ICANN 70](#) Prep Week to review the draft plan, the public comments received and the statistics
 - The [staff report](#) on public comments was published in March 2021
- On April 2021, the BFC recommended to the Board that it adopt the FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget on 29 April 2021

FY22 Planning Current Status

- The ICANN Board [adopted](#) the FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget on 12 May 2021
- The [Empowered Community \(EC\) Rejection Action Petition period](#) has begun regarding the adopted FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget
 - If no Rejection Action Petition is raised, the plans will go into effect on 1 July 2021 for FY22



<https://www.icann.org/resources/pages/governance/current-en>

ICANN Financial and Planning Information

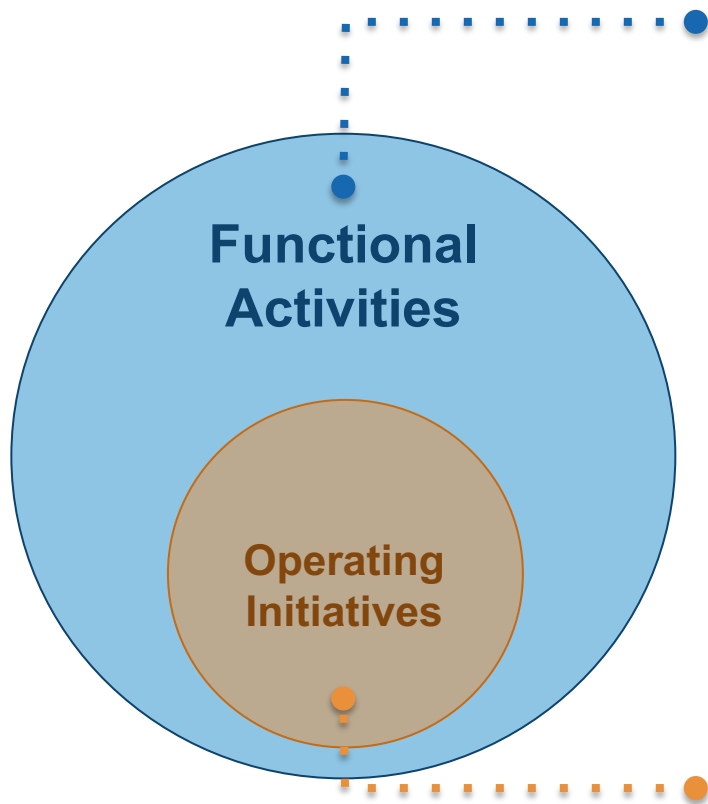
FY22 Reports

FY22 – FY26 Planning Documents

- [Highlights of the FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget](#)
- [ICANN FY22-26 Operating Plan and FY22 Operating Plan](#)
- [ICANN FY22 Budget](#)

FY22 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 ICANN's mission and mandate.



Functional Activities (34 in 5 groups)

Activities of the Functions to:

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

Operating Initiatives (15)

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

FY22 Operating Plan Operating Plan Highlights

Face-to-Face Meetings and Engagement

Although there is still uncertainty, for planning purposes, the FY22 plans assume business travel and three face-to-face ICANN meetings and other engagement activity will resume

Community Recommended and Board Approved Implementation work

The WS2 Implementation work is prioritized in the FY22 plans. Other Board adopted recommendations will be subject to prioritization process

Operating Initiatives and Key Projects

Progression towards the achievement of the Operating Initiatives is included in FY22 plans

Cost Savings and Efficiencies

Cost savings and efficiencies are assumed over the five-year period

Implementation Activities not included in FY22 Plans

- ICANN begins designing the expected implementation work only as recommendations and policies move forward and reach the stage of Board approval. Thus, the below implementation activities are not included in the FY22 plans:
 - Implementation of the next round of gTLDs
 - Implementation of Auction Proceeds Recommendations
 - GDPR / EPDP2 work
 - Implementation of Review Recommendations not yet prioritized
- Implementation activities for policy or review recommendations not yet approved by the Board will be scheduled, if and when they are approved by the Board, on the basis of prioritization and available sources of funding such as the Supplemental Fund for Implementation of Community Recommendations (SFICR)

Supplemental Fund for Implementation of Community Recommendations (SFICR)



Shani Quidwai
Finance

SFICR Overview

- In order to bring support and flexibility to upcoming activities and projects that ICANN org faces, a Supplemental Fund for Implementation of Community Recommendations (SFICR) is being created.
- An initial allocation to the SFICR will be proposed to the Board using excess in the Operating Fund
- Key benefits of creating a SFICR:
 - Large or long projects are challenging to manage within our annual budget process, and don't easily fit with our annual funding
 - Forces discipline in planning/accounting/analyzing project expenditures; requires org to identify project funding before starting to spend
 - Increases transparency and accountability by isolating the spend and matching it to the funding
 - Segregated resources in support of increasing the capacity of the organization to address activities and projects not currently included in historical expenses, but nonetheless included in the Strategic/Operating Plans and requiring funding

SFICR Potential Projects

- Projects to be covered by the SFICR will only be approved if there is sufficient budget in the fund; this would ensure ICANN org does not spend beyond our funding
- Illustrative potential projects (to be evaluated against the criteria):
 - Cross community recommendations: Evolution of the MSM (prioritized in FY22)
 - GDPR-related work: SSAD
 - Review implementation: CCT, ATRT3
- Allocate funds at inception, and contribute every year through an allocation from annual funding (the annual budget will plan for excess to continue funding this account)

SFICR would not include Auction Proceeds and Sub Pro which are self funded programs

How the SFICR Works

- The SFICR's funding and expense allocations would be evaluated **during ICANN's annual planning process**
- Projects that have been approved by the Board or soon to be approved and **cannot fit within the annual budget** due to cost and duration will be candidates for the SFICR
 - These projects will be proposed to be funded via the SFICR as part of the annual plan and five-year operating plan process submitted to public comments for community for consideration
- The governance of the SFICR is defined in the ICANN Investment Policy
- Replenishment of the SFICR will be evaluated annually during the planning process, which is also when ICANN org proposes to make a recommendation to allocate any excess (if applicable) in the Operating Fund

Next Steps

- ICANN org will make a recommendation to the Board to approve an initial transfer of funds into the SFICR to support upcoming work
- In addition, ICANN org is in the process of creating an FAQ document to help answer common questions about how the SFICR works and its governance

Prioritization



Becky Nash
Planning

Planning at ICANN - Background

- ⦿ As the Internet and the domain name system (“DNS”) continue to evolve, the systems, services, and policies that enable this growth have become more complex
 - **It is critical that ICANN and its governance model evolve alongside the Internet and the DNS**
- ⦿ **“Planning at ICANN”** is one of 15 Operating Initiatives included in the Draft FY22-FY26 Operating and Financial Plan
 - A key goal and targeted outcome of this Operating Initiative is the **analysis, design, and the implementation of a work prioritization framework** in collaboration with 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 ICANN’s multistakeholder model, and in ATRT3’s Final Report**

Objective

- ⦿ ICANN's planning department is leading the creation of a Prioritization Framework to:
 - Help the ICANN ecosystem prioritize its work within the planning cycle in a manner that is transparent, inclusive, and efficient
- ⦿ 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 scope of the project
 - Enhance effective decision-making without hampering workflow and day-to-day operations
 - Be implemented in the annual planning cycle subject to Public Comment
- ⦿ The planning department is responsible for facilitating prioritization at an organizational level in order to include the prioritized projects into the annual Operating and Financial plans

Project Overview

Development of a Prioritization Framework that will be inclusive, open, simple, short and effective



Prioritization Process

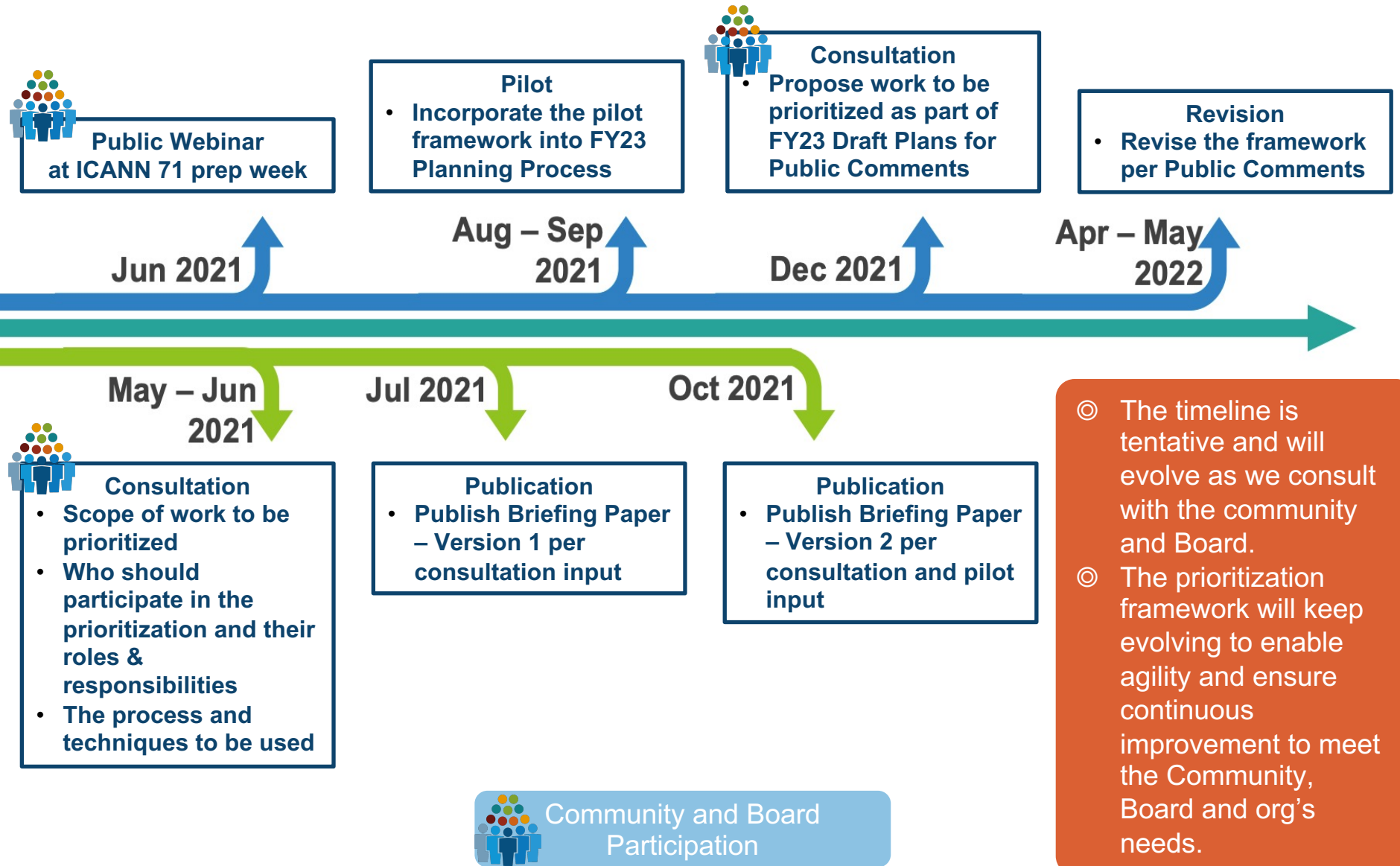
- Identification of the scope of work to be prioritized
- Identification of the participants and their roles & responsibilities in the process
- Design of the frequency for prioritization planning process
- Selection of an agreed-upon prioritization technique
- Identification of systems, reports or tools to manage the process



Engagement and Consultations

- Opportunity to provide input and feedback
- Outreach to diverse stakeholders
- Informal consultations
- A pilot of the technique is suggested as a valuable component of validation
- Public Comment

Tentative Steps and Timeline



- ⦿ The timeline is tentative and will evolve as we consult with the community and Board.
- ⦿ The prioritization framework will keep evolving to enable agility and ensure continuous improvement to meet the Community, Board and org's needs.

Community, Board and Org Consultations

The objective of consultations is to collect diverse stakeholder input to inform the iterations of the draft prioritization framework

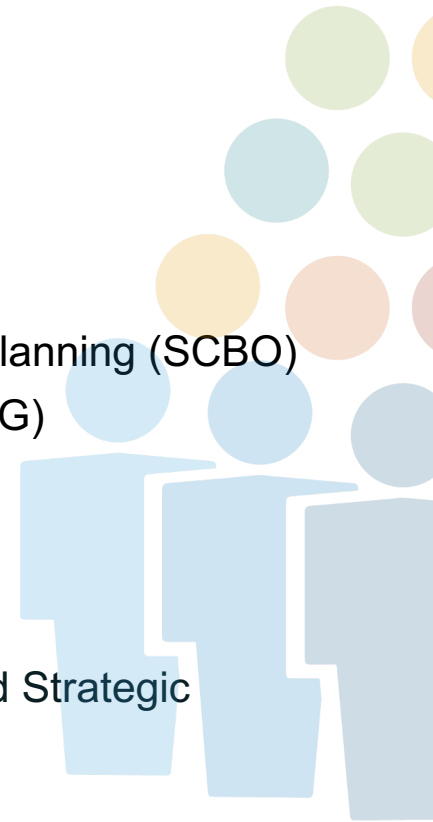
The consultation will include informal engagements among community, Board, and org, and public webinars to brief the community on the proposed prioritization framework and invite feedback on the approach

◉ Suggested Community consultations

- SO/AC Leadership
- SO/AC established groups focused on planning and financials:
 - ccNSO Strategic and Operational Planning Committee (SOPC)
 - GNSO Standing Committee on ICANN's Budget & Operations Planning (SCBO)
 - ALAC Operations, Finance and Budget Working Group (OFB-WG)
- ATRT3 Implementation Shepherds
- Public webinars

◉ Suggested org and Board consultations

- Board caucus group on Budgeting and Prioritization (BPCR), Board Strategic Planning Committee (BSPC) and Board Finance Committee (BFC)
- Org Executive Team and org Planning Liaisons



FY22-26 Financial Plan and FY22 Budget



Alex Morshed
Finance

FY22 – FY26 Financial Projections

(in Millions USD)

5-Year Projections	FY22 Projections	FY23 Projections	FY24 Projections	FY25 Projections	FY26 Projections	5-Year Total
Funding ⁽¹⁾	\$144.4	\$146.9	\$149.6	\$152.1	\$152.7	\$745.6
Expense						
Personnel	\$80.1	\$81.7	\$83.4	\$85.0	\$86.8	\$417.1
Travel and Meetings	\$13.9	\$14.4	\$14.8	\$15.2	\$15.7	\$74.0
Professional Services	\$22.1	\$22.1	\$22.1	\$22.1	\$22.1	\$110.5
Administrative	\$16.9	\$16.9	\$16.9	\$16.9	\$16.9	\$84.6
Capital	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$8.5
Incremental Operating Initiatives ⁽²⁾	\$5.5	\$6.0	\$6.5	\$6.5	-	\$24.5
Contingency ⁽³⁾	\$5.2	\$5.4	\$5.5	\$5.7	\$5.9	\$27.6
Cost Savings Initiatives	(\$2.2)	(\$2.7)	(\$3.3)	(\$3.5)	-	(\$11.8)
Total Operating Expenses	\$143.3	\$145.5	\$147.6	\$149.7	\$149.0	\$735.0
Excess/(Deficit) before Contributions	\$1.1	\$1.5	\$1.9	\$2.4	\$3.7	\$10.6
Reserve Fund allocation to maintain minimum level	\$1.1	-	-	-	-	\$1.1
Additional Reserve Fund allocation	-	\$1.5	\$2.0	\$2.5	\$3.7	\$9.7
Allocation to the Reserve Fund ⁽⁴⁾	\$1.1	\$1.5	\$2.0	\$2.5	\$3.7	\$10.8
Net Operating Excess/(Deficit)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.2)
Average Headcount	405	410	410	410	410	

(1) Includes contributions for ICANN Security, Stability, and Resiliency (SSR) activities.

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans.

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions.

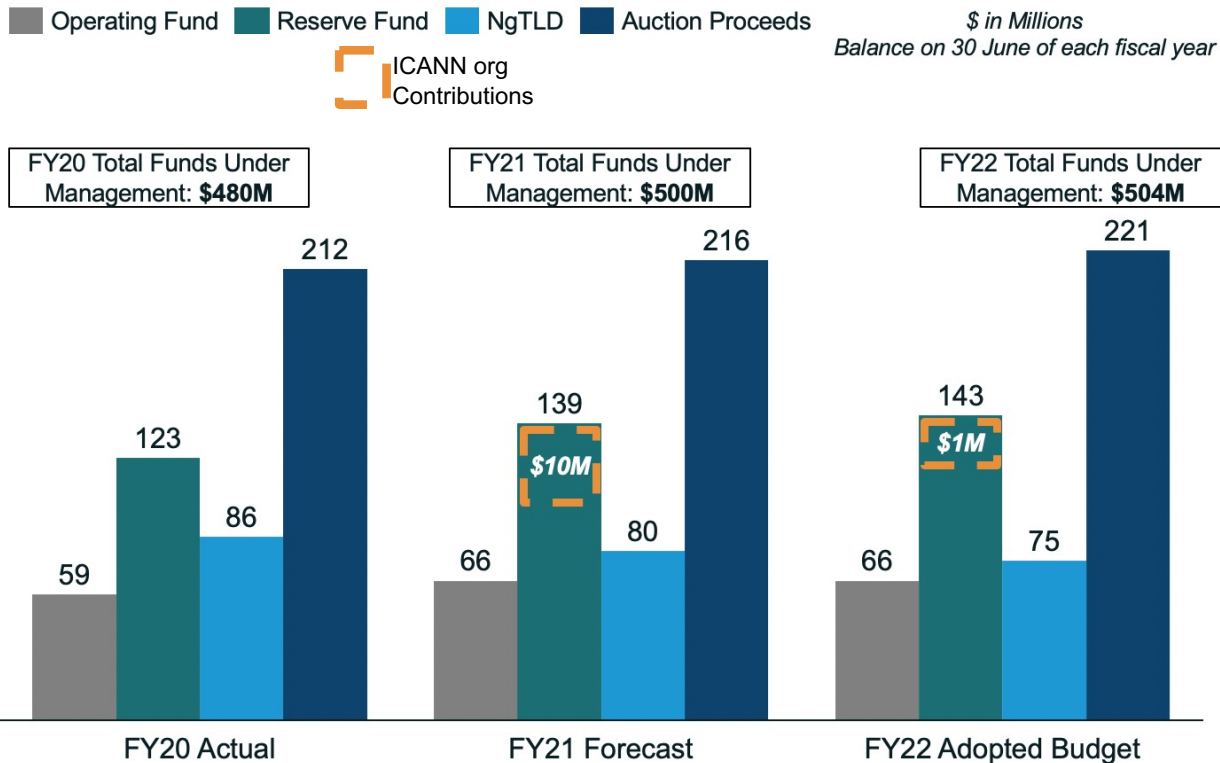
(4) Allocations are illustrative estimates and require Board approval

FY22 Adopted Budget vs FY21 Forecast

In Millions, USD	FY22 Adopted Budget ICANN Operations	FY21 Forecast ICANN Operations	Under/(Over) vs. FY21 Forecast	
			\$	%
Funding ⁽¹⁾	\$144.4	\$140.0	\$4.4	3%
Personnel	80.1	76.6	(3.5)	-5%
Travel & Meetings	13.8	4.7	(9.1)	-195%
Professional Services	19.6	17.9	(1.7)	-10%
Administration	17.2	16.6	(0.6)	-4%
Capital	4.0	6.3	2.2	36%
Incremental Operating Initiatives ⁽²⁾	5.5	2.0	(3.5)	-173%
Contingency ⁽³⁾	5.2	1.2	(4.0)	-333%
Cost Savings Initiatives	(2.2)	(1.4)	0.8	-55%
Total Operating Expenses	\$143.2	\$123.9	(\$19.4)	-16%
Excess/(Deficit) before Contributions	\$1.1	\$16.1	(\$15.0)	n/a
Reserve Fund Contribution	1.1	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	\$0.0	\$16.1	(\$16.1)	n/a
Average Headcount	405	395	(10)	-2%

- Funding is projected to grow primarily due to the full year impact of SSR contributions, whereas FY21 includes a six-month impact
- Expenses are projected to rise due to: projected travel resuming historical trends (includes three face-to-face ICANN meetings), Increased spend in Operating Initiatives, and Contingency budget for unplanned expenses

Adopted FY22 Projected Funds Under Management



- Operating Fund is projected to remain higher than the historical trend of three months of operating expenses (~\$32M) due to the current economic uncertainty and pending Board decisions; balances and potential Reserve Fund contributions will be evaluated on an annual basis
- \$10 million contribution to the Reserve Fund in FY21
- \$1 million minimum contribution to the Reserve Fund planned in FY22 (will require future Board decision), and a conservative 2% interest increase from FY21 balance to FY22
- New gTLD fund balance declines due to costs of processing remaining applications
- Capital preservation investment strategy leads to modest investment gains with Auction Proceeds

New gTLD 2012 Program Overview

New gTLD Program 2012 Round	Statement of Activities by Fiscal Year					Statement of Activities for Full Program (Dec 2020) Current Estimate
	FY12 - FY19 Actual	FY20 Actual	FY21 Forecast	FY22 Proposed for Adoption Budget	FY23 & Beyond Forecast	
New gTLD Applicant Fees	335	(8)	9	8	17	361
Refunds	(50)	(0)	(1)	(0)	(1)	(52)
Applicant Fees (Net of Refunds)	\$ 285	\$ (9)	\$ 8	\$ 8	\$ 16	\$ 308
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Process	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(35)	(2)	(4)	(4)	(9)	(55)
Staff Costs	(55)	(1)	(1)	(1)	(2)	(61)
Operating Expenses	\$ (181)	\$ (4)	\$ (5)	\$ (5)	\$ (11)	\$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Risk Costs	(22)	(4)	(2)	-	-	(28)
Non Operating Expenses	\$ (54)	\$ (4)	\$ (2)	\$ -	\$ -	\$ (60)
Other Income/(Expense)	\$ (2)	\$ 0	\$ -	\$ -	\$ -	\$ (2)
Investment Income/(Expense)	\$ 9	\$ 2	\$ 0	\$ -	\$ -	\$ 11
Total Expenses	\$ (229)	\$ (5)	\$ (7)	\$ (5)	\$ (11)	\$ (257)
Net Remaining New gTLD Funds	\$ 56	\$ (14)	\$ 1	\$ 3	\$ 5	\$ 51

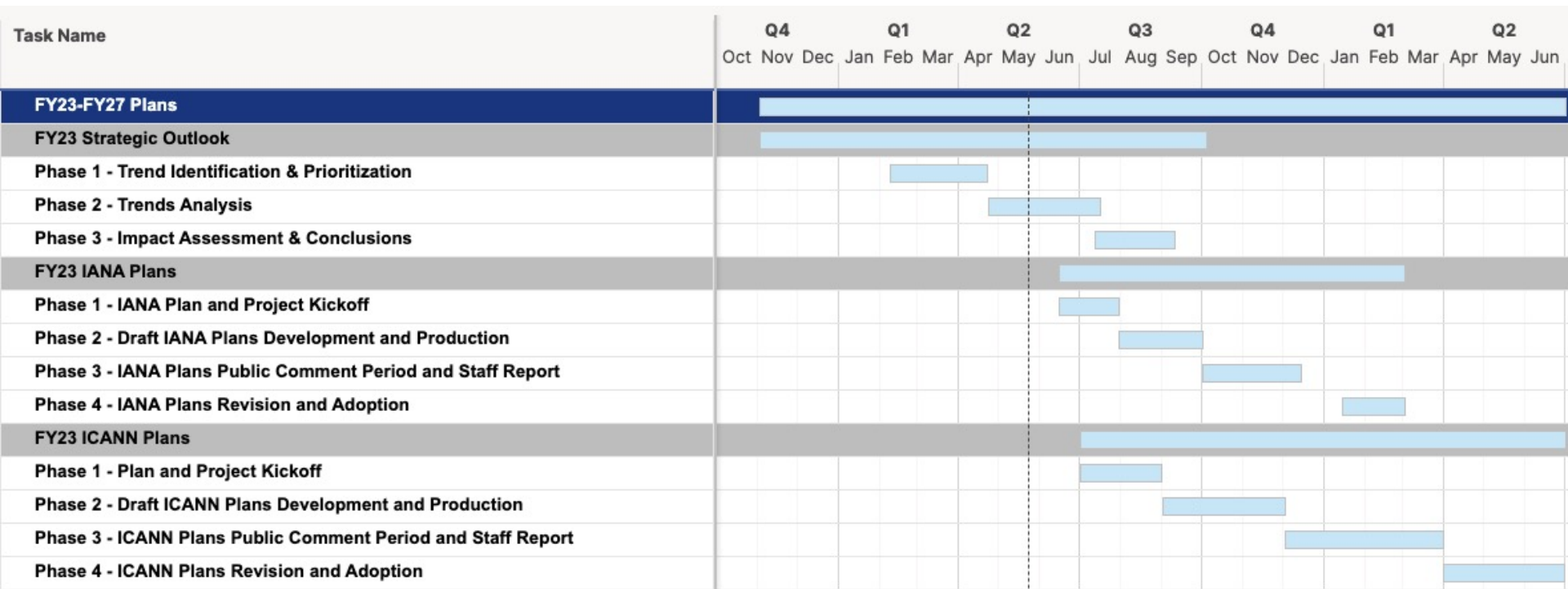
Remaining Funds do not include projected risk costs

FY23 Planning



Nathalie Vergnolle
Planning

FY23 Planning Process Overview



- ICANN has completed the first step in the FY23 planning process, which was to collect input on trends that may impact ICANN’s remit.
- Efforts to develop the FY23 IANA plans will kick-off with community in June 2021.
- Efforts to develop the FY23 ICANN plans will kick-off with community in July 2021.

FY23 Strategic Outlook Trend Sessions

- [ICANN has completed the first step in the FY23 planning process](#), which was to collect input on trends that may impact ICANN's remit.

16 strategic outlook sessions

- Six stakeholder group sessions
- Two Board sessions
- Eight org cross-functional sessions (including two sessions with Executive Team)

300 participants

- 122 community & Board members
- 178 org members



1232 data elements collected

- 666 trend statements
- 311 risks or threats
- 255 suggested actions or opportunities

- The data collected during the community trend sessions can be found on [ICANN's strategic planning web page](#).

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).



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