Planning and Finance Presentation

Presented by Org Planning and Finance Teams
22 March 2021
Agenda

- Introduction (10’)
- Finance Presentation (10’)
  - ICANN Financial Accountability and Reporting Structure
  - FY20 Financials overview
- Planning Presentation (10’)
  - Planning at ICANN overview
  - FY22 and FY23 Planning update
- How to participate
- Q&A (15’)

ICANN
Org functions supporting org’s “operational excellence”:

- **Planning**: to organize ICANN’s work to efficiently deliver ICANN’s mission
- **Finance**: steward of the funds entrusted by registrants, allocating funding to the org and the stakeholders activities
- **Procurement**: maintaining ethical and efficient use of ICANN’s funds
- **Risk Management**: supporting ICANN’s delivery of its mission by anticipating and mitigating risks
- **Project Management network**: continuous improvement of the org’s operational efficiency in everything we do.
- **Human Resources**: supporting org by ensuring competence and bandwidth and safety of operations.
Finance Presentation

Shani Quidwai
Finance Introduction and Agenda

• Financial Reporting Structure
• Fiscal 2020 Financial Results
  o Funding, Expenses
  o Funds Under Management
• Financial Reporting Overview
ICANN Financial Reporting Structure

**Total ICANN**

- **ICANN Operations**
  - Funding
  - Expenses
  - Operating Fund
  - Reserve Fund
  - New gTLD Funds
  - Auction Proceeds

- **New gTLD Program 2012**
  - Funding
  - Expenses

**Funds Under Management**

Includes PTI/IANA Funds Under Management
FY20 (Jul 19 – Jun 20) Funding by Category

FY20 Funding - $141M

Includes Accreditation Fees, Per-registrar Variable Fees, and Application Fees ~2500 registrars

Driven by domain name registrations ~200M transactions

Driven by number of TLDs ~1200 TLDs

Includes Country Code Contributions and Sponsorships ~300 ccTLDs

Driven by domain name registrations ~200M transactions

Registrar Other Fees

Registry Fixed Fees

Other Funding

Registry Transaction Fees

Registrar Transaction Fees

- 40% of FY20 Funding
- 26% of FY20 Funding
- 21% of FY20 Funding
- 10% of FY20 Funding
- 2% of FY20 Funding
FY20 (Jul 19 – Jun 20) Expenses by Cost Category

FY20 Expenses- $126M

- **Personnel**: 58%
  - Reflects an average headcount of 388 vs. budget of 405

- **Professional Services**: 17%
  - Includes contractor services, legal fees, language services and audit services

- **Administration & Other**: 13%
  - Includes rent, other facilities costs, and telecommunications

- **Travel & Meetings**: 7%
  - Includes face-to-face meeting for ICANN66 and virtual meetings for ICANN67 and 68

- **Capital**: 6%
  - Includes IT infrastructure and security improvements

$USD in Millions
ICANN manages four funds. Below are the FY20 ending balances and a description of each.

- **Operating Fund ($61M)**: covers day-to-day operations including all items in the ICANN Board approved annual budget. The Operating Fund is set at a level necessary to fund a minimum of three months expected operating expenses.

- **Reserve Fund ($123M)**: ICANN’s funding to cover large expenses resulting from unavoidable, unpredictable or unplanned events, which cannot be funded from ICANN’s Operations.

- **New gTLD Program ($86M)**: correspond to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover hard-to-predict costs, including risks.

- **Auction Proceeds ($212M)**: come from ICANN auctions held to resolve string contention in the New gTLD Program. These are reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community.
ICANN org reports financial results to the community in support of the commitment to accountability and transparency.

### Periodically, throughout the year
- Quarterly Financial Reporting
- Publication of the CEO Report
- ICANN Meetings travel reports

### Annually
- Independent Auditors Report
- Annual Report
- Board Expenses
- ccTLD Contributions
- Funding by Source
- Operating Plan and Budget
- Tax Return (Form 990)
- ICANN org Remuneration

**Link to Financial Documents:**
https://www.icann.org/resources/pages/governance/current-en
Planning at ICANN

Becky Nash
Planning Processes Overview

1. **Strategic Planning Process**
   - The process of defining ICANN’s strategic direction, including its mission, vision, Strategic objectives and goals.

2. **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.

3. **Budgeting Process**
   - The process of allocating resources to planned activities, and prioritize activities as needed.

4. **Progress Reporting Process**
   - The process of explaining the achievement via a series of mechanisms.
ICANN Plans

- ICANN Strategic Plan
  - Developed every 5-years with annual update (as needed)

- IANA (PTI) Strategic Plan
  - Developed every 4-years with annual update

- ICANN Operating Plan (OP)
  - Developed every year for the period of next 5-years

- IANA/PTI OP
  - Developed every year

- ICANN Budget
  - Developed every year

- IANA/PTI Budget
  - Developed every year

- ICANN Annual Report
  - Developed every year
As needed, revise and update the Strategic Plan

Develop / Update Strategic Plan

Determine Trends Impact
Discuss and determine trends impact on strategic objectives and goals.

Operating Planning Process

Budgeting Process

Progress Reporting Process

Identify Strategic Outlook Trends
ICANN Org, Board and community identify strategic outlook trends.

Analyze Trends
Develop / revise high-level target, measurement of activities. Highlight major capital expenditure, cost to the implementation of new policies and procedures, and operational changes that impact the resources changes.

GAC Trend Session coming up early April 2021

Strategic Planning Process
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 its 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 the *IANA*.

Operating Initiatives (15)

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

Please refer to Appendices for the list of all Functional Activities and Operating Initiatives.
# FY22 Planning Next Steps

<table>
<thead>
<tr>
<th>What</th>
<th>Who</th>
<th>When</th>
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<tbody>
<tr>
<td>FY22 Planning Process Kick Off</td>
<td>Community</td>
<td>ICANN 69 Prep Week</td>
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<tr>
<td>Review draft FY22-26 O&amp;FP and FY22 OP&amp;B</td>
<td>BFC</td>
<td>9 December 2020</td>
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<td>FY22-26 O&amp;FP Public Comment</td>
<td>Community</td>
<td>17 December 2020 – 15 February 2021</td>
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<td>FY22 OP&amp;B Public Comment</td>
<td>Community</td>
<td>17 December 2020 – 15 February 2021</td>
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<td>Community Webinars</td>
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<td>12/13 January 2021 UTC</td>
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<td>ICANN BFC recommends IANA Budget Approval</td>
<td>BFC</td>
<td>19 January 2021</td>
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<td>ICANN Board Adopts IANA Budget</td>
<td>Board</td>
<td>Board Workshop January 2021</td>
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<td>Review Public Comment inputs/development of both FY22-26 O&amp;FP and</td>
<td>Board &amp; Community</td>
<td>ICANN 70</td>
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<td>FY22 OP&amp;B</td>
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<tr>
<td>Review for Plans adoption</td>
<td>Board</td>
<td>Board Workshop May 2021</td>
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<tr>
<td>Empowered Community Period</td>
<td>Community</td>
<td>May – June 2021</td>
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Questions and Answers

❖ Please raise your hand in zoom if you want to ask a question
❖ Unmute your microphone to ask questions when is your turn
❖ Mute your microphone when not speaking

❖ Type your questions in the chat
Appendix
Resources & useful links

◉ ICANN70 Prep week Planning and Finance community webinar (includes a review of financial results for FY20 and FY21, FY22 plans and funding projections, FY22 draft plans public comments overview and planning next steps)

◉ ICANN Plans:
  - ICANN FY21-25 Strategic Plan and 2020 Strategic Outlook trend report can be found on the Strategic Planning web page on icann.org
  - PTI Strategic Plan for July 2020 to June 2024
  - Draft FY22-26 Operating & Financial Plan and Draft FY22 Operating Plan & Budget can be found on the corresponding Public Comments page.

◉ ICANN Financial Information
Funding has been very stable over the past few fiscal years despite the pandemic which occurred during FY20.
Cash Expense Trends

- Cost containment throughout the organization has led to declining expenses
- More recently, expenses have declined primarily due to impacts from the COVID-19 pandemic
Average Headcount Trends

- Figures below represent the number of ICANN org personnel working in each fiscal year.
- Headcount levels have remained stable for the past few fiscal years.

<table>
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<tr>
<th>Year</th>
<th>FY17 Actual</th>
<th>FY18 Actual</th>
<th>FY19 Actual</th>
<th>FY20 Actual</th>
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<td>397</td>
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FY20 Funds Under Management

**June FY19 Balance**
- Auction Proceeds: $208
- New gTLD Application Fees: $106
- Reserve Fund: $116
- Operating Fund*: $40
- Total ICANN: $464

**June FY20 Balance**
- Auction Proceeds: $212
- New gTLD Application Fees: $86
- Reserve Fund: $123
- Operating Fund*: $61
- Total ICANN: $480

*Blue bars represent month-end balances except for Operating Fund which show rolling 3-month averages.

Total ICANN represents sum of month-end balances for all accounts.
In October 2018 the Board approved a strategy to replenish the Reserve Fund. Prior to developing the replenishment strategy, the Reserve balance was below our minimum goal, at least one year of expense budget (~$100-$140 million, depending on the year).

The Reserve Fund balance was lower than our goal because no contributions were made, funds were withdrawn for USG transition costs, and expenses were increasing which increased our goal (at least one year of expense budget).

The replenishment is tracking well ahead of the approved strategy.

ICANN Org will contribute to the Reserve Fund in FY21, the amount is still being evaluated.
High Level Planning Timeline

- Strategic Outlook
  - Trends Identification

- Design and Development Phase
  - Rolling Plans Development
  - Draft Plans Review, Revisions and Draft Finalization
  - Public Comment Publication

- Public Comment to Adoption Phase
  - Review and Community Engagement
  - Analysis of Public Comments and Publication of Staff Report
  - Plans Revision as Needed
  - Review of Plans Proposed for Adoption
  - Board Adoption
  - Empowered Community Process

- Next Fiscal Year - Plans in Effect
Overview of FY22 Planning Documents

The following documents were published on 17 Dec 2020 for public comment until 15 February 2021:

- Highlights Document
- Draft FY22 – 26 Operating and Financial Plan and FY22 Operating Plan Document
- Draft FY22 Budget Document

The following documents are published as supporting documents:

- ICANN Strategic Outlook: 2020 Trends Report
- Funding Forecast Assumptions Report for Fiscal Years 2022 - 2026

https://www.icann.org/public-comments/draft-opplan-budget-fy22-26-2020-12-17-en
ICANN Strategic Plan for FY2021-2025

Mission: To ensure the stable and secure operation of the Internet’s unique identifier systems

Vision: To be a champion of the single, open, and globally interoperable Internet, by being the independent, trusted, multistakeholder steward of the Internet’s unique identifiers, and by providing an open and collaborative environment where diverse stakeholders come together in the global public interest to:

• Secure operational excellence in the stewardship of the IANA functions.
• Continuously improve the unique identifier systems.
• Strengthen the security of the Domain Name System (DNS) and the DNS Root Server System.
• Evolve ICANN’s governance model to be increasingly effective, transparent, and accountable.
• Improve the effectiveness and inclusiveness of ICANN’s multistakeholder policy development processes.
• Anticipate and manage the impact of legislation and regulation.
• Ensure that ICANN is technically robust and financially sustainable.
ICANN Strategic Plan for FY2021-2025

Five Strategic Objectives:

On **Security**: Strengthen the security of the Domain Name System and the DNS Root Server System.

On **ICANN’s Governance**: Improve the effectiveness of ICANN’s multistakeholder model of governance.

On **Unique Identifier Systems**: Evolve the unique identifier systems in coordination and collaboration with relevant parties to continue to serve the needs of the global Internet user base.

On **Geopolitics**: Address geopolitical issues impacting ICANN’s mission to ensure a single and globally interoperable Internet.

On **Financials**: Ensure ICANN’s long-term financial sustainability.