

FY2021 – FY2025 Operating & Financial Plan Development Update

*ccNSO: Strategic &
Operational Planning
Standing Committee Meeting*

Mon, Jun 24, 2019



Agenda

- ⦿ FY21-FY25 Strategic Plan Update
- ⦿ FY21-FY25 Operating & Financial Plan
 - Two-phase approach
 - Public Comment #1 overview
 - Draft Financial Assumptions and Projections
 - Draft Operating Initiatives
 - Public Comment #2 overview
 - What's next

FY21-FY25 Strategic Plan Update



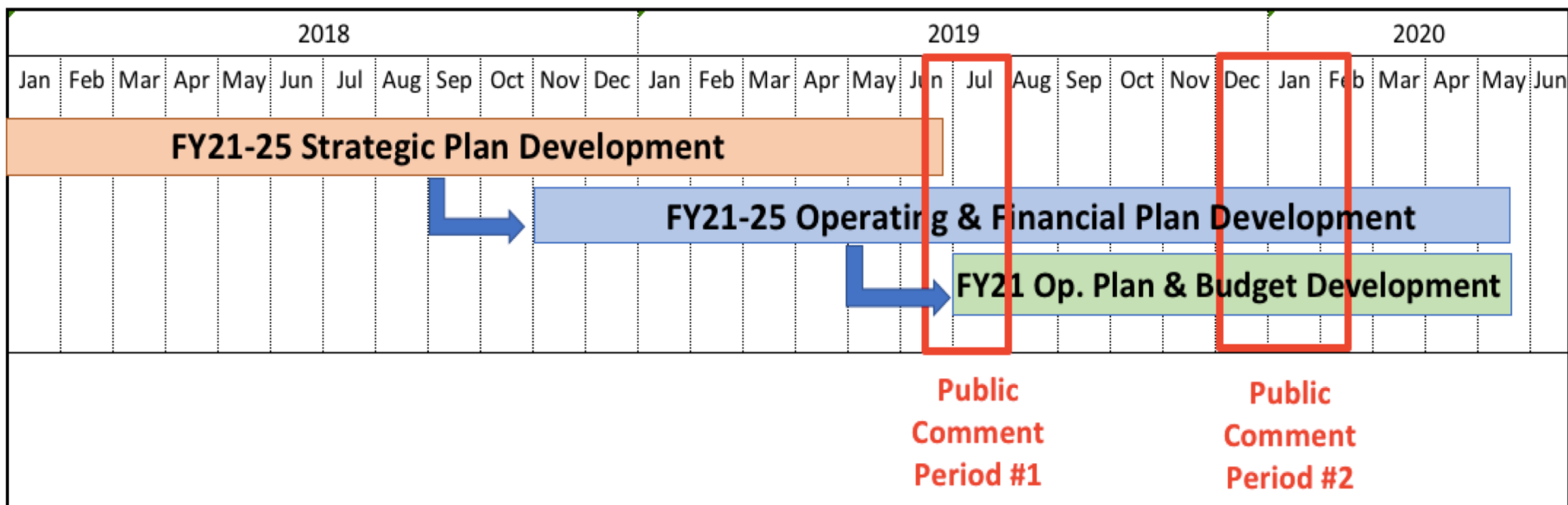
Theresa Swinehart

*SVP, Multistakeholder Strategy &
Strategic Initiatives*

FY21-FY25 Operating & Financial Plan Update

- Two-phase approach
- Public Comment #1 overview
- Public Comment #2 overview
- What's next

Two-Phase Approach



Public Comment Period #1:

- Financial Assumptions and Projection, Operating Initiative Descriptions and Plan Development Overview

Public Comment Period #2:

- FY2021-FY2025 Operating & Financial Plan Draft
- FY2021 Operating Plan and Budget Draft

Public Comment Period #1

Purpose:

- ◎ To obtain community feedback on:
 - ◎ Financial assumptions and high-level projection of the “base”, “low” and “high” funding scenarios for FY2021 – FY2025
 - ◎ Operating Initiatives – Major initiatives that ICANN org should prioritize to achieve the Strategic Goals and Objectives of FY2021 – FY2025



Public Comment Period #1: Jun 14th to Aug 5th



<https://www.icann.org/public-comments#open-public>

Financial Assumptions and Projections

Financial Assumptions and Projections Approach

Our five-year funding assumptions and projections approach is developed through the following activities:

1 Marketplace Horizon Scan



2 Formulation of Assumptions



3 Forecast Generation



Results of Marketplace Horizon Scan (Recap)

1

New gTLDs a key enabler of market growth over past five years

2

New business models have emerged from New gTLD rollout. e.g. – geographic, brand gTLDs

3

Establishing and maintaining online identity remains key part of contemporary life and digital economy

4

Platforms/apps that bypass domains can represent a drag on demand, but extent of challenge uncertain

5

Dynamism of market actors in consolidation and building new sales channels to registrants

6

Regional disparity in adoption rates - fulfillment of demand in key markets an important challenge

7

Lack of universal acceptance challenges rollout and adoption of new types of domains

8

Technical challenges of secure traffic and social elements of how the domain name system operates expanding

9

Effects of regional differences in privacy regimes on demand for domain name growth uncertain

Funding Actuals and Projections FY2017–FY2025

	FY17 Actuals	FY18 Actuals	FY19 Forecast	FY20 Forecast	FY21 Projection	FY22 Projection	FY23 Projection	FY24 Projection	FY25 Projection
ICANN Ops Funding (\$M)									
Base	\$ 135.9	\$ 133.8	\$ 137.1	\$ 139.3	\$ 141.0	\$ 143.2	\$ 145.4	\$ 147.7	\$ 149.9
Low					135.0	131.5	128.2	124.9	121.6
High					145.5	152.6	160.2	168.3	177.2
Transaction Volume (M)									
Base	192.0	186.9	193.6	198.5	203.7	209.1	214.4	219.7	225.1
Low					193.1	187.9	182.7	177.5	172.4
High					212.2	227.4	243.9	261.6	281.2
Contracted Parties									
Base	4,170	3,685	3,707	3,736	3,656	3,676	3,697	3,717	3,738
Low					3,412	3,331	3,251	3,171	3,091
High					3,791	3,846	3,901	3,956	4,012

In millions, USD

Unaudited

Arithmetic inconsistencies are due to rounding to the nearest million.

Funding Available for Operations FY2021–FY2-25

ICANN Operations	FY21 Projections	FY22 Projections	FY23 Projections	FY24 Projections	FY25 Projections
Projected Funding (base case)	\$ 141.0	\$ 143.2	\$ 145.4	\$ 147.7	\$ 149.9
Contribution to Reserve Fund	(3.0)	(3.0)	(3.0)	(3.0)	(1.9)
Funding available for Operations	\$ 138.0	\$ 140.2	\$ 142.4	\$ 144.7	\$ 148.0
Reserve Fund - Beginning	\$ 121.0	\$ 126.4	\$ 131.9	\$ 137.6	\$ 143.3
Average annual Contribution	3.0	3.0	3.0	3.0	1.9
Annual interest (theoretical 2%)*	\$ 2.4	\$ 2.5	\$ 2.6	\$ 2.8	\$ 2.9
Reserve Fund - Ending	\$ 126.4	\$ 131.9	\$ 137.6	\$ 143.3	\$ 148.1

*: Average return between 2011 and 2018 is 6%. Theoretical return intentionally chosen conservatively low.

- ◎ Two key principles of ICANN’s long term financial sustainability:
 - ◎ Expenses do not exceed Funding
 - ◎ Sufficient reserves are reached
- ◎ Annually, ICANN’s maximum expenses will be within the funding available after setting aside allocation to the Reserve Fund.
- ◎ Projecting Reserve Fund balance at the end of FY25 to be close to the target level of minimum of 12 months of Operating expenses.


Board Resolution #2018.10.25.22-2018.10.25.23: To achieve target by FY26-FY27

Operating Initiatives


Operating Initiatives



Draft Operating Initiatives are foundational to the development of that five-year Operating and Financial plan.



Community feedback of whether the listed Operating Initiatives are the right ones to advance the objectives of the Strategic Plan, or if any major initiatives are missing, in addition to any more holistic comments are important.



The 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.

Public Comment Period #2 Overview

ICANN org will take into consideration community feedback to develop the **entire FY2021–2025 O&FP Draft** to be posted by December 2019 for public comment, and will include:

- **Financial Assumptions and Projections**
- **Operating Initiatives and Operating Activities**
- Detailed workplan based on the efforts currently underway to **improve the effectiveness of ICANN’s multistakeholder model**
- **Implementation of Review Recommendations**



FY21-25 O&FP Public Comment Period #2: Dec 2019 to Feb 2020
FY2021 Operating Plan and Budget will be posted at the same time

What's Next

What	Who	When
Public Comment Period #1	Community	14 Jun – 5 Aug 2019
Overview of plan development and Public Comment #1 materials	Community	Pre-ICANN65 Webinar on 17 June 2019 16:00-17:00 UTC
Review Public Comment #1 inputs and plan development	Board	Board Retreat Sep 2019
Review draft plan for Public Comment #2	Board	ICANN66 Nov 2019
Public Comment Period #2	Community	Dec 2019 – Feb 2020
Review Public Comment #2 inputs and plan development	Board & Community	ICANN67 Mar 2020
Review for Plan adoption	Board	Board Retreat May 2020
Empowered Community Period	Community	May – Jun 2020

Thank You



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