

I C A N N
ANNUAL GENERAL

66

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2-7 November 2019



INTRODUCTION TO PLANNING TEAM



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Agenda

- Planning Process Overview
- FY21-25 Operating & Financial Plan
 - Overall Process and Approach
 - FY21-25 Funding Assumptions
 - FY21-25 Financial Plan
- FY21 Operating Plan & Budget
- Community Involvement in the Planning Process and Timeline
- Q&A

Planning Process Overview

Planning Process Overview

The strategic plan will be complemented by a 5-year operating and financial plan, which has been developed over the past few months in interaction with the community.

- Strategic planning is a core element of ICANN's three-fold [planning process](#) cycle:
 - 5-year Strategic Plan
 - 5-year Operating and Financial Plan
 - Annual Operating Plan & Budget
- Process of developing an operational and financial plan may lead to calibration of the strategic plan, in terms of “realistic ambitions”
- Planning cycle ends with ongoing achievements and progress reporting

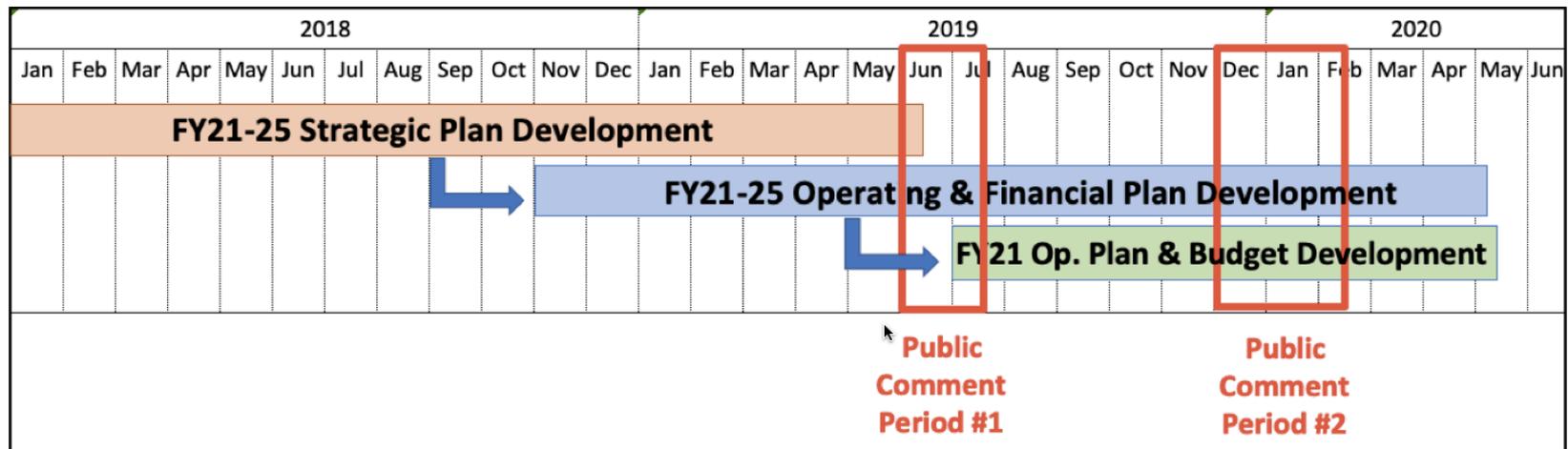


Planning Documents and Timeline

FY21- FY25 Strategic Plan (SP) outlines ICANN’s Vision and Mission, sets out five strategic objectives and related goals based on areas of challenge and opportunity for ICANN to shape its future successfully.

FY21-FY25 Operating & Financial Plan (O&FP) includes 1) Financial assumptions and high-level projection of the “base-case”, “high” and “low” funding scenarios for FY21-FY25, and 2) ICANN org will undertake existing and new activities to achieve the strategic outcome set out in the FY21-FY25 Strategic Plan.

FY21 Operating Plan & Budget (OP&B) sets forth the focus of efforts and organizational commitments for the current fiscal year.



FY21-25 Operating & Financial Plan

Overall Process and Approach

Approach



The **FY21-25 Operating & Financial Plan (O&FP)** will include initiatives driven by the **Strategic Plan** and description of the **strategically driven changes** of the **functional activities**.



Strategically Focused on what ICANN should do and reexamine what ICANN should change.



Focus on **High-Level** rather than losing the main messages to too much details.



Highlight **Collaboration** Cross-Functionally & with the Community



Contains **5-Year Financial** with Low–Mid–High scenarios.

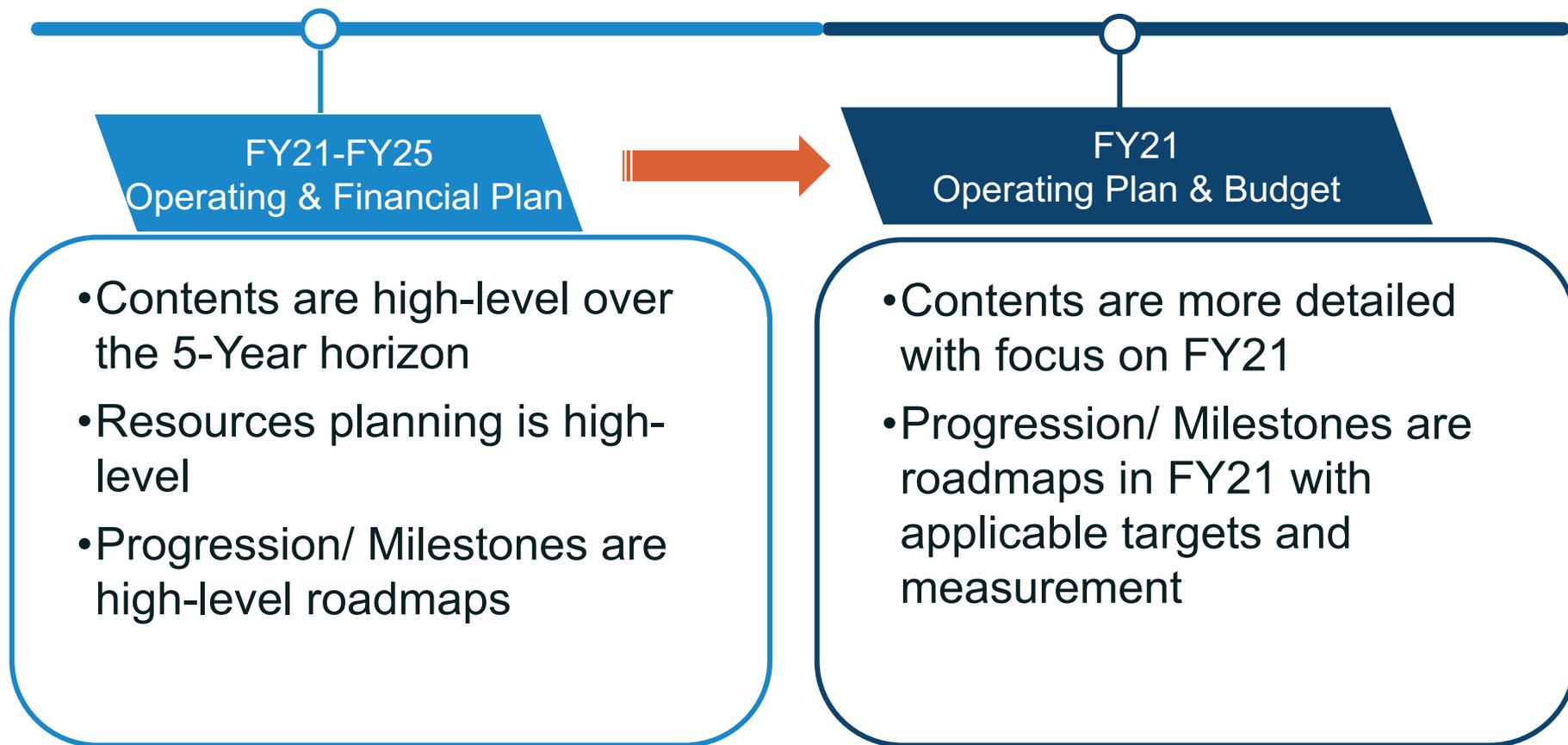
Aligning Plan Structure



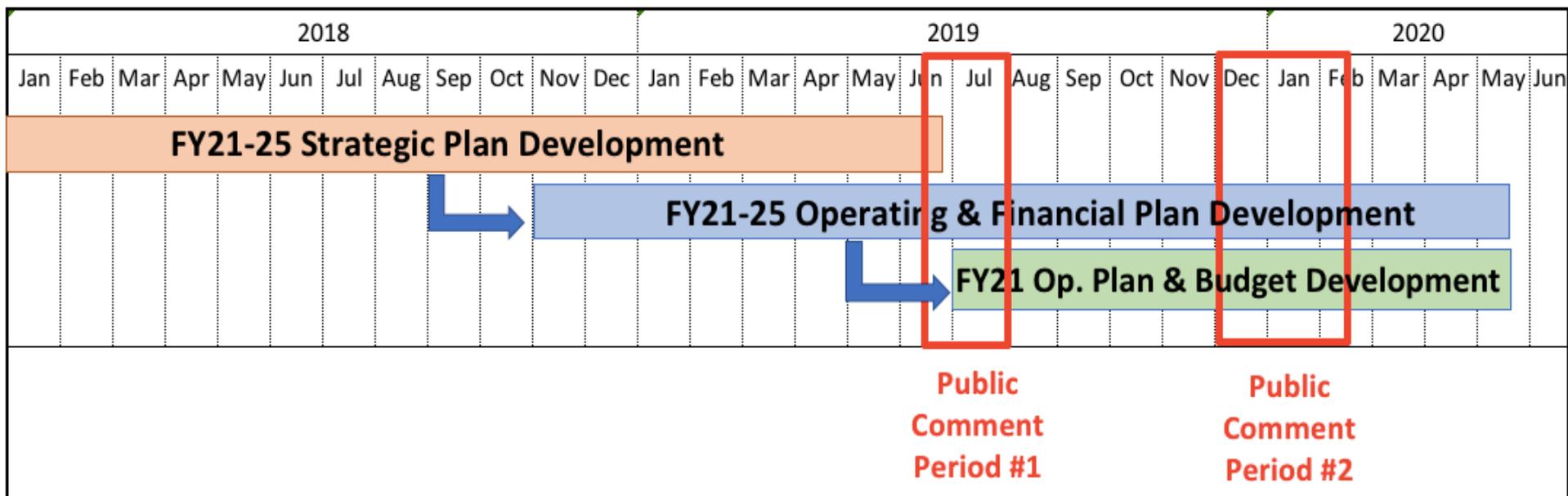
- Combined 5 Year and 1 Year Operating Plan document to provides more strategic view in addition to in depth details for first year
- Focus on narrative to enhance understanding
 - Description of Operating Initiative works planned
 - Description of Functional Activities planned and a focus on anticipated changes to current activities

FY21-FY25 Operating & Financial Plan vs. FY21 Operating Plan & Budget

Both describe the work of the organization – purpose, activities, connection to the Strategic Plan, resources, considerations (risks, dependencies, challenges) and progression/ milestones.



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>

Public Comment #1 Inputs – 1 of 2

<https://www.icann.org/en/system/files/files/report-comments-draft-financial-projections-fy2021-2025-19aug19-en.pdf>

Organizations and Groups

Name	Submitted by	Initials
Country Code Names Supporting Organization Strategic and Operational Standing Committee	Giovanni Seppia	ccNSO SOPC
Business Constituency	Steve DelBianco	BC
Registries Stakeholder Group	Donna Austin	RySG
Registrar Stakeholder Group	Zoe Bonython	RrSG
Noncommercial Stakeholders Group	Rafik Dammak	NCSG
Generic Names Supporting Organization Council	Marika Konings	GNSO
At-Large Advisory Committee	ICANN Policy Staff in support of the At-Large Community	ALAC

Individuals

Name	Affiliation (if provided)	Initials
Maureen Hilyard		MH

Public Comment #1 Inputs – 2 of 2

The eight organizational and one personal comment received through the Public Comment proceedings were broken down into 98 comments, which covered the following as follows:

	Total	# of statements expressing support	# of statements expressing support, but with edits	# of statements indicating concerns	# of other statements or suggestions
# of Comments	98	37	17	7	37
Financial Assumptions and Projections					
General Comments	6	2	1	1	2
Roll-out of New gTLDs	8	1	1	2	4
Difficulty in ensuring universal acceptance	2	1			1
Funding Type	2				2
Key Sustainability Principles	3	3			
Operating Initiatives					
Operating Initiatives	77	30	15	4	28

Public Comment #1 Inputs – Next Step

- ICANN org will take into consideration community feedback to develop the **FY21–25 O&FP Draft** to be posted by December 2019 for public comment.
- ICANN org will post the detailed report of how each comment received has been considered.



**FY21-25 O&FP Public Comment Period #2:
Dec 2019 to Feb 2020**

FY21-25 Operating & Financial Plan

Funding Assumptions

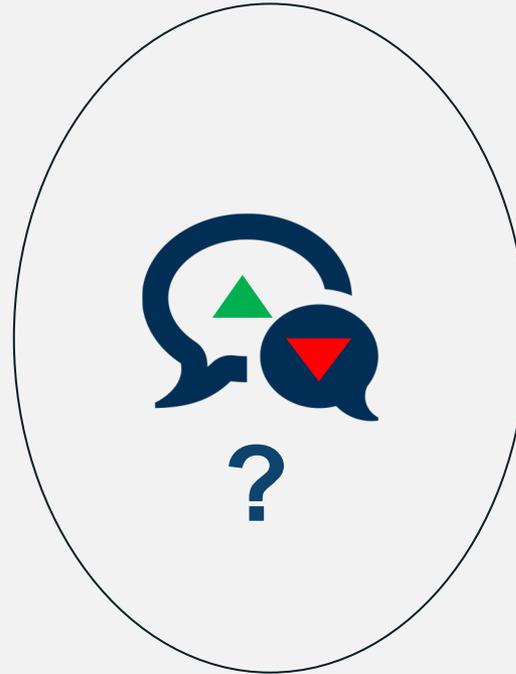
ICANN's Five Year Funding Projection Approach

- Five-year funding projection approach is developed through the following activities:

1 Marketplace Horizon Scan



2 Formulation of Assumptions



3 Forecast Generation



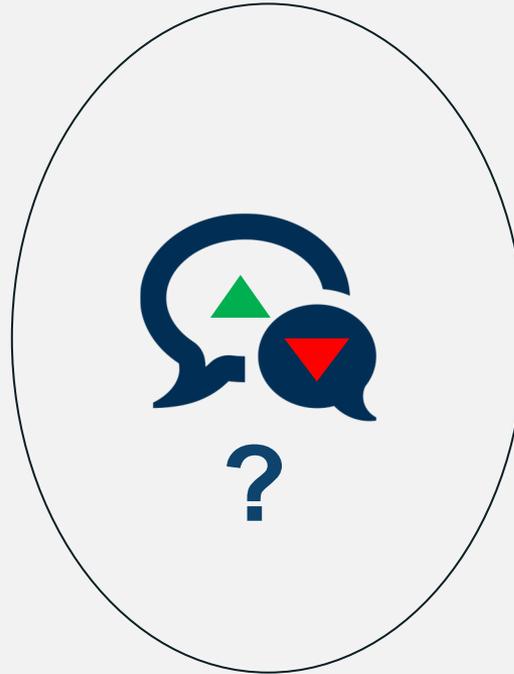
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Results of Marketplace Horizon Scan (Recap)

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

ICANN's Five Year Funding Projection Approach

- Our five-year funding projection approach is developed through the following activities:

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2 Formulation of Assumptions



3 Forecast Generation



Formulation of Assumptions: Sample



Excerpt of Marketplace Horizon Scan Finding

“The continued importance of controlling a domain name to craft and maintain a digital presence on the global Internet remains a key market enabler of the industry...”



Formulation of Assumptions (Qualitative)

Digital presence will still rely largely on the use of domain names. Domain name transaction volumes will accordingly continue to see positive growth momentum over the forecast period, albeit at varying levels, at the 'base-case' and 'high' funding scenarios. To account for rapid maturation in the marketplace, the 'low' scenario factors an overall decline in transaction volumes...

Formulation of Assumptions (Quantitative)

Low Scenario

Base Case

High Scenario

New gTLD transaction volume and growth trendline
Legacy gTLD transaction volume and growth trendline

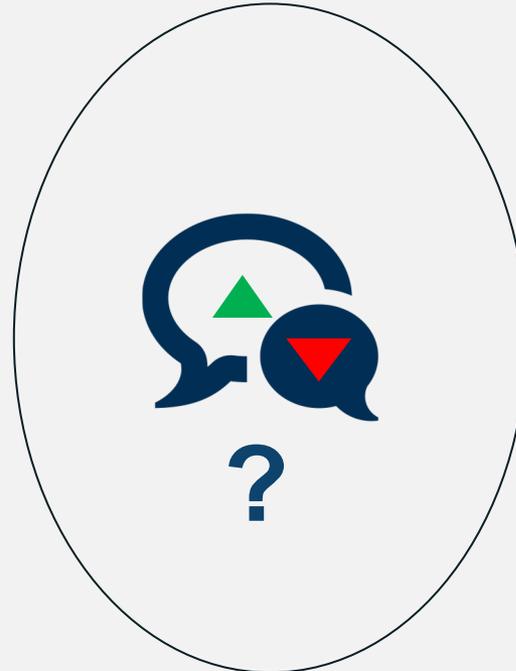
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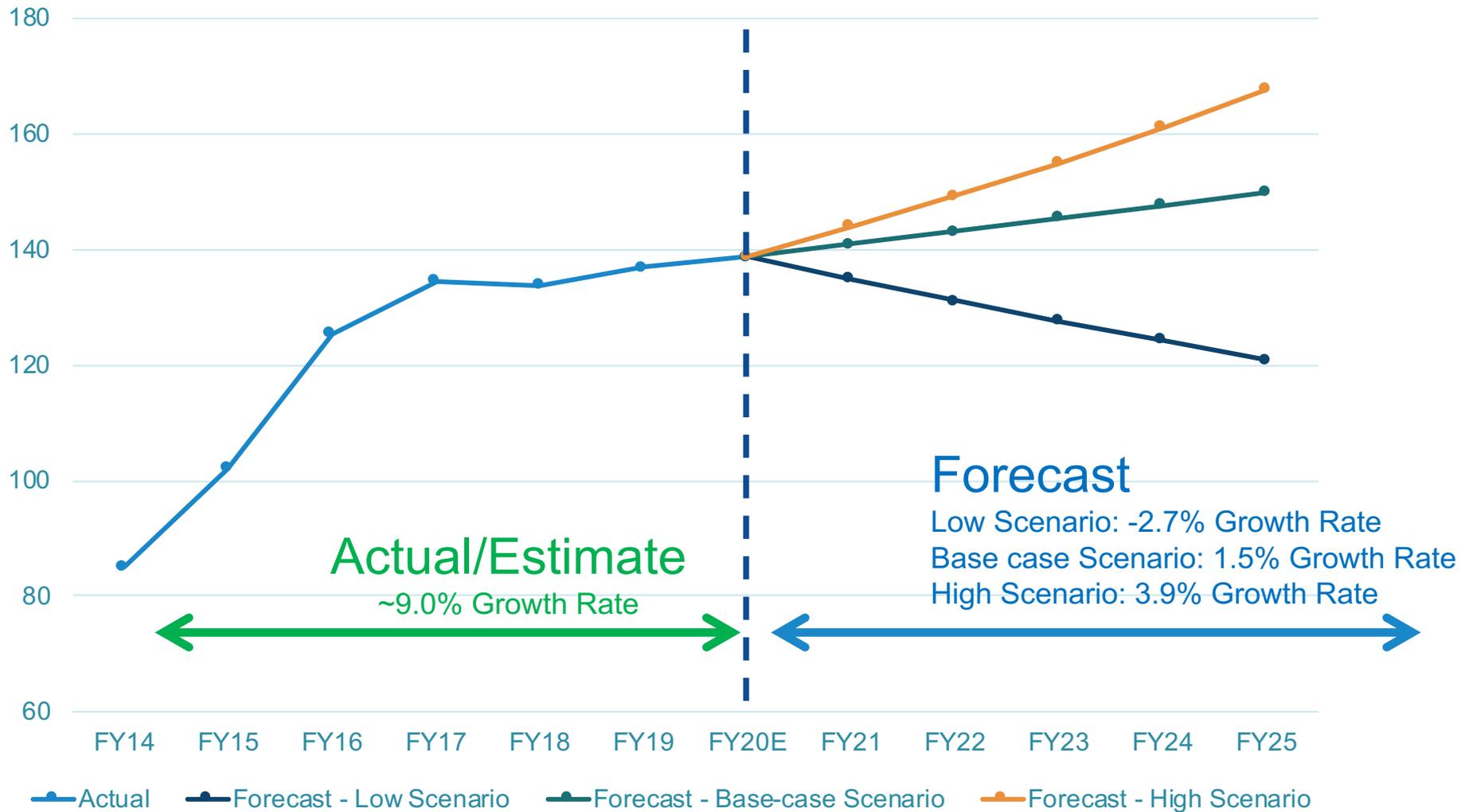


Five Year Funding Forecast: Scenario Sensitivity Analysis

		FY20	FY21-25 Forecast Scenarios		
		Base Forecast	Low	Base	High
Fixed fees					
Parameters					
	Average number of registries	1,194	1,122	1,165	1,179
	Registry fixed fee in year 5	\$ 25,000	\$25,000	\$25,000	\$25,000
	Average number of registrars	2,542	2,129	2,532	2,722
	Registrar fixed fee in year 5	\$ 4,000	\$4,000	\$4,000	\$4,000
	Total fixed fees in year 5 (in \$M)	\$ 43.7	\$ 38.7	\$ 42.6	\$ 44.2
Transactions volumes					
Parameters					
	Total transaction volume in year 5 (in M)	198.5	170.8	225.1	260.8
	Average annual transaction volume growth	-	-3.0%	2.5%	5.7%
	Average transaction fee growth (Ry+Rr)	-	-3.1%	2.4%	5.5%
	Total transaction fees in year 5 (in \$M)	\$ 91.8	\$ 78.7	\$ 103.6	\$ 119.7
Revenues with no sensitivity analysis					
	Other revenues	\$ 3.8	\$ 3.5	\$ 3.7	\$ 3.7
	Total average revenues (in \$M)	\$ 139.3	\$ 127.8	\$ 145.4	\$ 155.4
	Total revenue in year 5 (in \$M)	-	\$ 120.9	\$ 149.9	\$ 167.7
	FY21-25 CAGR (%)	-	-2.7%	1.5%	3.9%

Note: FY20 base-case forecast, Based on FY19Q2 actuals, In millions, USD- unaudited - Arithmetic inconsistencies due to decimal rounding.

Macro View of Funding: Actual & Forecast (FY14-FY25)



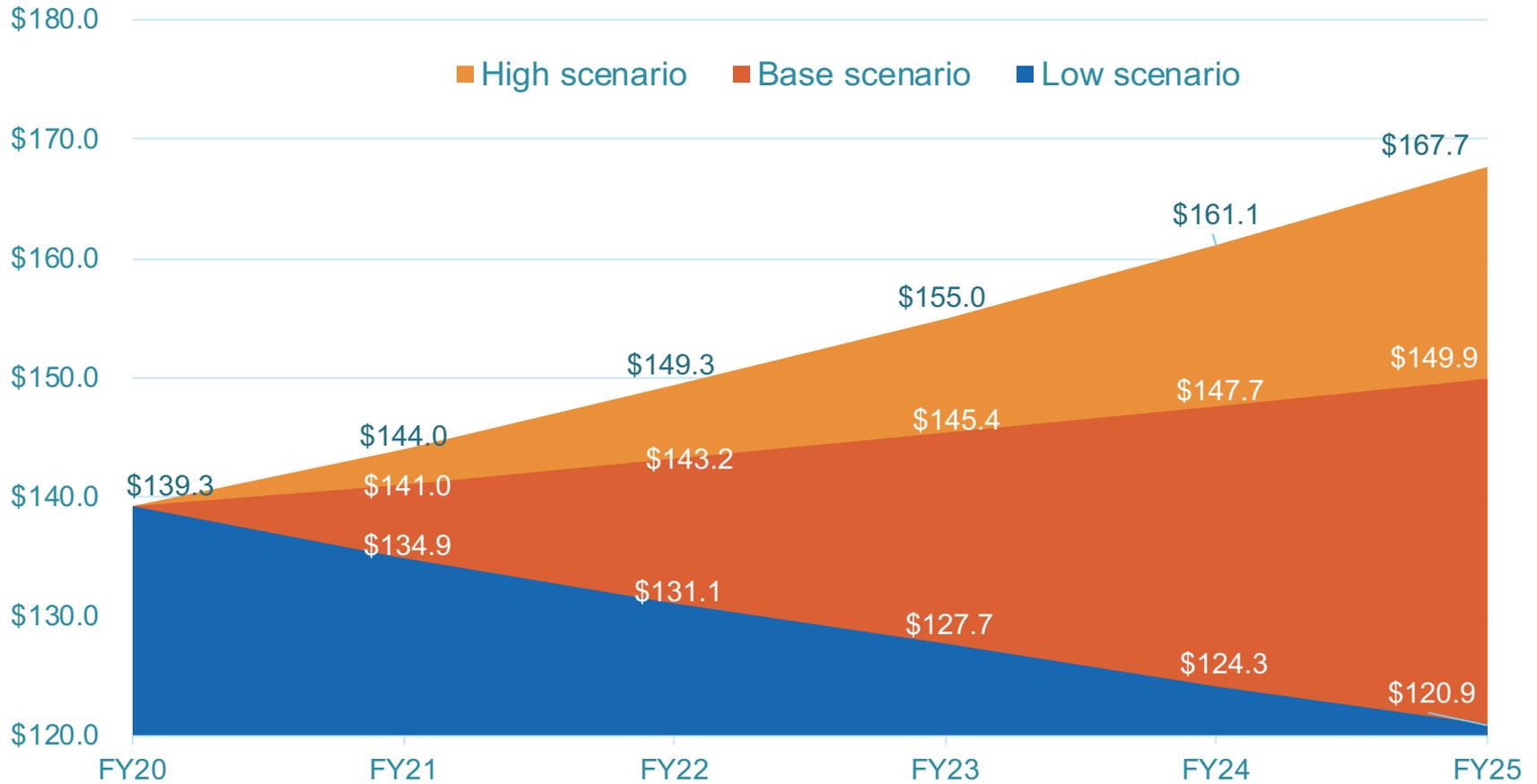
Note: FY14-FY18 based on audited actuals, FY19 Actual and FY20 Estimate based on FY19Q2 actuals, CAGR values cover FY21-F25, In millions, USD; Arithmetic inconsistencies due to decimal rounding.

Growth Rate- Compound Annual Growth Rate (CAGR)

3

5-Year Funding Forecast: Low – Base Case – High Scenarios

- Across the three scenarios generated, FY25 funding is forecast to range between \$120.9M and \$167.7M from the current FY20 projection of \$139.3M.



Note: FY20 base-case forecast, Based on FY19Q2 actuals, In millions, USD- unaudited - Arithmetic inconsistencies due to decimal rounding.

FY21-25 Operating & Financial Plan

Financial Plan

Planning Assumptions

- ICANN organization's activities and projects result directly or indirectly from Bylaws requirements, and from decisions made by the Board based on community-led policies or recommendations
 - At this time, we are not including implementation work from future Board decisions that have yet to be approved
 - The Five-Year Plan will include contingency funding for unplanned work that has yet to be approved
- The Five-year plan will use the base scenario funding projections
- The Five-year plan will include a planned annual contribution to the Reserve Fund
- Headcount is expected to remain relatively stable
- The Five-year plan will be a balanced budget where expenses plus a planned contribution to the reserve fund will not exceed funding

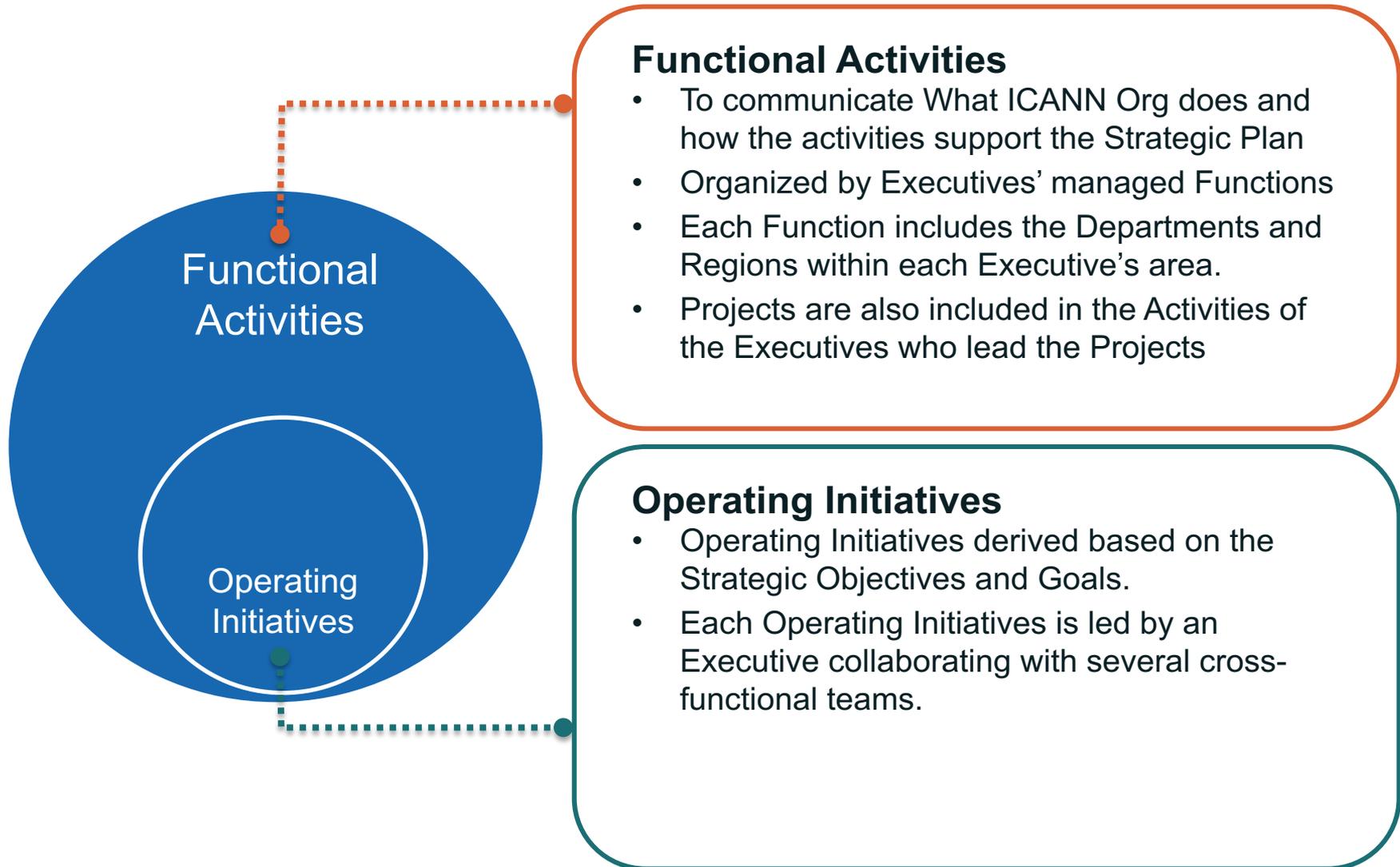
5 Year Financial Plan Projections

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.

- The projections define the maximum amount of operational expenses to be incurred on an annual basis
 - This results in the available funding net of an annual allocation to the Reserve Fund.
 - The Reserve Fund allocation is designed to enable the Reserve Fund balance to reach the minimum target level of 12 months of Operating expenses by the end of the plan period (FY25).

FY21-FY25 Operating and Financial Plan



Strategic Objectives and Operating Initiatives

- **Strengthen the security of the Domain Name System and the DNS Root Server System**
 - Promote Domain Name System Security Extensions and increase its deployment
 - Coordinate security in the DNS ecosystem
- **Improve the effectiveness of ICANN's multistakeholder model of governance**
 - Evolve and strengthen the multistakeholder model to facilitate diverse and inclusive participation in policy-making
 - Evolve and strengthen the ICANN community's decision-making processes to ensure efficient and effective policy making
 - Develop internal and external ethics policies
 - Review and evaluate current meeting strategy
- **Address geopolitical issues impacting ICANN's mission to ensure a single, globally interoperable Internet**
 - Evaluate, align and facilitate improved engagement in the Internet ecosystem
 - Improve engagement and participation with Government, Intergovernmental Organizations
 - Monitor legislation, regulation, norms, principles and initiatives in collaboration with others that may impact the ICANN mission

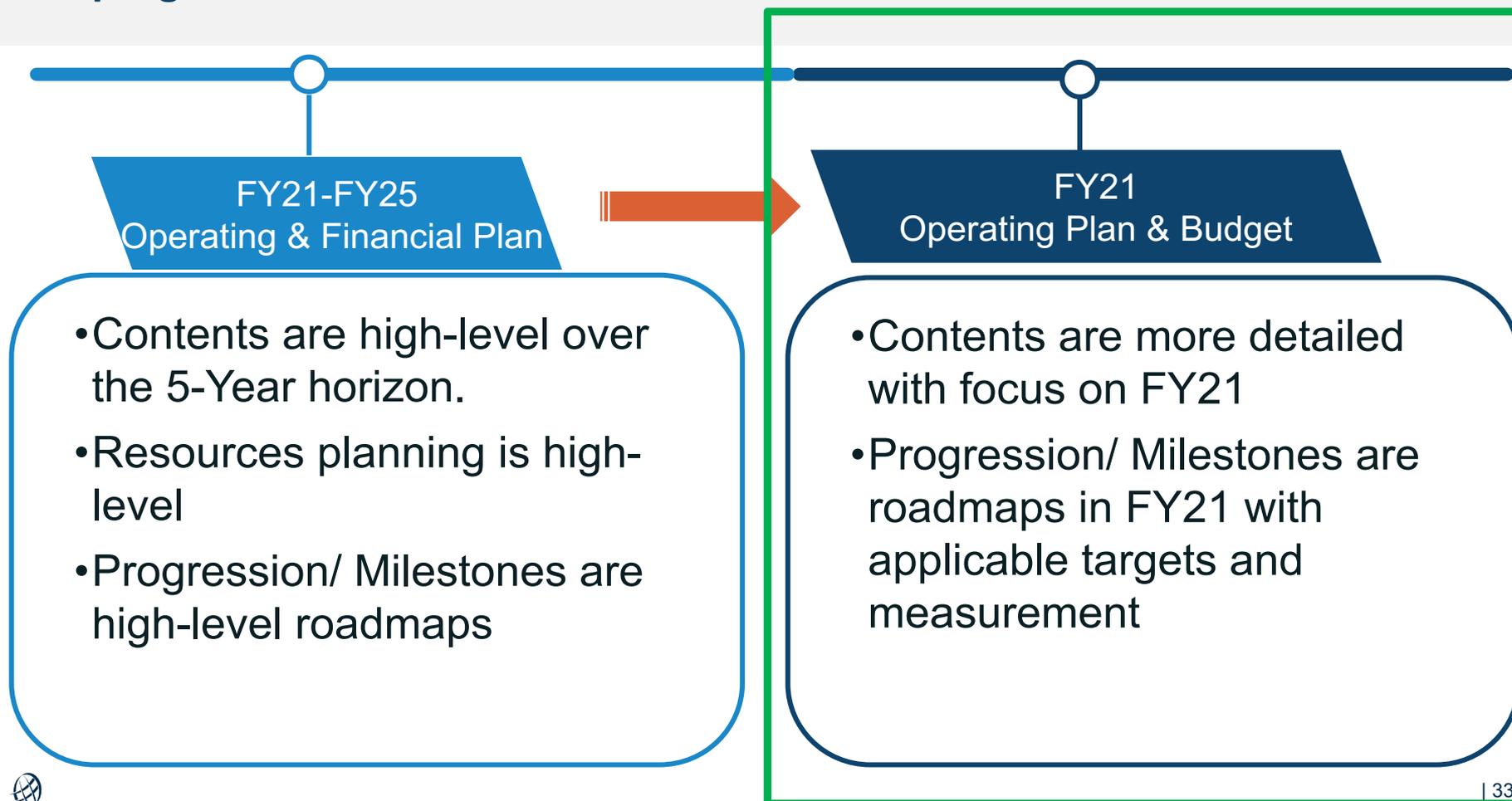
Strategic Objectives and Operating Initiatives (cont)

- **Evolve the unique identifier systems in coordination and collaboration with relevant parties to continue to serve the needs of the global Internet user base**
 - Formalize a framework for further cooperation and coordination among the domain name, Internet numbers, and protocol parameter communities on risks associated with the evolution of the Internet's system of unique identifiers
Coordinate security in the DNS ecosystem
 - Root Zone Management Evolution
 - Promote and sustain a competitive environment in the Domain Name System
- **Ensure ICANN's long-term financial sustainability**
 - Formalize the ICANN org funding model and improve understanding of the long-term drivers of the domain name marketplace
 - Implement New gTLD Auction Proceeds recommendations
 - Planning at ICANN

FY21 Operating Plan and Budget

FY21-FY25 Operating & Financial Plan vs. FY21 Operating Plan & Budget

Both describe the work of the organization – purpose, activities, connection to the Strategic Plan, resources, considerations (risks, dependencies, challenges) and progression/ milestones.



FY21 Operating Plan and Budget Process

- **The annual planning process is stable and follows a similar timeline as last year**
- Annual Timeline
 - The timing of the Public Comment period for the Draft FY21 Operating Plan and Budget publication has been coordinated with the FY21-FY25 Five Year Operating Plan public comment period.
 - The adoption of the FY21 Operating Plan and Budget is similar to FY20 Process
 - Board approval well in advance of the next fiscal year
 - Empowered community process (28 days) before the start of the next fiscal year
- Timing of Approval for SO/AC Additional Budget Requests
 - Current process results in approval at the same time as overall Board approval

Key Changes- Improved Structure and Transparency

- We have improved our reporting and project structure to increase transparency and visibility regarding key information and initiatives
 - Last year we posted 5 documents for the annual budget and 5 year plan update, this year we will post 4 documents
 - In the past, we provided transparency into all activities and projects
 - This year, we have narrowed our focus to reduce complexity and improve the transparency regarding key initiatives and projects

Prior

- ~350 Projects
- Over 60 Portfolios
- 6 Modules

Upcoming Publication (2019 Dec)

- ~40 Projects
- Narratives describing:
 - Function
 - Project
 - Initiatives

Draft FY21 Operating Plan and Budget Documents

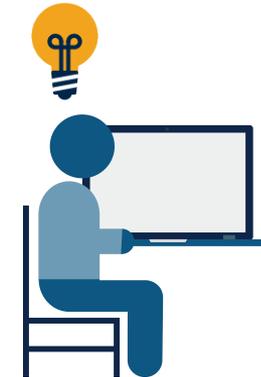
Document Name	Description of Contents
FY21 Operating Plan	A detailed narrative regarding Functions, Initiatives, and projects
FY21 Budget Introduction & Highlights	A high-level overview of the Draft FY21 budget
FY21 Total ICANN Budget	Draft FY21 Budget document includes the detailed FY21 Funding assumptions and detailed Expenses by Function
FY21 Operating Initiatives and Expenses by Function	Detailed breakdown of the budget by Operating Initiatives and Expenses by Function and by Project

FY21-25 O&FP and FY21 OP&B- Progress Update

What	Who	When
✓ FY21-25 O&FP Public Comment Period #1	Community	14 Jun – 5 Aug 2019
✓ Overview of FY21-25 O&FP development and Public Comment #1 materials	Community	Pre-ICANN65 Webinar on 17 June 2019
✓ Review Public Comment #1 inputs and plan development of both FY21-25 O&FP and FY21 OP&B	Board	Board Workshop Sep 2019
Review draft FY21-25 O&FP for Public Comment #2	Board	Post ICANN66
FY21-25 O&FP Public Comment Period #2 FY21 OP&B Public Comment Period	Community	Dec 2019 – Feb 2020
Community Webinar	Community	Mid-January
Review Public Comment inputs/development of both FY21-25 O&FP and FY21 OP&B	Board & Community	ICANN67 Mar 2020
Review for Plan adoption of both plans	Board	Board Workshop May 2020
Empowered Community Period	Community	May – Jun 2020

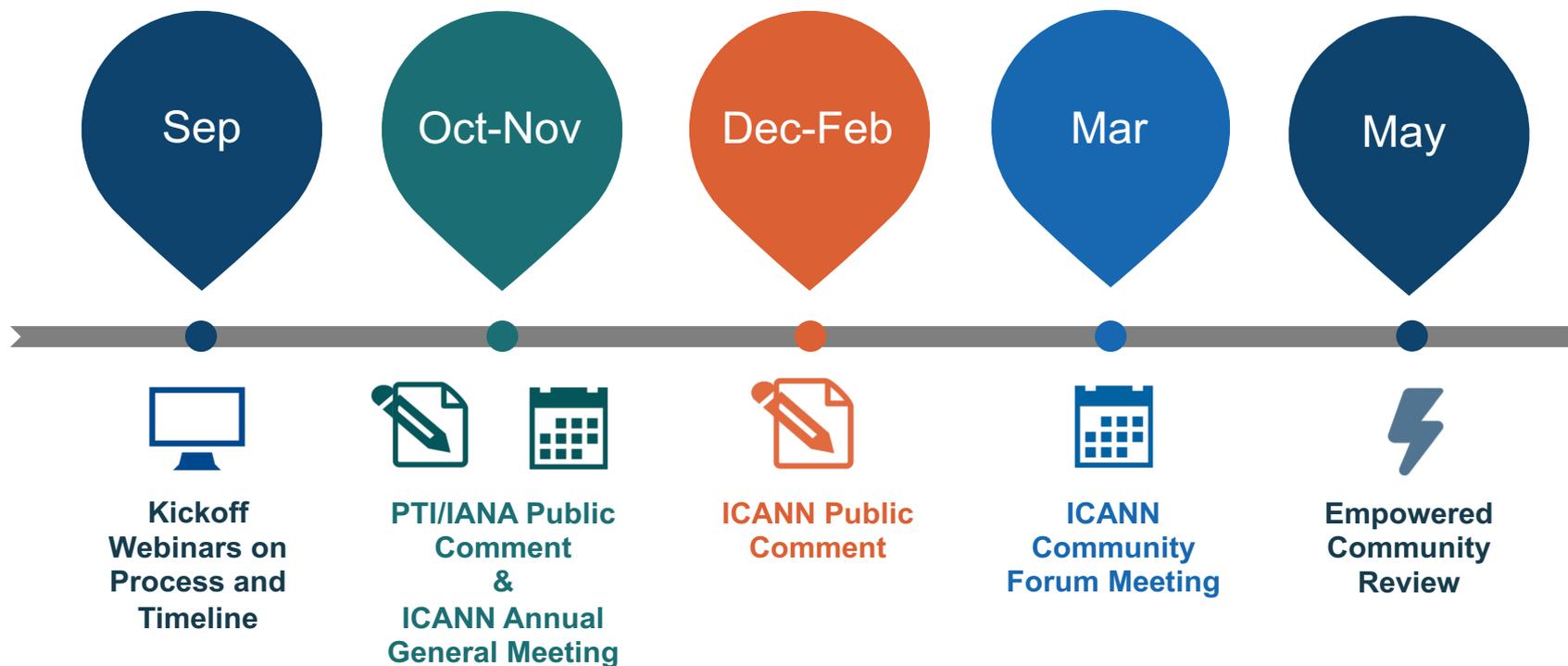
Community Involvement in FY21-25 and FY21 Planning Process

Why Engage on ICANN's Planning and Budgeting?



Our objective is to develop the ICANN FY21-25 O&FP and FY21 OP&B with substantial community input

When can community members participate?



We are seeking your input!

Financial Accountability- Reporting

ICANN org reports results to the community in support of 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 Practices

Link to Financial Documents:

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





Thank You and Questions

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Appendix

FY21 IANA Budget Process Next Steps

Step	Dates	Action By	Status	Note
PTI OP&B DRAFT Submitted to PTI Board	30 Sep 2019	PTI Board	Completed	At Least 9 Months Before Next Fiscal Year (Input to ICANN OP&B Per Bylaws)
ICANN BFC informed of the IANA Budget	10 Oct 2019	ICANN BFC	Completed	The ICANN BFC is informed of the PTI Draft OP& Budget and reviews the IANA Budget prior to posting for public comment
PTI & IANA Public Comment Period	14 Oct – 27 Nov 2019	Community		48 Days including 7 days for ICANN 66
PTI & IANA Staff Report on Public Comment Submitted to PTI Board & ICANN BFC for Review	6 Dec 2019	PTI Board & ICANN BFC informed		
PTI & IANA Staff Report on Public Comment Published	10 Dec 2019	ICANN org		
PTI OP&B Adopted	12 Dec 2019	PTI Board		Before ICANN Public Comment Begins (Input to ICANN OP&B Per Bylaws)
ICANN BFC recommends IANA Budget Approval	16 Dec 2019	ICANN BFC		ICANN BFC recommends to the ICANN Board to approve
ICANN Board Adopts IANA Budget	15 Jan 2020	ICANN Board		

Additional Budget Request: FY21 Key Dates

Community Kick off and
Submission period

11 November 2019- 31 January 2020

SO/AC Consultations
at ICANN 67

7 March 2020-12 March 2020

Notify SO/ACs of Publication

6 May 2020- 12 May 2020

Publication on Website

12 May 2020

How can the Community participate



Attend FY21-25 O&FP & FY21 OP&B Working Group & Related sessions at **ICANN Public Meetings**.
Visit meetings.icann.org



Find and participate in an ICANN community group.
Visit icann.org/community



Subscribe to the community-finance@icann.org email list for regular updates on planning activities.



View current year plans for reference online.
Visit icann.org/planning



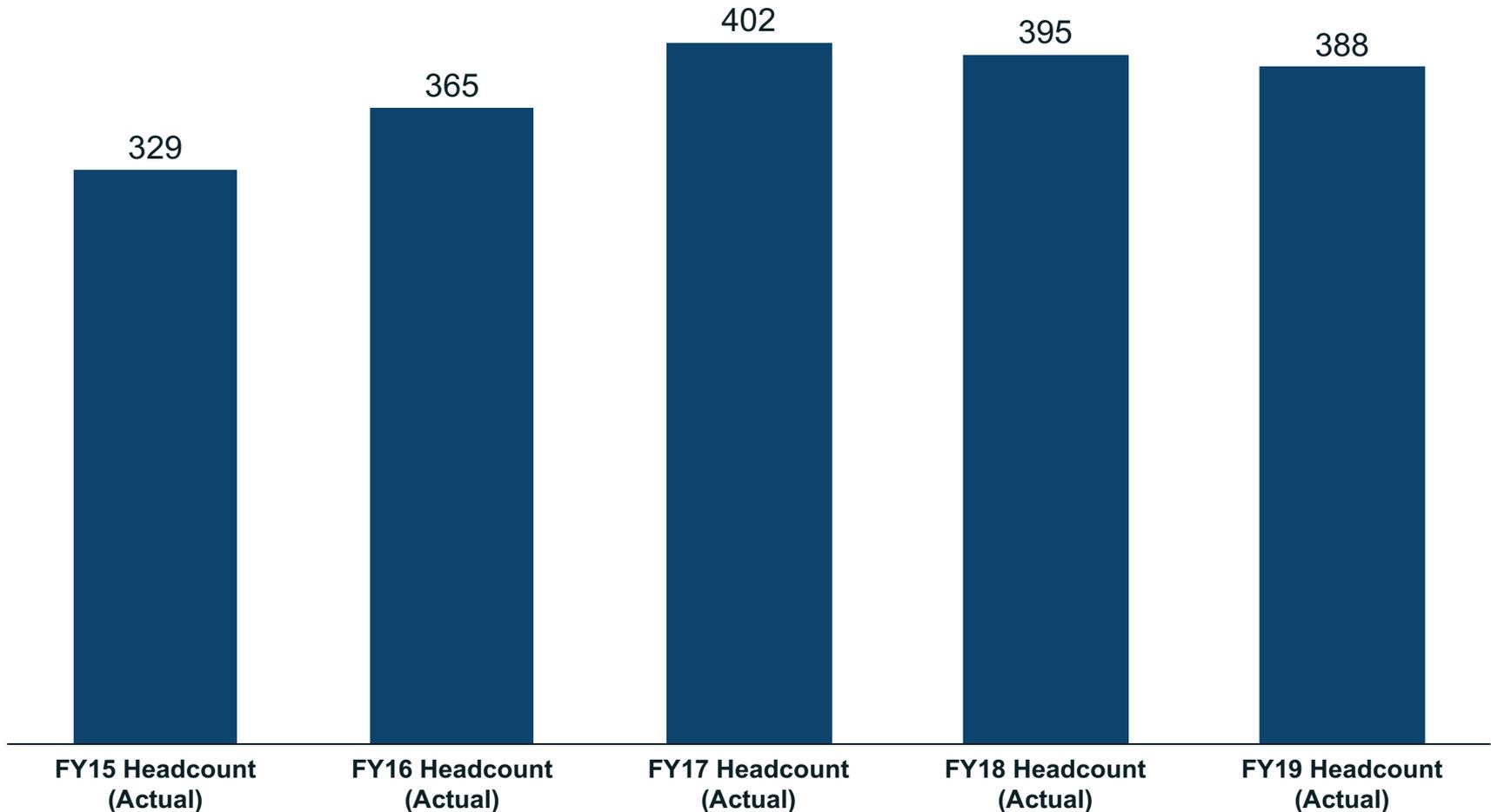
Review plans and budgets available for public comment.
icann.org/public-comments



Work with your group, or submit your own comments, questions & suggested changes via icann.org/public-comments

Headcount Trending (End of Period)

- ICANN headcount has begun to stabilize in alignment with our Funding growth



Reserve Fund Replenishment Strategy

- In alignment with the Board Approved Reserve Fund Replenishment Strategy, the FY21 Budget will include a planned contribution

