ICANN 76
COMMUNITY FORUM
CANCÚN
11-16 March 2023

Planning and Finance Update

Presented by ICANN Org
Planning and Finance Team

28 February 2023

Webinar Information

This session is recorded.

This session is scheduled to last 1.5 hours.

Presentation is published on ICANN76 Prep week web page and ICANN Finance and Planning Community Wiki page.

Q&A will be during and at the end of the presentation.

Agenda

- FY23 Finance Update
  - FY23 Year to Date Financials
  - FY23 Full Year Forecast
- Draft 5-Year (FY24–28) Operating and Financial Plan and 1-Year (FY24) Operating Plan and Budget
- Draft FY24 Plans Public Comment Overview
- FY25 Planning Process
- Q&A

FY23 Finance Update

FY23 Year to Date Financials (Jul 2022 – Jan 2023)

ICANN Cash Flow In Millions, US dollars	ICANN Operations	New gTLD 2012 Round	SubPro	SFICR Projects	Grant Program	Reserve Fund	Total
	For the Seven Months Ending 31 Jan 2023						
Funds Under Management - 30 Jun 2022	**62.8**	**62.3**	**7.3**	**20.0**	**210.3**	**142.9**	**505.6**
Funding Collected from Contracted Parties	92.0	-	-	-	-	-	92.0
Expenses paid to Employees	(45.3)	(0.5)	(3.6)	-	(0.2)	-	(49.5)
Expenses paid to Vendors	(31.7)	(2.7)	(2.1)	-	(0.1)	-	(36.6)
Working Capital	(0.5)	0.3	0.0	-	-	-	(0.2)
Intercompany Receivables/(Payables)	0.2	(0.4)	-	-	0.3	-	(0.0)
Net Cash Excess/(Deficit)	14.7	(3.3)	(5.6)	-	-	-	5.8
ICANN org Transfers (Board Approved)	(19.0)	-	-	-	-	19.0	-
Investment Income/(Declines)	0.4	1.8	-	0.4	3.4	5.4	11.4
Funds Under Management - 31 Jan 2023	**58.9**	**60.7**	**1.7**	**20.4**	**213.6**	**167.3**	**522.7**

Total Average FTEs	**401**	**3**	**16**	**-**	**1**	**-**	**420**

- The information above reflects ICANN's unaudited financials for the seven months beginning 1 July 2022 and ending 31 January 2023
- ICANN Operations financials include one ICANN Public Meeting
- Work on SubPro and the Grant Program is also underway
- The Board approved using the SFCIR as the funding source for prioritized Review Implementation; this work has started and is not yet reflected in the SFICR Projects balance
    - Tracking of the efforts and costs will be reflected in SFICR Projects financials later this fiscal year

FY23 Forecast (7+5): Executive Summary

- ICANN org has concluded seven months in its fiscal year and is forecasting the remaining five months
- Inflation has been analyzed and factored into the forecast resulting in a slightly negative impact to ICANN's funding and expenses
- ICANN's funding is projected to slightly decline this fiscal year followed by gradual increases as the global economy improves
- ICANN faces inflationary pressures in the form of rising costs, but can reprioritize its costs and activities in order to spend within available funding
- Key items included in the forecast:
  - Increased staffing to support new projects and work such as SubPro, Grant Program, and prioritized Review Implementations
  - Travel and Meetings costs, including ICANN 76 and 77, and ICANN Staff All-Hands Meeting
  - Coalition for Digital Africa
- **FY23 forecast projects an operating excess of $4.5M**

ICANN Operations: FY23 Forecast vs FY22 Actual

FY23 Forecast (7+5)			Under / (Over) Forecast vs FY22	
USD in millions	**Full Year Forecast**	**FY22 Actuals**	**$**	**%**
Funding	**$147.7**	**$149.5**	**($1.8)**	**-1%**
ICANN Public Meeting Subtotal	**$13.1**	**$4.7**	**($8.4)**	**-181%**
Personnel	*81.0*	*77.5*	*(3.5)*	*-5%*
Travel & Meetings	*7.4*	*0.8*	*(6.6)*	*-795%*
Professional Services	*21.2*	*25.0*	*3.8*	*15%*
Administrative	*18.2*	*16.4*	*(1.8)*	*-11%*
Capital	*2.3*	*1.0*	*(1.4)*	*-145%*
Operating Expenses	**$143.2**	**$125.4**	**($17.9)**	**-14%**
Operating Excess/(Deficit)	**$4.5**	**$24.2**	**($19.7)**	**N/A**
ICANN Ops Average FTEs	**401**	**389**	**(12)**	**-3%**

- The ICANN Operations FY23 Forecast Funding is $2 million lower than prior year, reflecting recent economic trends
- Expenses are $18 million higher than prior year, driven by the resumption of travel and meetings as well as more staff

Note: cost categories under ICANN Public Meeting Subtotal exclude public meeting expenses

Draft 5-Year (FY24–28) Operating & Financial Plan and 1-Year (FY24) Operating Plan and Budget

Planning Process Overview

Strategic Planning Process

The process of defining ICANN's strategic direction, including its mission, vision, strategic objectives and goals.

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.

Budgeting Process

The process of allocating resources to planned activities, and prioritize activities as needed.

Progress Reporting process

The process of explaining the achievement via a series of mechanisms.

ICANN's Bylaws

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

PTI Strategic Plan → Developed every 4-years with annual update

ICANN Operating Plan → Developed every year for the period of next 5-years

ICANN Budget → Developed every year

IANA Budget → Developed every year

PTI Budget → Developed every year

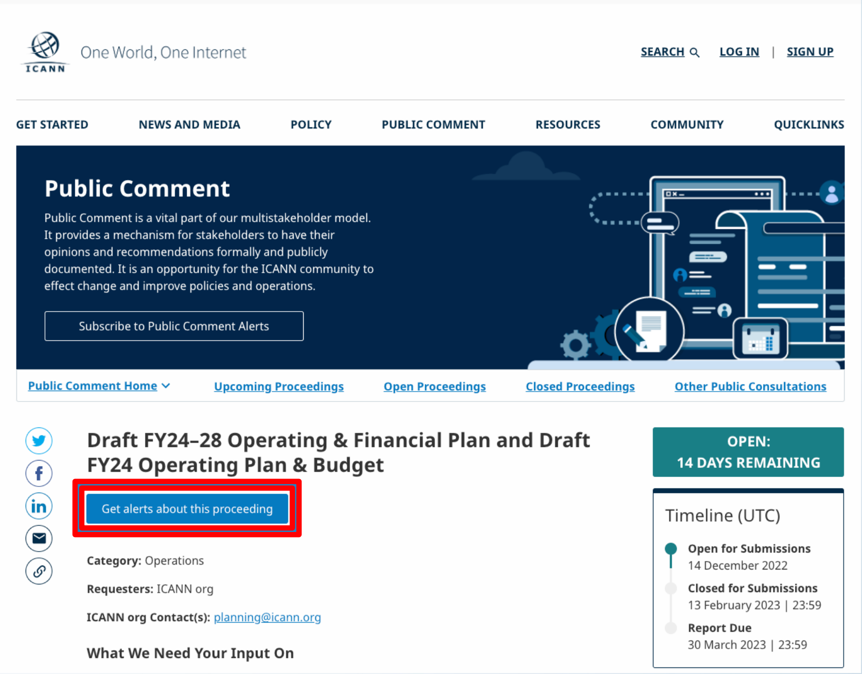
Overview of the Draft FY24 Operating and Financial Plans

Open for Public Comment
14 December 2022

- Highlights Document
- Draft FY24 – 28 Operating and Financial Plan and Draft FY24 Operating Plan
- Draft FY24 Budget

Closed for Public Comment
13 February 2023

Staff Report Due
30 March 2023



Link to Public Comment Page. Click to get alerts about this posting to be informed

Link to informational presentation and webinar 14&15 December 2022

Key FY24 Planning Assumptions

Strategic Plan Remains Unchanged	Based on the Strategic Outlook trends impact assessment, the Board has approved no changes to the FY21–25 Strategic Plan

1. Trend Identification
- Data collected on trends, risks, opportunities, and votes for top priorities
- Data Processing

2. Trend Analysis
- New trends or notable shifts in trends and their impacts for ICANN

3. Trend Impact Assessment
- Strategic and tactical recommendations based on the data collected during trend identification

FY21–25 Strategic Plan Objectives

OBJECTIVE 1

Strengthen the **security** of the Domain Name System and DNS Root Server System

OBJECTIVE 2

Improve the effectiveness of ICANN's multistakeholder model of **governance**

OBJECTIVE 3

Evolve the **unique identifier systems**

OBJECTIVE 4

Address **geopolitical issues** impact ICANN's mission

OBJECTIVE 5

Ensure ICANN's long-term **financial** sustainability

Key FY24 Planning Assumptions

Affordability	ICANN org plans for operating expenses to remain at or lower than budgeted funding drawing from designated and available funding sources ◉ The draft plans are based on “base” scenario operations funding projections ◉ Cost savings and efficiencies are assumed over the 5-year period
ICANN Public Meetings and Engagement	Although there is still some uncertainty, the FY24 plans assume that ICANN public meetings, Board, org and community engagement will resume per the planned schedules
Planning For Board Approved Activities	ICANN begins designing the expected implementation work when recommendations are Board approved and prioritized by the planning prioritization process

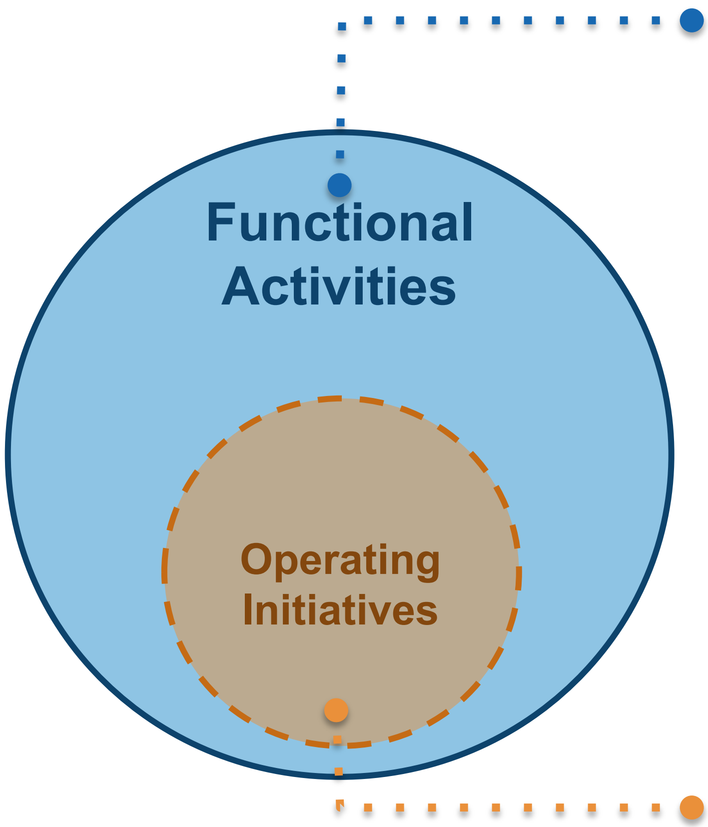
Key FY24 Planning Assumptions

Planning Prioritization	The Community led Planning Prioritization process was implemented for the FY24 Planning Process The Planning Prioritization Group concluded it's work in October 2022. Four Board approved activities were prioritized and are included in the FY24 plans - GNSO PDP Implementation: EPDP Temporary Specification for gTLD Registration Data – Phase 2A - ccNSO PDP Implementation: PDP 3 Retirement - CCWG Recommendation: Grant Program - Specific Review: SSR2 Recommendation 5.4 The FY24 plans also include activities prioritized in FY22 and FY23

Please refer to ICANN Rolling Five-Year Roadmap: Policy, Review and Cross-Community Working Group (Appendix A) of the ICANN FY24-28 Draft Operating Plan and FY24 Draft Operating Plan for the status and estimated timing of policy, review and cross-community working group work

5 Year and 1 Year 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 (33 in 5 Service Groups)

Activities of the Functions to:

- Implement ICANN's mission and mandate, such as *Contractual Compliance* or *IANA*

or

- Operate the organization, such as *Human Resources or Finance*

Operating Initiatives (11)

- The 11 operating initiatives represent major areas of work that support the strategic objectives identified in the strategic plan

ICANN Operations 5-Year Financial Projections

ICANN OPERATIONS *(in Millions USD)*						
5-Year Projections	FY24 Budget	FY25 Projections	FY26 Projections	FY27 Projections	FY28 Projections	5-Year Total
Funding	$145	$146	$148	$149	$153	$741
Expense						
Personnel	$85	$87	$90	$92	$95	$449
Travel and Meetings	$12	$12	$12	$12	$12	$59
Professional Services	$24	$22	$22	$21	$21	$109
Administrative	$18	$18	$17	$16	$16	$85
Capital	$1	$1	$1	$1	$1	$6
Contingency	$5	$6	$6	$7	$7	$31
Total Operating Expenses	$145	$146	$148	$149	$153	$741
Net Operating Excess/(Deficit)	$0	$0	$0	$0	$0	$0
Average FTE	413	413	413	413	413	413

- ICANN Operations Funding projections reflect conservative and achievable funding based on recent trends and the current economic outlook.
- Personnel costs increase throughout the five-year period due to inflationary increases.
- Some costs decrease in the five-year period with the assumption that the org will reprioritize, but Contingency increases to cover costs significantly higher than planned.

Total ICANN FY24 Budget Financial Overview

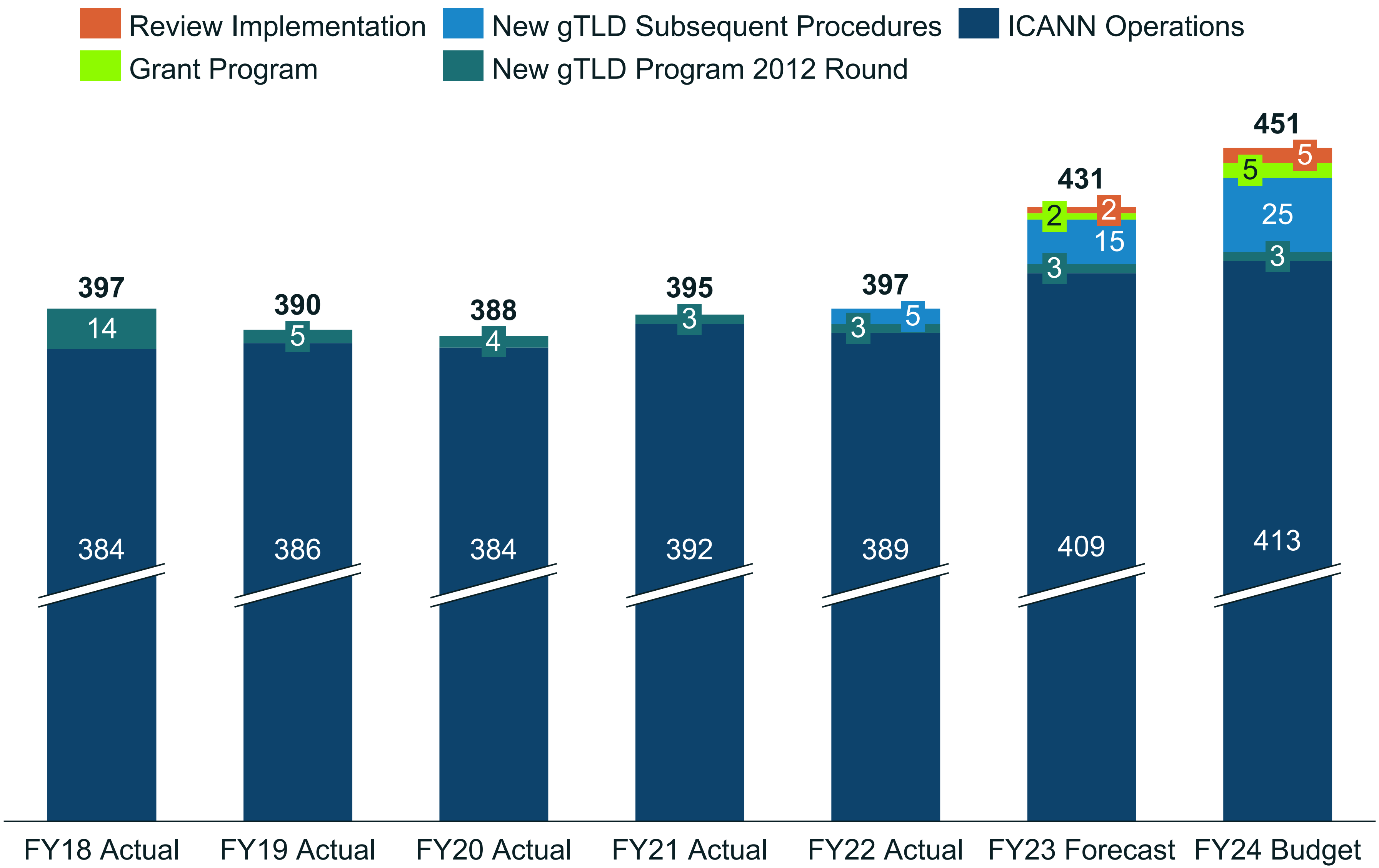
- ICANN org has different funding sources available and can draw on those funds based on the nature of the work

Total ICANN Financials	For the Twelve Months Ending 30 Jun 2024					
In Millions, US dollars	Operating Fund	New gTLD Funds	SFICR	Auction Proceeds	Reserve Fund	Total
Funds Under Management - 30 Jun 2023	**$44**	**$57**	**$18**	**$210**	**$164**	**$493**
Funding	145	-	-	-	-	145
Personnel	(85)	(9)	(2)	(2)	-	(98)
Travel & Meetings	(12)	(1)	(0)	(0)	-	(13)
Professional Services	(29)	(6)	(2)	(2)	-	(38)
Administration	(18)	(1)	(0)	(0)	-	(20)
Capital	(1)	-	-	-	-	(1)
Total Expenses	(145)	(17)	(4)	(4)	-	(171)
Operating Fund Excess Transfers	-	-	-	-	-	-
Grants Distributed	-	-	-	(10)	-	(10)
Investment Income/(Decline)	0	0	0	2	2	5
Funds Under Management - 30 Jun 2024	**$45**	**$40**	**$14**	**$198**	**$165**	**$462**

Total Average FTE	**413**	**28**	**5**	**5**	**-**	**451**

New gTLD Funds includes work on 2012 Round and SubPro Implementation costs
SFICR expenses consist of prioritized Review Implementations; WHOIS Disclosure System not included at this time
Auction Proceeds are utilized for the Grant Program

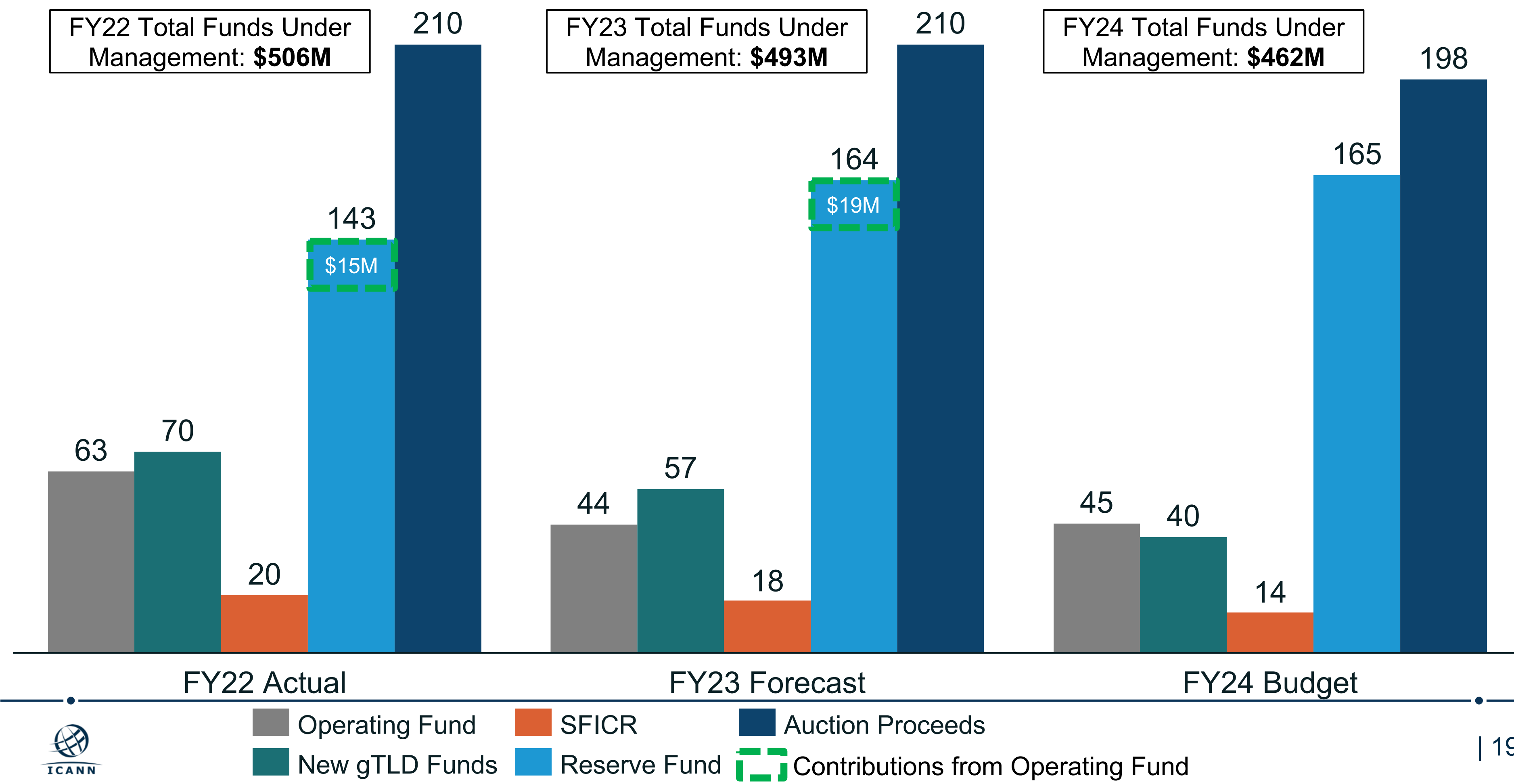
Total ICANN Average Full Time Equivalent Trends



Total ICANN Projected Funds Under Management

- In FY23 (Nov 2022), the Board approved a $19 million transfer to the Reserve Fund from the Operating Fund
- In FY24, $10 million in grant disbursements are projected to be drawn from the Auction Proceeds

$ in Millions; Balance on 30 June of each fiscal year



New gTLD Program 2012 Round Overview

New gTLD Program 2012 Round	Statement of Activities by Fiscal Year: FY12 - FY21 Actual	FY22 Actuals	FY23 Forecast	FY24 Budget	FY25 & Beyond Forecast	Statement of Activities for Full Program (Jun 2022) Current Estimate
New gTLD Application Fees	360	(0)	0	0	1	361
Refunds	(52)	0	(0)	(0)	(0)	(53)
Application Fees (Net of Refunds)	**$ 308**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 308**
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Processes	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(40)	(1)	(2)	(3)	(7)	(53)
Staff Costs	(58)	(2)	(1)	(1)	(1)	(63)
Operating Expenses	$ (188)	$ (3)	$ (3)	$ (4)	$ (8)	$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Contingency	(30)	(3)	(1)	-	-	(33)
Non Operating Expenses	$ (62)	$ (3)	$ (1)	$ -	$ -	$ (66)
Other Income/(Expense)	$ (2)	$ -	$ -	$ -	$ -	$ (2)
Investment Income/(Expense)	$ 11	$ (0)	$ 0	$ -	$ -	$ 11
Total Expenses	**$ (241)**	**$ (6)**	**$ (4)**	**$ (4)**	**$ (8)**	**$ (263)**
Net Remaining New gTLD Funds*	**$ 67**	**$ (6)**	**$ (4)**	**$ (3)**	**$ (8)**	**$ 46**

*Note - in September 2021 the ICANN Board approved the expenditure of up to US$9M of New gTLD Program 2012 Round funds to perform the New gTLD Subsequent Procedures ODP

- Contingency and investment gains are not estimated for future years

SubPro Financials

- In December 2022, ICANN org published its Operation Design Assessment (ODA) report to the ICANN Board for consideration in adopting the Final Report Outputs
- ICANN org is using a general assumption that the Operation Design Phase (ODP) will be followed, after Board approval of the Final Report, by a phase of preparation for the next round of the New gTLD Program
- The funding to pay for SubPro development costs before round launch, including those of the ODP, will come from the New gTLD Program 2012 Round remaining application fees

SubPro Program (USD in millions)	FY22 Actuals	FY23 Forecast	FY24 Budget
ODP	$1.7	$6.3	$0.0
Preparation Phase	$0.0	$3.0	$13.4
Total	**$1.7**	**$9.3**	**$13.4**
FTE Equivalent	5.1	14.8	25.4

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Prioritized Specific Review Recommendations

- In February 2022, ICANN org's Planning team developed a planning prioritization framework to help the ICANN ecosystem prioritize its work within the planning cycle in a manner that is transparent, inclusive, and efficient
- ICANN org has identified 45 Board-approved recommendations that can be implemented in the next year with incremental funding outside of the annual plan and operating budget
- In November 2022, the ICANN Board passed a resolution that approved ICANN org to utilize US$5.8 million from the SFICR to fund one-time efforts to implement prioritized Board-approved review recommendations
- After implementation, all ongoing expenses of the identified recommendations will be part of the ICANN ongoing operations budget

Reviews	FY23 Forecast				FY24 Budget			
Implementation	Personnel		Non-Personnel	Total	Personnel		Non-Personnel	Total
Activity	FTE	$	$	$	FTE	$	$	$
ATRT3	1.8	$0.4	$0.9	$1.2	4.2	$0.9	$0.5	$1.4
CCT	1.8	$0.4	$0.7	$1.1	4.1	$0.9	$0.4	$1.3
SSR2	0.4	$0.1	$0.2	$0.3	1.0	$0.2	$0.1	$0.3
RDS - WHOIS2	0.2	$0.0	$0.0	$0.0	0.4	$0.1	$0.0	$0.1
Grand Total	4.1	$0.9	$1.7	$2.6	9.7	$2.1	$1.0	$3.2

Grant Program Financials

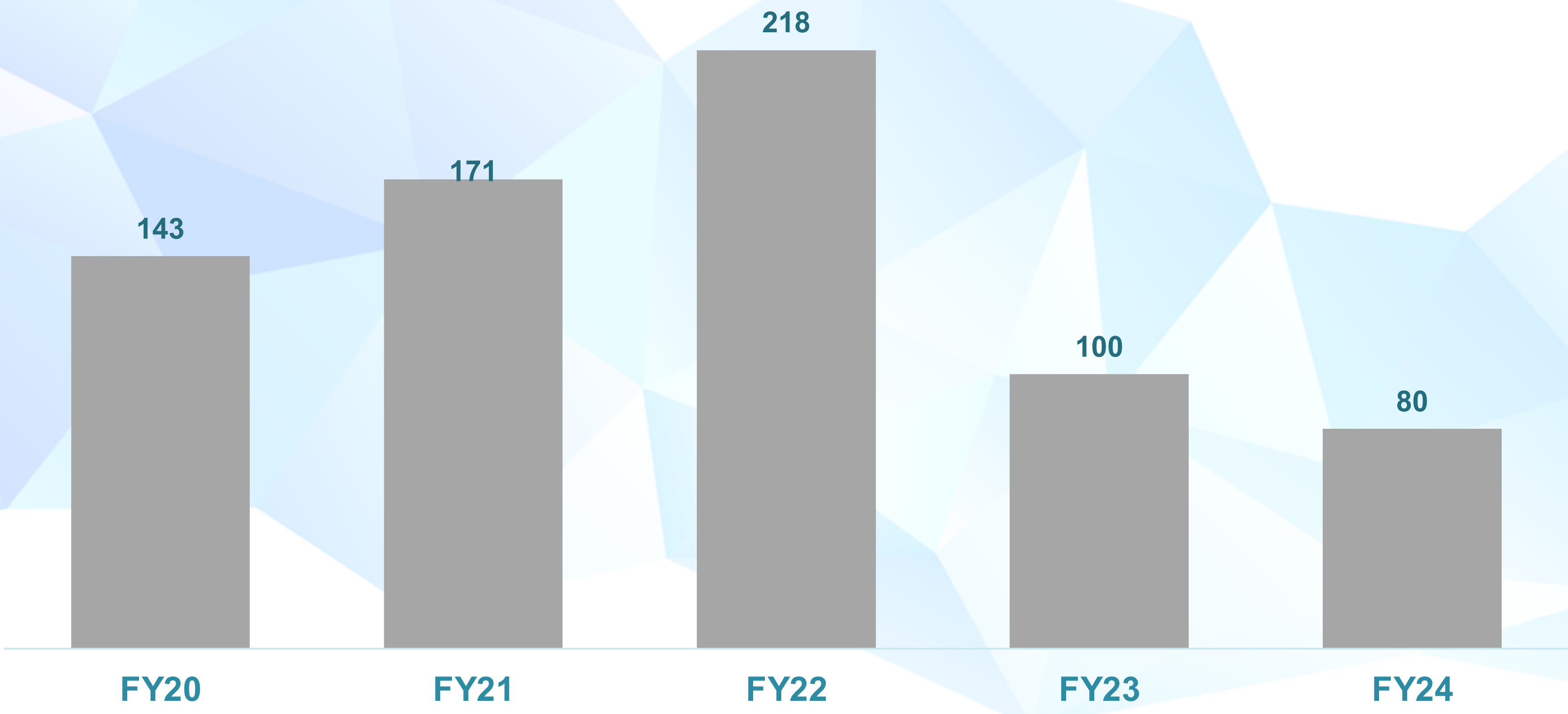
- Applications will be accepted and processed in cycles, the first one distributing up to US$10M
- ICANN org estimates to receive 200 applications and approve 50 grants
- One-time implementation costs include creating the Grant Program department, applicant helpdesk, program website, program literature and documentation
- The recurring program operational costs include ICANN staff, awareness and outreach communication campaigns, and outsourced services for an independent evaluation panel
- The program implementation costs will be incurred primarily in FY23, and the operational costs will be incurred during FY23 and FY24.

Grant Program	One-Time Implementation Costs				Recurring Costs			
	Personnel		Non-Personnel	Total	Personnel		Non-Personnel	Total
Activity	FTE	$	$	$	FTE	$	$	$
Phase 1: Planning and Cycle Set Up	0.4	$0.1	$0.5	$0.6	0.5	$0.2	$0.4	$0.6
Phase 2: Application Window	2.1	$0.5	$0.2	$0.8	1.5	$0.5	$0.2	$0.7
Phase 3: Application Due Diligence, Assessment, and Selection Process	0.2	$0.0	$0.0	$0.0	1.5	$0.4	$1.2	$1.6
Phase 4: Award	0.1	$0.0	$0.0	$0.0	0.5	$0.2	$0.2	$0.4
Phase 5: Post Award	1.1	$0.3	$0.2	$0.4	1.0	$0.5	$0.2	$0.6
Total Expenses	**3.8**	**$1.0**	**$0.9**	**$1.9**	**5.0**	**$1.7**	**$2.1**	**$3.9**
Projected Grant Distribution							$10.0	$10.0
Total Cash Expenditures	**3.8**	**$1.0**	**$0.9**	**$1.9**	**5.0**	**$1.7**	**$12.1**	**$13.9**

Draft FY24 Plans Public Comment Overview

Summary of Number of Comments by Year

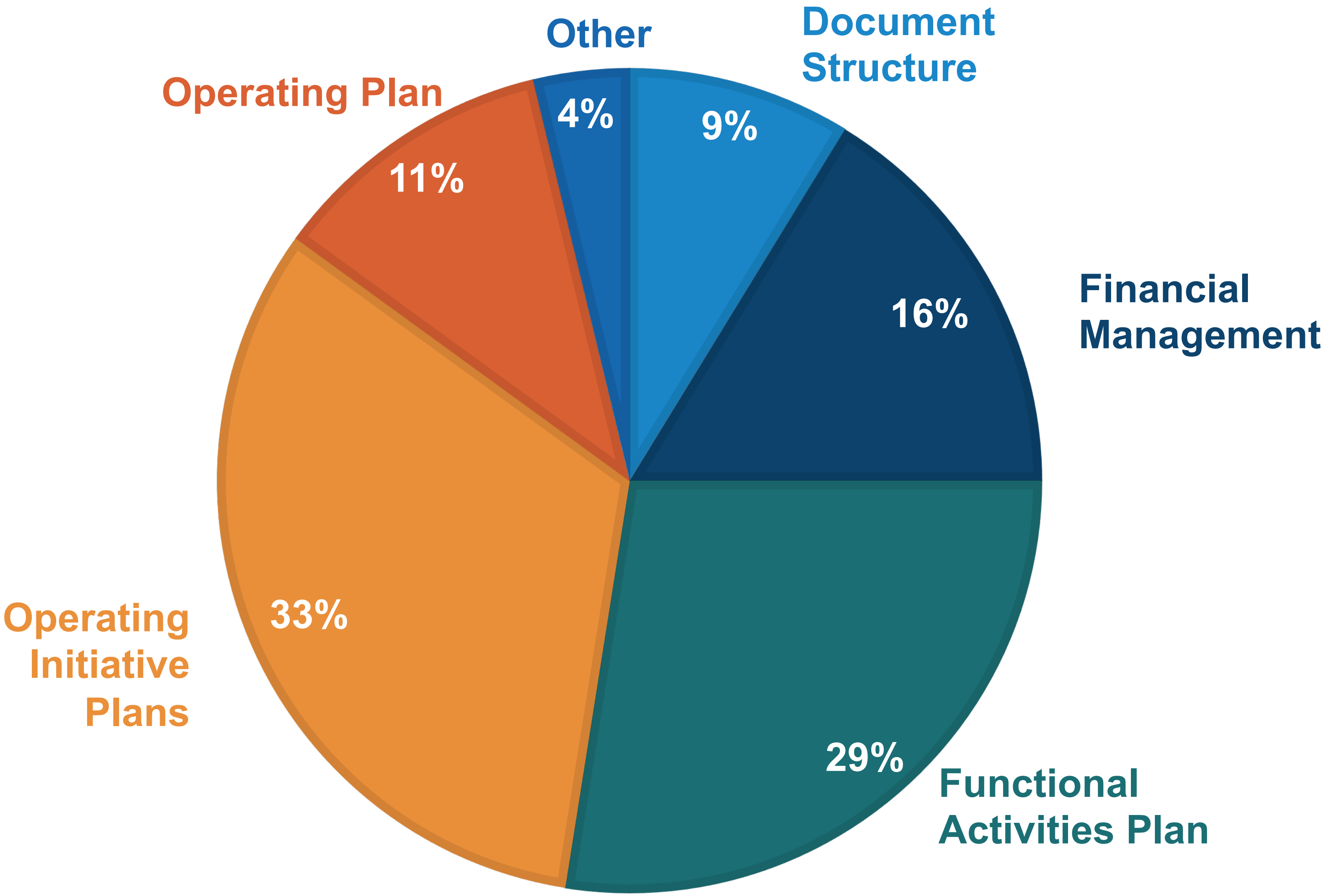
Org received 80 individual comments on the ICANN Draft FY24 Plans



Public Comments: Breakdown by SO/AC

		FY22	FY23	FY24	FY24 vs FY23
No.	Groups Submitting Comments	Number of Comments	Number of Comments	Number of Comments	Higher / (Lower)
1	Article 19	2			
2	At-Large Advisory Committee (ALAC)	19	22	25	3
3	ccNSO Strategic and Operational Planning Committee (SOPC)	57	28	33	5
4	Coordination Center for TLD RU (ccNSO Community)	6			-
5	Generic Names Supporting Organization Council (GNSO)	15	9		-9
6	gTLD Registries Stakeholder Group (RySG)	33	20	12	-8
7	ICANN Business Constituency (BC)*	64	18	4	-14
8	ICANN Governmental Advisory Committee (GAC)	7		5	5
9	Individual	1		1	1
10	Non-Commercial Stakeholders Group (NCSG)	10			-
11	The Registrar Stakeholder Group (RrSG)*	4	3		-3
	Total	**218**	**100**	**80**	**-20**
	# of Groups Submitting by Year	**11**	**6**	**6**	**-**

Public Comments: Breakdown by Theme



Preliminary Statistics

Public Comments: Thematic Breakdown by SO/AC and Theme

Theme	Total Number FY24	At-Large Advisory Committee (ALAC)	ICANN Business Constituency (BC)	ICANN Governmental Advisory Committee (GAC)	Individual	gTLD Registries Stakeholder Group (RySG)	ccNSO Strategic and Operational Planning Committee (SOPC)
Document Structure	7	2		1		3	1
Financial Management	13	5	1	1		3	3
Functional Activities Plans	22	2	1	2		1	16
Operating Initiatives Plan	26	16				4	6
Operating Plan	9		2		1	1	5
Other	3			1			2
Total	**80**	25	4	5	1	12	33

Preliminary Statistics

Timeline for FY24

What	Who	When
✓ FY24 Planning Process Kick Off	Community	08 September 2022
✓ Review Draft FY24-28 O&FP and FY24 OP&B	✓ BFC	✓ 1 December 2022
✓ Draft FY24-28 O&FP and FY24 OP&B Public Comment Proceeding	✓ Community	✓ 14 December 2022- ✓ 13 February 2023
✓ Two Community Webinars	✓ Community	✓ 15 December 2022
✓ Clarifying Questions Submission Date/ Publication Date	✓ Community	✓ 16 January 2023/ ✓ 30 January 2023
✓ BFC recommends IANA Budget Approval	✓ BFC	✓ 31 January 2023
✓ Public Comment ends	✓ Community	✓ 13 February 2023
✓ ICANN Board Adopts IANA Budget	✓ Board	✓ 27 February 2023
Review Public Comment Inputs and Issue Public Comment Summary Report	Org	30 March 2023
BFC Recommends ICANN FY24 Plans Approval	BFC	13 April 2023
Review FY24–28 O&FP and FY24 OP&B for Adoption	Board	April - May 2023
Empowered Community Period	Community	May - June 2023

FY25 Planning Process

Annual Planning Process

- The annual planning process is mandated by ICANN's Bylaws, including the timing and the deliverables.
- Each annual planning cycle takes over 12 months; thus, there are about 5 months overlap between two planning cycles each calendar year.

ICANN Strategic Plan	Developed every 5-years with annual update (as needed)
PTI Strategic Plan	Developed every 4-years with annual update
ICANN Operating Plan	Developed every year for the period of next 5-years
ICANN Budget	Developed every year
IANA Budget	Developed every year
PTI Budget	Developed every year

FY24 Planning Process Status

Jan-Mar 2022

- ✓ Trend Identification

Apr-June 2022

- ✓ Trend Analysis
- ✓ PTI / IANA Plans Development

July-Sept 2022

- ✓ Trend Impact Assessment
- ✓ Planning Prioritization
- ✓ ICANN Plans Development
- ✓ PTI / IANA Plans Published for Public Comment

Oct-Dec 2022

- ✓ ICANN Plans Published for Public Comment

Jan-Mar 2023

- ✓ PTI Plan Board Adoption
- ✓ IANA Plans Board Adoption
- ⌛ IANA Plans Empowered Community Period

Apr-Jun 2023

- ⌛ ICANN Plans updated for Public Comments, Board Adoption, and Empowered Community Period

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FY24 & FY25 Planning Process

	Jan-Mar 2023	Apr-Jun 2023
FY24 Planning	PTI Plan Board Adoption (done) IANA Plans Board Adoption (done) IANA Plans Empowered Community Period (in progress)	ICANN Plans updated from Public Comments, Board Adoption, and Empowered Community Period (in progress)
FY25 Planning	Trend Identification (in progress)	Trend Analysis (in progress) Planning Prioritization (in progress) PTI / IANA Plans Development (in progress)

How to Participate in ICANN's Planning

Subscribe to the [ICANN Public Comment page] to receive notifications of upcoming activities/ proceedings

Visit the Finance and Planning Community Group Workspace [Wiki page]

Send an email to community-finance@icann.org to subscribe to regular updates on planning and finance activities

Questions and Answers

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

- ❖ Type your questions in the chat

For questions or information, email the planning team ▶ **planning@icann.org**