ICANN78 | Prep Week – Planning and Finance Update
Tuesday, October 10, 2023 – 7:30 to 9:00 HAM

KELLY MEDINA: Hello and welcome to the Planning and Finance Update. My name is Kelly Medina and I am the participation manager for this session. Please note that this session is being recorded and is governed by the ICANN expected standards of behavior. During this session, questions or comments submitted in chat will be read out loud if put in the proper form as noted in the chat or if submitted within the Q&A pod. I will read questions and comments out loud on behalf of the remote participants.

We will have Q&A at the end of each section noted in the agenda as well as at the end of the presentation to ensure questions are addressed in a timely manner. If you would like to speak during this session, please raise your hand in Zoom. When called upon, virtual participants will be given permission to unmute in Zoom. For the benefit of other participants, please state your name for the record and speak clearly and at a reasonable pace. Mute your microphone when you are done speaking. Virtual participants may access interpretation via the Zoom toolbar. All are welcome to use the chat. Please note that private chats are only possible among panelists in the Zoom webinar format. Any message sent by a panelist or standard attendee to another standard attendee will also be seen by the session's host and co-host and other panelists. With that, let's start the presentation.

Next slide, please. As a reminder, this presentation is also published on our prep week page.

For today's agenda, we will review the FY23 Financial Update, ICANN's Planning Process, FY25 Planning Update, the FY26-30 Strategic Plan Development, and ICANN's Environmental Sustainability Strategy. We will end the session with a Q&A. Next slide, please.

The Planning and Finance team consists of eight members currently. In Planning, we have Becky Nash, Victoria Yang, Margaret Benavides, and myself. In Finance, today we have Shani Quidwai, Alex Morshed, Ted Gonzalez, and Daniel Stephens. Unless there is any questions, I will now pass the microphone to Alex, who will review the FY23 Financial Update.

ALEX MORHSED: So I will just go over the Financial Update, mostly surrounding the fiscal year 2023. Next slide, please. Before I get started on that, I just wanted to go over this slide. So in support of our commitment for accountability and transparency, ICANN Org reports information and results to the community. The list below provides several examples, the first of which on this list, the quarterly financial reporting. This is like management-style reporting that's unaudited, and we publish it quarterly on our website. And the rest of the items on this list are published annually, such as the audited financial statements, our Form 990 tax return, and our operating plan and budget. These documents are available at the link below. So I will just go over on the next couple slides, some of our results from fiscal year '23. So this fiscal year, as a reminder, we start on the 1st of June and go to the 30th of -- I'm sorry, the 1st of July. So for 2023, 1st of July of 2022, and go to the 30th of June 2023. This table shows our financial results by what we call segments. So these segments are individual business units or operating units of ICANN Org, shown in vertical columns. And the table shows our funds under management at the beginning of the year, activity that occurred within the year, and then our funds under management at the end of the fiscal year.

So at a high level, our funds under management increased $12 million since the beginning of the fiscal year. And that was due to investment income and excess generated in ICANN operations, which was partially offset by operating expenses that occurred in the other segments. Next slide, please.

So here, this is a kind of a more visual view of the beginning and ending balances of funds under management for the different segments. In the operating funds, as noted on the previous slide, there was a transfer of $19 million to the reserve fund. So that's where a big portion of that $12 million total excess went. And you can also see we had some positive investment income as noted on the auction proceeds, as well as in the reserve fund itself. Next slide, please.

So now going into the ICANN operations segment, our funding was $150 million. This was $2 million less than budget, but still within 1%, and essentially flat to last year. Our expenses were $142 million, which was $10 million less than budget. And it was increased versus last year, primarily due to the resumption of travel, but still lower than budget due to lower than planned professional services and personnel costs.

Looking at our funding trends, as I noted, our funding for FY23 was aligned with last year and still very close to budget. And going to the next slide for our expense trends, we were higher than FY22 in the past few years, which were impacted by the COVID-19 pandemic. So as we resumed travel, that came in essentially aligned to budget, but we did have some expenses come in lower than budget, as I mentioned, due to professional services and personnel costs lower than planned.

So now switching gears to the 2012 round of the new gTLD program. These are the FY23 expenses, which rounding up totaled $6 million. This is made up of staff costs, which are direct staff costs and allocations from ICANN Org overhead, contingency costs, which are mainly unforeseen legal and litigation costs related to the 2012 round applications. And lastly, program administrative costs, such as a trademark clearinghouse and registry system testing. Next slide, please.

So this will show the multi-year forecast for the 2012 round with a couple of the prior years in columns as well. And so noting in FY23, we had operating expenses of about $3 million, non-operating expenses, essentially those contingency or legal costs, those added up to $5.6 million. And these were partially offset by investment income of $2.3 million, which gets us about $3 million in terms of total expenses or the net funds remaining for this year.

Okay. And now switching gears to the next round. So the funding approvals. So we started with the ODP and prep work, where $9 million was approved by the board in September of 2021. And these expenses were incurred January 2022 through March of 2023. And from there, it was decided that the program funding would be approved in tranches. So for a tranche one, another $9 million was approved at ICANN 76 in March 2023. And these expenses or this funding is expected to last until

October of 2023, taking us to the Hamburg meeting, ICANN 78, where the board will be presented with another estimate of expenses, which should last from November of 2023 through June of 2024. So the end of fiscal year 24. Next slide, please.

So now to go over the program expenses to date. So starting from January of 2022 through June of 2023. The ODP phase, as I mentioned, that was $9 million that lasted through March of 2023. And you can see we had about 20 FTEs or full-time equivalents supporting that effort. And then the implementation phase, which started April 2023. Through June of 2023, we've spent $4 million during that time period. And you can see the FTE effort also is a little bit higher. So this will, like I said, continue through October 2023 to where we're seeking approval for the tranche number two. And now I'll pass it over to Becky to go over the planning process. Thank you.

BECKY NASH: Thank you very much, Alex. This is Becky Nash from ICANN Org planning. And I'm going to cover the planning process. So ICANN's planning process is comprised of four key phases. The first phase is the strategic planning process, which encompasses the steps needed to develop the five-year strategic plan, as well as the annual update to the Strategic Outlook Trends Program. And this ensures that the strategic direction remains per the strategic goals and objectives set forth in the strategic plan.

Phase two is the operating planning process, where we determine the key tactical activities and initiatives to support the achievement of the targeted outcomes of the strategic plan and helps ICANN fulfill its mission and operate the organization.

The third phase is the budgeting phase, where all of the analysis for allocating resources for the planned activities takes place. And this is outlined both in the five-year financial plan and the one-year budget.

The fourth phase is measuring and reporting progress and the achievements against these plans and ensuring that we are achieving our strategic plan and the mission of ICANN. So next slide, please.

Here we have an overview of the planning-related bylaw requirements. We're just highlighting that the strategic plans are mandated for a five-year strategic plan and with an annual update as needed. We also include the PTI, the affiliate of ICANN, and there is a five-year strategic plan along with an annual update as needed. The bylaws require a five-year operating and financial plan for the period of the next five years. And then we move into the operating plan and budget for one year, which encompasses both ICANN and the IANA operating plan and budget and the PTI operating plan and budget. This is a summary of all of the planning-related documents that we have outlined for our bylaws.

Now that we've covered the planning process overall, we'd like to highlight that we are currently operating under the adopted strategic plan for FY21 through 25. Earlier in this presentation, Alex provided an update on FY23, which is the previous year. We are currently in FY, or fiscal year, 24, and we are also planning for the next fiscal year, which is FY25. This adopted strategic plan can be found on ICANN's website, and we have some resource links for it, but this is the current strategic plan with the objectives and goals that we are marching towards right now. So next slide, please.

Now I just would like to highlight that we do have all of the adopted planning documents for the operating plan and budget for FY24 through 28, and they are available on our website with the links that are posted here. So this is where we can look up what the current planned activities are for this fiscal year, FY24, and for the next five years. And with that, I'm going to pass it to my colleague, Margaret, and she's going to cover the FY25 planning process.

MARGARET BENAVIDES: Thanks so much, Becky. For the record, this is Margaret Benavides from the ICANN Org planning team, and we appreciate your participation in this session. I will now walk everyone through the ICANN planning process, which begins at the start of the calendar year. For FY25, that was January 2023.

So for the FY25 planning process, we began with the strategic outlook trends identification sessions that we held in the springtime with the community, board and Org. In April through June, the Org planning team analyzed the trends collected by those trend sessions and helped facilitate the community-led planning prioritization process, which is now a step in the annual planning process to help receive input prior to the development of the FY25 draft plans, which will be published in December. The scope of those activities is board-approved implementation work.

For July through September, under the guidance of the board's strategic planning committee, ICANN Org assessed the identified trends by significance of impact or materiality and immediacy, short, medium, or long-term impact to formulate a recommendation to the board on potential changes, if any, to the current ICANN strategic plan. The board will make this decision in Hamburg, and following its decision, the FY25 strategic outlook trends report and impact assessment will be published. Org is also working on the development of the draft operating plans and budgets for both ICANN and IANA and the PTI plans. These plans, which we published in mid-December, will also go in coincide with the community webinar to review these plans. We will then move into the public comment response period and then prepare for the proposed for adoption steps of the five- and one-year plans, which is expected by the spring in May of 2024. If the board adopts these plans, we will then move into the empowered community period, and the plans will go into effect for the next fiscal year in July 1 of 2024.

As mentioned, we held 12 sessions in the spring with 207 participants and collected over 1,000 data points, and we do appreciate and thank all who joined us in this important discussion on ICANN's planning and strategy. We then completed the qualitative and quantitative analysis of these trends and evaluated and made sure that our recommendations to the [SPCs], who then will make a recommendation to the board on if any changes to the strategic plan are necessary.

We will now move into the draft operating plans. For FY25's five- and one-year plan, the operating plan includes descriptions of the activities that Org will undertake to achieve its plan and operate the organization's mission and mandate. The plan is broken into two components, the operating initiatives, which help represent the majority of areas that support the strategic plan through the strategic objectives identified in the five-year strategic plan, as well as functional activities. There are 34 functional activities in five service groups. These activities include activities that help with implementing our mission and mandate, such as IANA or contractual compliance, as well as activities that help with operating the organization, such as HR or finance.

You can see a list of the 34 functional activities that are broken out here. They are in the five service groups, technical and DNS security, policy development and implementation support, community engagement and services, ICANN Org governance, and ICANN Org shared services.

For this year's draft plans for the five- and one-year plans, we have planning assumptions. The first assumption is that the strategic plan will remain unchanged. As noted, the trends impact assessment is underway, and we are assuming that there will be no changes to the strategic objectives set forth in the strategic plan. The second assumption is the affordability and balanced budget assumption, which basically says that the plans are based on base scenario operations funding projections, and that we will remain at or lower than budgeted funding and draw from designated and available funding sources. The third assumption is about ICANN public meetings and assumes that we will meet according to the public meeting schedule.

The last assumption is that we will only make plans based on Board-approved activities.

We also have an assumption on the planning prioritization group work. These were the two board approved activities that were prioritized in the FY 25 community planning process. Specific review recommendation 5.3 and specific review recommendation 7.5. Additionally, the new gTLD program next round, as well as registration data request service or RDRS will also be, and they will be included into the draft plans. Additionally, any multi-year projects that were previously prioritized will also be included in the FY 25 plans.

As mentioned, the public comment proceeding will open in mid-December and run through mid-February. This year, as Becky previously noted, due to the bylaws amendments, we will have two public comments. The first public comment will be for ICANN and IANA draft plans. The second public comment will have the draft PTI operating plan and budget. We will also hold a corresponding community webinar on the 12th and the 13th of December to review these draft plans, including the overview, the assumptions, draft highlights, and draft priorities, as well as draft funding projections.

This reviews the key dates for the FY 25 planning process. So as mentioned, we will be having the public comment proceeding open in mid-December, December 12th. We will be holding two community webinars on the draft plans simultaneously. We will have the public comment proceeding open until mid-February and will be publishing a summary report in late March, then review the plans for adoption in the spring and publishing the plans is scheduled for May 1, with the empowered community going into effect afterwards. With that being said, I'll send the microphone to Victoria. Thank you very much.

VICTORIA YANG: Thank you. Thank you very much, Margaret. My name is Victoria. I'm part of the ICANN planning team here located in Los Angeles. And next, I'm going to provide you an update about fiscal year 26 to 30 strategic plan development process. All right. So as Becky shared earlier, one of the slides outlined the planning-related deliverables mandated by our bylaw, one of which is a five-year strategic plan. The current strategic plan we have in place is for fiscal year 21 to 25, which ends by June 30, 2025. As a result, starting 1st of July, 2025, we should have adopted a five-year strategic plan, cover the period for fiscal year 26 to 30. So I'm going to walk you through the planning approach we have set in place and the process, the timeline, etc., about this upcoming strategic plan development. And so far, we have the plan to deliver the next strategic plan no later than March 2025.

According to ICANN's bylaw, the board is responsible to develop strategy for ICANN. And within the board, there is a committee called the Board Strategic Planning Committee. They are dedicated by the ICANN board to act on behalf of the ICANN board who initiated and will lead through the strategic planning process. And ICANN organization, particularly the planning team, is working very closely with the SPC on this deliverable.

The planning process for the next strategic plan development emphasize on active participation from ICANN community, board and the organization. Just like many other processes within ICANN, community play a crucial role in shaping ICANN's direction. So we look forward to having everyone's participation in this coming process.

On these slides, what we want to highlight is, again, as Becky shared in the previous slides, there are many deliverables related to planning in our bylaw. So by 1st of July 2025, the five-year strategic plan is just one of the deliverables. Beside that, we have the five-year operating and financial plan. We also have to deliver a one-year ICANN operating plan and budget, IANA operating plan and budget for fiscal year '26. And just to complete the picture, there is also a PTI bylaw requirement to have a PTI one-year strategic plan and a PTI one-year operating plan and budget. So we are really talking about six deliverables by the beginning of fiscal year '26. It is very important for us to start working on the ICANN strategic plan and the five-year operating plan because these two plans will serve as the foundation for the development of the other deliverables. And that's why it's very important that we start this work now. Let's move to the next slide.

So these slides outline the approach of how we are going to do this. As you can see, we have four major phases. Start with the strategic planning environmental scan. So what is environmental scan? Strategic planning environmental scan is usually the initial first step where all participants will have the opportunity to reflect on where we are now and what our environment could be in 5 to 10 years. And when I say our environment, I don't just mean our ecological environment, which could be part of it. But then there are other environment factors that are very important for us. For example, our political environment, economic environment, our sociological environment, etc. And for ICANN, very importantly, our technological environment. So what could these environment factors evolve in the next 5 to 10 years and how that could impact ICANN? So this understanding and this input is very important and we need everyone's feedback so that we can develop that comprehensive picture.

Another aspect of environmental scan is the internal reflecting upon ourselves. When I say ourselves, I mean the ICANN ecosystem, including the board, the community and ICANN the organization. What is our current strengths and what is our weakness? So essentially after the environmental scan, we are basically trying to develop a SWOT matrix together. So the board can be informed later on to formulate strategy.

So I hope by now some of you are already excited thinking about, "How can I participate? This is really interesting and exciting. I would like to be part of this." For those of you who are already thinking like this and asking these type of questions, I like you already. So stay tuned. We have a slide later on talking about opportunities and how you can participate. If we can go back to the previous slides, I just want to briefly touch on the other phases. Thank you so much, Margaret.

So with the environmental scan, which the output as I mentioned is going to be a SWOT matrix so that the board can be informed to use this information and formulate strategy. That brings us to strategy formulation. During this phase, the board will review the mission, vision, value and our core competence of ICANN and from there develop and brainstorm strategies. The community will have opportunities to weigh in and provide feedback on the draft strategy so the board can continue to discuss and refine as we progress through this process.

Once we have the strategy, we move to tactic formulation. This is where the organization and the community will come together and develop that roadmap on deliverables and metrics. How we are going to measure over five years so that we can ensure that we have this roadmap developed so that we can achieve the strategy that is set in place.

And with that, we finally move to action planning. The outcome of action planning will have a combination of input to the five-year operating plan as well as some of the input to the one-year operating plan and budget. So this is the high level four phases that we will go through together and we want to emphasize again here that along the process, there will be plenty of opportunities to ensure that community is part of this because we do want to make sure that the strategic plan that we develop reflect our shared vision and goal in mind. Let's move to the next slide and have a view of what the timeline looks like. Thank you.

So we are here in October 2023 and we should, by our bylaw requirement, we should have a new strategic plan basically by 1st of July 2025. So some of you may think, well, that's a long way ahead and why are we starting this now? And believe me, we hear these questions several times. And if we look at this detailed timeline here, we don't really have the luxury of time. So you can see the process laid out on the first column on your left. So we actually start this planning effort earlier this year and now we are in October. We already kicked off. A webinar happened in September. We in fact already had an environmental scan session with the community. So the plan, if you look at the third row here, we plan to have the community environmental scan session with the board, organization and the community by the end of November. And simultaneously we are processing the input we are receiving as well. The idea is starting January, we are hoping to provide enough input for the board to start formulating strategies and followed by tactic formulation between March to May. We are targeting to have a draft strategic plan and the draft five-year operating plan by May and June timeline. Then this draft plan will be posted for public comment throughout the summer and we will have plenty of opportunities there to engage with the community and hear your feedback as well.

So after the public comment, we will be looking at everyone's input. Where necessary, we might revise and update the draft strategic and operating plan. And by January 2025, we are targeting to have the board review the proposed for adoption plan and consider its adoption. And both plans are obligated to go through an empowered community period and that leads us to March 2025.

So the reason that we laid out this timeline this way is to also provide enough time for the other deliverables. And that's why you see that in these slides in the last three rows, we did add a little bit more context just for your understanding of the timeline. As I mentioned, we do have a PTI five-year strategic plan in place that we need to develop and also three annual operating plan and budget, which are the ICANN, IANA and PTI annual operating plan and budget. That's why it's very important for us to get started with the ICANN five year strategic plan and five year operating plan so that we have the foundation to develop the other deliverables. All right, now let's move on to the next slides.

And this is the time where you can take action. So as I mentioned that we have plenty of sessions scheduled for board, Org and community to participate in the environmental scan to help us identify strengths, weakness, opportunity and threats for ICANN. So we already had a session last week, actually, with some of the community members. We have two more opportunities coming up, one of which is at ICANN 78 on October 24, Tuesday. So I just want to emphasize here, although the session length here displayed as three and a half hour, I just want to make sure that don't feel constrained to not join the session because of the session length. The session will be breaked out by a half an hour break. And also the session is designed to welcome participants at any time during this three and a half hour. You can join us either at the beginning of the session to hear a brief introduction or whenever your schedule permit, you can drop by and participate. We will have plenty of volunteer and staff support on the ground to explain to you how to participate. It's essentially going to be similar to a gallery walk. So you'll come in and review all the factors that we are thinking input on and then you can participate however you feel comfortable. So please stay tuned. We will have announcement and newsletter publication, outlines the details of how you can participate. So I really look forward to seeing everyone there. And for those who are not attending ICANN 78 in person, please take note that the session also has a remote participation opportunity. We will have staff supporting all the remote participants.

And after ICANN 78, we do have another session scheduled on November 16. Registration is already open. So it's a similar concept. Please if you are interested and you can participate joining ICANN 78, please take the opportunity to join the session on November 16. If you have any questions about the session or about opportunity of how to participate in this process, please feel free to email planning@icann.org. The team is here to support you and we do encourage everyone to take this opportunity and help shape ICANN's strategic plan for the next five years.

I only have one more slide to go and this is more like a resources slide. I just want to highlight that we have several communications in the past and including webinars which are recorded on our Wiki page. My team here can just share a link on Wiki. So if you are really interested to follow the progress and interested to know the updates, I highly recommend you to watch the Wiki page. So there's an icon on the Wiki page. If you click on that, basically you are subscribed to follow any activities that is on the page. Otherwise, we do have a mailing list as well. We usually send out a blog or announcement from our mailing list. There's instruction here for you to subscribe. And finally, if you have any questions, feel free to email us and we are here to support you. Thank you, and I really look forward to everyone's participation. I'm going to pass the floor to Becky to talk about the next agenda. Thank you.

BECKY NASH: Thank you very much, Victoria, for that update. And again, this is Becky Nash from the ICANN Org planning team. We are now just going to provide a very short update on a key project called ICANN's

Environmental Sustainability. So if we could go to the next slide, please. We would like to highlight that as part of the FY24 CEO goals for ICANN, which were recently published, there is a goal outlining ICANN's Environmental Sustainability Strategy project. So the objective of the goal is to initiate the creation of ICANN's Environmental Sustainability Strategy. And the rationale is that as ICANN's mission concerns the global internet and the public's interest, a commitment to environmental, social and governance sustainability is in the public's interest.

So in FY24, it is the Org planning team that will be working within the organization to initiate the development of a comprehensive approach for implementing an environmental sustainability strategy for ICANN. This project will include a significant amount of engagement with stakeholders, including Org SMEs, the executive team, the CEO, and board members and the community. So we will be seeking input on the proposed plan. In collaboration with stakeholders, we will also be sharing the phases of the development of a framework and future plans as well to highlight ICANN's Environmental Sustainability Strategy. So please continue to follow our work in that area. And we will be providing updates along the path, but we just wanted to highlight that this project is underway.

So at this time, we have moved into the question and answer period. And I will turn it over to Kelly. Thank you.

KELLY MEDINA: Thank you, Becky. As a reminder, we will be taking questions and answers from the Q&A pod as well as the chat. If you wish to speak, you may also raise your hand. I don't see any questions. We must be really clear at our presentation then. All right. Thank you, everyone, for joining the session. If there are no further questions, we will be adjourning the session. Thank you all for your participation and for joining us today. Again, feel free to reach out to us at planning@icann.org if you have any further questions.

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