ICANN79 | Prep Week – FY25 Finance and Planning Update
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KELLY MEDINA: Hello and welcome to the FY25 Finance and Planning Update. My name is Kelly Medina, and I am the remote 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 only be read out loud in the proper form. As I've noted, we will be reading questions and comments out loud during the time set by the chair or moderator of this session.

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Today's session is scheduled to last 1.5 hours, and our agenda will be covering the draft FY25 budget, the draft 5-year operating plan and overview of public comments received, the FY26-30 strategic plan, the FY26 annual planning process tentative timeline, and we will also be leaving room for questions and answers at the end of the session. With that, we will go ahead and get started with our draft FY25 budget, and speaking will be Alex. Alex, go ahead.

ALEX MORSHED: Thank you, Kelly. So on the next few slides, I'll walk you through a background of ICANN's funding and expenses and how that relates to the FY25 budget. So starting with funding, ICANN develops multiple funding scenarios as part of the budgeting process. The budget is built using the base scenario, as that is believed to be the most likely, and this scenario projects little growth in funding, given that, one, funding projections don't include changes to the fees that ICANN charges contracted parties, and two, that volumes are projected to grow modestly.

As shown in the bars, the past five years represented by the light blue bars have had an average growth of 1% per year, and the next five years, shown in the dark blue bars, are expected to have similar growth. And just to note that these funding projections do not include any impact from the next round of the new gTLD program. Next slide, please.

In recent and projected years, ICANN's funding growth is well below the rate of inflation. This chart shows how ICANN's funding growth compares to the United States Consumer Price Index, or USCPI, which is indicative of inflation. Most of ICANN's expenses are in US dollars, so using the USCPI is an appropriate benchmark to use for assessing the impact of inflation to ICANN. The gap between the inflation growth and ICANN's funding growth is indicated by the area with the red arrows.

And then on the next slide, we'll dive into the expenses. So ICANN continuously develops process improvements to manage costs and resources. These efficiencies have enabled ICANN to execute on an increased workload while maintaining flat headcounts until a few years ago. So given the first section, the first three bars, or the bars in general start with FY17. So the first three bars from FY17 to FY19 are the period after the USG transition. During this time, ICANN implemented several projects and initiatives such as establishing the PTI, the Workstream 1 implementation, GDPR compliance, and [inaudible] ITI costs, which is Information Transparency Initiative. During this time, ICANN had flat costs and headcount and was able to take on additional work by implementing process improvements.

From FY20 to FY22, these years were impacted by the COVID-19 pandemic. During this time, ICANN had lower travel and project activity. And at the same time, ICANN developed more improvements to facilitate virtual work and meetings. During this time, ICANN had lower costs and flat headcount.

From FY23 to the period of the FY25 budget, ICANN has resumed travel. And at the same time, the new gTLD program next round costs have ramped up in addition to other projects. So staff has increased for the next round and for other new projects. And at the same time, inflation has impacted ICANN, as shown on the previous slide. And during this time, ICANN is dealing with higher costs and higher headcount.

So on the next slide, we will look into ICANN's plans for efficiencies. So given the situation I outlined on the previous slides, ICANN has taken steps to develop efficiencies and minimize costs. This has enabled ICANN to execute on an increased workload and headcount and absorb inflationary increases despite a lack of funding growth. For reference, the cost efficiencies and lack of travel during the pandemic led to an excess that enabled ICANN to add $45 million to the reserve fund and $40 million to the supplemental fund for implementation of community recommendations, also known as the SFICR.

Developing efficiencies and process improvements that lead to lower costs will continue to be a focus as the funding is projected to continue to remain flat while costs and the workload of ICANN increases. The executive team is prioritizing this and meeting regularly to identify efficiencies. ICANN needs to identify $5 million in cost-saving efficiencies to balance the FY25 budget.

And now we'll dive into the actual numbers in the FY25 budget. So this table is an overview of the FY25 budget for total ICANN and all its segment components, which are shown in the columns of the table. For example, the new gTLD program column reflects work on the 2012 round and the next round, and the SFICR projects currently consist of the implementation for prioritized specific review recommendations.

This table starts with funds under management and the estimated beginning balance of each segment's fund as of the end of FY24. Then we see expected funding and expenses for each segment in FY25. Under the expenses, we see the projected transfers and distributions. In FY25, we assume an $18 million transfer will be made from the SFICR to the next round, and this will require board approval, but it is a likely assumption given the next round's published implementation plan. We're also expecting to distribute up to $10 million in grants in FY25. And ICANN is now investing most of its funds under management. So you'll see that in the investment income line, where we have estimated a conservative return on each fund. Following these activities, we end up with the funds under management at the end of FY25 with the FTEs or full-time equivalents at the bottom of the table shown supporting each segment.

And on the next slide, we'll take a focused look at the FY25 budget for ICANN operations compared to the FY24 forecast. The FY24 forecast reflects four months of actual data and eight months of projections. The FY24 forecast projects funding of $148 million, and this is expected to remain flat in FY25. The FY25 budget expenses are also flat to FY24 forecast expenses, with inflationary increases in personnel offset by efficiencies in travel and meetings and professional services.

In both fiscal years, cost-saving efficiencies will need to be identified to achieve the necessary work and given the projected funding levels. If there are no questions, I will hand it over to Kirsten to go over some more specifics on the FY25 budget. There is a question. Anne, please go ahead.

ANNE AIKMAN-SCALESE: Hello and thank you. I have a question about the projected funds under management slide in relation to the reserve fund. Previous slide. Looking at the reserve fund investment in reserve fund 1.7 million. Could you say more about how that fund is invested? And it's looking like a less than 1% or 1% return?

ALEX MORSHED: Sure. I think Xavier has his hand to answer that. Go ahead, Xavier.

XAVIER CALVEZ: Thank you. I'll answer your second question first. It looks small, I think is what you're saying in terms of return. You can imagine we're talking about a year ahead, right? So we're not projecting what the stock market is going to do. And I'll come back to how the reserve fund is invested. So we are always, and that's what Alex was explaining, using an extremely small amount of return so that we project some return. But anytime we project investment returns going in the future, we are extremely conservative, not even trying to be accurate. So we used here 1% just so that there is a number, even though we do hope that this number will be much higher, but the markets could go down 10% or up 10%. We don't know and are not trying to project that. So just to be clear, this is purely for modeling purposes to have a number here. We use a very conservative number, percentage of return, which is about 1%, just for the sake of ensuring that people see that those funds are invested. But at the same time, we have no clue what these returns will be a year and a half away from now.

The funds, the reserve fund is invested in a manner that is generally conservative. It is invested in the stock markets for a third of it and in the bond markets for two thirds of it. And so the bond market is much more predictable. It's an interest rate of return, generally speaking. And of course, it fluctuates a little bit with the market because we want those funds to have the ability to follow the growth, the long-term growth of the market, because over the longer term, financial markets grow and the reserve fund has a very long term oriented investment strategy because it is not meant to be used, whether in the short term or in the long term, it's not meant to be used. It's meant to be a reserve. So of course, it would be used in case of emergency and predictable large expenses, but it is not designed to be used and therefore it is invested in the very long term. But again, we are not trying to be accurate in determining what potential investment returns these funds invested could generate in the future. It will depend on the stock markets. It will depend on interest rates. It will depend on the world's future, which we don't know, of course. So that's the general approach we take to investments and the display of investments in these schedules. I hope it helps your understanding.

ANNE AIKMAN-SCALESE: Yeah, thanks. Just a quick follow up, Xavier. Appreciate it. One, are the grant program funds invested in the same manner as the river reserve funds? And is there a board committee which approves or directs the investment of these funds?

XAVIER CALVEZ: So it's not exactly. So there's two different investment policies, one that applies to the reserve fund and the operating fund, and another investment policy that applies to the grant program and the new gTLD program, basically to the funds that came out of the new gTLD program of 2012. Those two policies are different because the reserve fund, as I said, is meant to be a very long-term type of investment, different type of strategy. The new gTLD program generated funds, whether they are the unspent application fees of the program or the auction proceeds that were generated, were meant to be used for a purpose with a shorter time frame of a few years. And therefore, there's a different investment policy applicable to those funds that have a different purpose. Those two policies are available on our website. They were published as soon as they were approved by the board.

The committee that has oversight over investments is the board finance committee. And to summarize and address your question, the board finance committee reviews the investments, the investment performance, and is the one recommending to the board the adoption of the investment policies, which are then applied by the organization. And we use external firms to manage those investments according to the policies. I'll leave it at that and let you ask any follow up questions if you have any.

ANNE AIKMAN-SCALESE: No, thank you very much.

ALEX MORSHED: There are a couple of follow up questions in the chat. Jeffrey Neuman's questions about auction proceeds. Those are actually the funds under management shown under the grant program. And those are invested, as Xavier said, similarly to the 2012 round application fees, how those are invested. And then there's also more of a comment by Jonathan Robinson that "30% stock market, 60% bond market doesn't sound that conservative to me. It seems to have a reasonable amount of risk to high in it to me." And he's referring to the reserve fund investment policy.

KELLY MEDINA: Thank you, everyone. Thank you for your questions. If we are okay moving forward, we'll go ahead and jump to slide 11, Kirsten's section.

KRISTEN CROWNHART: Okay, thank you, Kelly. Here we'll go over the IANA fiscal 25 budget. So for PTI, the budget is approximately 400,000 higher than the fiscal year 24 PTI budget. That is primarily because there are additional staff as well as standard of living increases, incremental administration for rent and facility costs, an increase in capital expenses as ICANN Org prepares for the next key signing rollover. And all of these costs are partially offset by some lower professional services costs for third party contractors, less support from them.

The IANA support activities component is relatively flat. And you know, that's just due to consistent support requirements. Just to reiterate, the IANA support activities include the root zone maintainer function, customer standing committee, root zone evolution committee and the IANA naming function reviews. We can move to the next slide.

Okay, now for the new gTLD program next round. Back in July, the board approved a resolution that acknowledged the receipt of the 70 million next round implementation plan. And they directed ICANN Org to provide the board with periodic updates on its progress and implementation. The program continues to do so. We also present to the board finance committee on a regular basis. On October 26, the ICANN board approved another resolution for additional 13 million in funding to support implementation efforts through June of 2024. And the next request for the fiscal year 25 amount will be at ICANN 80 in June. Funding for the new gTLD program next round before launch is coming both from the 2012 round of new gTLDs as well as from the SFICR fund.

You will see that fiscal year 25 does have an increase in costs to the key development items such as the development of application systems and testing requirements as well as incremental staffing. In fiscal year 25, key deliverables will be the opening of both the registry service provider evaluation application program, the applicant support program. Those will both open at the end of this calendar year. And the guidebook and handbook for the applicant support program is actually open for public comment right now. So that's going on. Next slide, please.

The prioritized reviews for specific recommendations. So back in February of 2022, ICANN Org's planning team developed a planning prioritization framework to help the ICANN ecosystem prioritize its work within the planning cycle and make it more transparent and inclusive. So then from that in November of 2022, the ICANN board passed a resolution that approved ICANN to utilize 5.8 million from the SFICR fund for these one-time prioritized implementations of reviews.

So far, we've had some great progress and we continue to manage community input on some of these recommendations. So we do foresee this extending into fiscal year 25. It's assumed to be used throughout fiscal year 25 for the implementation. And then once these recommendations are ongoing, it will be part of the ICANN operations annual plan and budget. Next slide, please.

So for the grant program, the first cycle is planned to open at the end of March and we are planning to grant a distribution up to 10 million U.S. dollars. We are anticipating to receive around 200 applications and grant approximately 50 of those applications. Up until now, we've had one-time implementation costs, which include creating the overall grant program department, as well as producing program literature, documentation developing everything that goes into the grant program. Then moving forward, it'll be recurring program costs to run grant cycles, which include ICANN staff, awareness, continued outreach and communications, and some outsourced services.

So the implementation ran over fiscal year 23 and fiscal year 24. And then for this first cycle that we're opening in March, we expect it to run for about two years from the time of application, grants and oversight. Over the life cycle of the grant program, costs to operate the program will be maintained at 7 to 10% of the anticipated grant distributions. Costs to launch the program and operate it are regularly benchmarked against global grant programs. So that ends this section of the presentation. You can see if there's questions or hand it off to planning. Thank you.

KELLY MEDINA: Hi, Kirsten. We actually have a question in the Q&A pod from Anne regarding the new gTLD program costs. The program is planned to run on a cost recovery basis. Can you say more about the projected application fee of $240,000 to $260,000 and how that was determined?

KIRSTEN CROWNHART: Yes. So we are currently reviewing everything. And especially we have a whole project set aside to review the application fee. At this time, in the sense of how did we get there, it's cost recovery. So we had our initial estimates of what it would take to develop the program and then the four years or so of actually processing the applications. And all of those initial estimates went into what was shown as an application fee at the time of the ODA. So now as we've had some more time and we're doing a lot more due diligence on the details of everything that it takes to run this program, we're revisiting all of our inputs and reviewing what those fees are and hope to have something to present the IRT in a month or two. But I see Xavier, your hand's up, please.

XAVIER CALVEZ: Yeah. Apologies for the confusion. This is for the preparation work that we are doing, as Kirsten was explaining, we need to be able to model our financials that are in development. And therefore, we need to use placeholders for many different parts of the next round that's currently being developed and designed. And there's a lot of things in flux. A lot of you know, for example, that the board is currently reviewing a number of recommendations from the SubPro team and the draft policy that's been submitted to the board. There's a number of implementation matters that are being also the subject of discussions with the IRT and that are completely open. So all of that work is going on in parallel. We cannot wait until the complete end of the work to start trying to model financials. So we're using placeholders. This is one, there's other costs, for example, that are the subject of placeholder amounts that we use for the purpose of modeling as the work of design progresses. And we will come back to the community with public information about the fees once they will have been determined, which is not the case at the moment. So this, the information that Kirsten shared is a placeholder that we're using for modeling purposes. And we on purpose used something that is basically the 2012 fee with inflation factors into them. But that's not what the fee will be. We will share that information once it will be ready for review and input. And it will have been, of course, the subject of discussion also with the IRT in time in the next few weeks and months. Thank you.

KELLY MEDINA: Thank you, Xavier. First, I will just note that there is a question in the Q&A pod regarding the ICANN's next strategic plan. So for Michael, so we will actually hold on to that question later in the section. We'll come back to that one when we speak more about the strategic plan. And I also see that Jeffrey has his hand raised. Jeffrey, if you want to go ahead and unmute and ask your question.

JEFFREY NEUMAN: Sure. Thank you. Yeah, I guess, Xavier, as part of that for the next round too, I'm assuming the proposal will have a delineation between the RSP evaluation program and the actual application since hopefully there will be some cost savings on the actual application for strings versus having to do an application 300 times if you have the same backend provider or whatnot. And as the IRT is discussing different levels of review for applicants or sorry, registry service providers that are existing ones versus new ones, things like that. And then the last part is because those funds, I think, may be collected in fiscal year 25, according to those dates, I would hope that the RSP program is during that time period. Can you confirm that as well? And finally, what about applicant support? There've been discussions of putting money aside and from where for applicant support, which again, I think may start in fiscal year 25. Thanks.

XAVIER CALVEZ: So, yes, and all of that, to your point, Jeff, will be addressed as part of the overall conversation on fees, as you indicated. And for those who don't know necessarily, Jeff mentioned the registry service provider program, which is a qualification type of program for registry service providers and qualifying a number of registry service providers that will request that qualification will help not require each applicant and each string to do the same type of registry capability testing and evaluation and therefore help reduce the overall cost of the program, as well as the fee for the applicants. So, that's what Jeff was mentioning. Yes, that will be part of the conversation. Then applicant support as well, to your point, and any other aspects that will factor into the application fees as we are working on them and as we are designing them. There are other questions that we're wondering about the fees themselves so that we can also address them when we come back to it. So, yes, to your question and your point, Jeff, in time, we'll provide that visibility and the opportunity for community input on that.

KELLY MEDINA: Thank you, Xavier. If there are no further questions, we are going to get started on the draft five-year operating plan and overview of the comments. Paul, if you want to go ahead when you're ready.

PAUL GUEVARRA: Thank you, Kelly. So, I'm Paul Guevarra from the planning team and I will be running through the draft five-year FY25 to 29 operating plan and provide a quick preliminary look at the overview of the public comment we've received so far. So this slide just gives us a quick overview of ICANN's overall planning process.

The first step in ICANN's strategic planning process is creation of the strategic plan where we define the organization's mission, its strategic objectives and strategic goals. So this strategic plan, we are currently in the final year of the FY21 to 25 plan and we are currently working on the next iteration of financial year 26 to 30, which we will discuss a little bit later in this session.

Part of this process includes carrying out an annual strategic outlook trend session with the board, org and community to determine if there are any significant impacts to the current strategic objectives set out in the strategic plan and if an update is necessary to the strategic plan.

The second step is the annual operating process. These plans provide information on projects called operating initiatives, which help us to achieve the strategic plan. Now our draft plans also include and discuss functional activities that discuss what each function within ICANN does, how it plans to achieve both its functional goals and elements of the strategic plan.

Once we have planned for these activities, we then move on to the budgeting process, which was previously discussed. This involves allocating resources to those activities that are outlined in the operating plan. And then the final step is the progress reporting process, where we explain the achievement of any strategic goals or operating initiatives through various mechanisms, including the CEO report, which is published three times a year, as well as the organization annual report, which highlights key achievements every year. Next slide, please.

This slide just gives us some more detail of the draft plans timeline. So the public comment period is now closed and we are currently working through all of the public comments that we've received on record. So the summary report is due for ICANN to be published on the 2nd of April 2024 and for PTI it will be the 11th of March 2024. We will post in the chat below links to both the ICANN public comment and PTI public comment page for you to get informed of the process. And please feel free to register using that blue box highlighted in the red rectangle, which will provide alerts and stay informed on the process and when reports get updated. Next slide, please.

So this slide, I will just discuss some highlights of the FY25 operating plan, some key notes. So the FY25 as noted is the last year of ICANN's adopted FY21-25 strategic plan. In FY24, we actually achieved two operating initiatives in the plan and they were improve the depth of understanding of the domain name market drivers that impact ICANN's funding as well as ICANN reserves. Now, despite these operating initiatives now being considered complete, several activities within these operating initiatives will continue as ongoing functional activities.

In the FY25 plans for both the one year and the five year plans, we have also added a new section, the new gTLD program next round. Also wanted to note that several of the operating initiatives in FY25 plans incorporate the multi-year projects outlined in the FY24 interim CEO goals list. We can provide a link to the CEO goals in the chat below. And then we had also an operating initiative change, which was reorganized to support the evolution and strength of the root zone management and the root zone service system to reflect that the root zone service system being used to support the root zone management. I'll pause here for any questions or comments.

KELLY MEDINA: I don't see any questions in the chat. If you want to go ahead and proceed, Paul.

PAUL GUEVARRA: Sure. Thank you, Kelly. Could we go to the next slide, please? Thank you. So the next few slides, I want to give a preliminary analysis we've done on the public comments we've received so far. So for FY25, we've received 161 individual comments for both ICANN and IANA. So this year, we have included IANA as a part of ICANN public comment and PTI had its own separate public comment proceeding. So this slide gives a short overview of the trend that we've seen related to prior years. And we want to thank all of the community members for attending this session and also to those community members that have provided public comments as formal submissions. We're very pleased with the amount of comments that we've received. And we are currently in the process of creating responses and working with our subject matter experts within the ICANN Organization to respond to these comments. We've also received 20 PTI public comments that we are also working through. Next slide, please.

So here we have an overview of total comments that were submitted and received by groups. As you can see from the table of FY25, we received a total of 161 comments, which was 81 comments higher than FY24. The main driver of this is the increase in individual comments that were submitted or comments submitted by individuals, which increased significantly from FY24. We have also included for reference the total amount of comments for FY23. Next slide, please.

Here we provide a graph that breaks down comments by theme. And we can see here that a largest number of comments received were regarding the operating initiative plans. So those would be public comments that have specific questions related to the 11 operating initiatives that support the achievement of ICANN's strategic plan.

The next largest number of comments received were regarding ICANN's financial management. And these would be specific questions related to the budget expenses or funding. It can include such things as the reserve fund, headcount, contingency fund, the SFICR or the ABR process. And then both the operating plan and functional activities plan were the third most with 15% each. And these comments relate to specific comments about particular OIs and functional activities. Michael, I see you have your hand. Please go ahead.

MICHAEL PALAGE: Thank you. Two quick questions here. Regarding this breakdown, the community that participated in the two sessions that were held at the ICANN annual meeting back in Hamburg, how are they reflected in this breakdown? Did you look at the people who submitted it and then did it as an individual? I'm just trying to figure out, one, how those community members that participated in those two sessions and wrote on all the papers that were spread out over the room, how that is reflected in this breakdown of participants.

KELLY MEDINA: Becky, I see your hand up to answer this question.

BECKY NASH: Yes. Thank you very much. Thank you very much, Michael, for your question. The environmental scan session that was held at the ICANN meeting in Hamburg actually related to the strategic planning process. We have some slides following this section where we will give an update on the development of the next five-year strategic plan, which again is FY26 through 30. Currently, this part of the presentation relates to our FY25 operating plan and budget. The process for the annual cycle is that the draft plans go out for public comment. That was mid-December. This part of the presentation relates specifically only to public comments that were submitted via ICANN's public comment page for the draft FY25 operating plan and budget. Thank you for your question. There will be an update shortly on strategic planning.

PAUL GUEVARRA: Thank you, Becky. This is just a thematic breakdown by SO and AC and theme. On this slide, we provide a breakdown by both SO and AC and by theme. On this table, we can see the total number of comments, the amount of comments each by theme on the left-hand side. And then on the top right-hand side, you can see which groups submitted which comments. And this gives us a good view of areas of specific focus for the comments received by specific SOs and ACs. Next slide, please.

So this slide, we just show the next steps in the planning process. As mentioned earlier, we are currently working with our ICANN subject matter experts on the public comments received so that we can publish the summary reports for PTI on the 11th of March and 2nd of April for ICANN. The BFC and board will finalize the reviews between the 3rd of April and 3rd of May. And plans for publication of adopted plans will be the 5th of May 2024. I'll break now for any questions on the FY25-29 five-year operating plan and budget.

KELLY MEDINA: Thank you, Paul. I do see that there is a question for Michael in the Q&A pod for planning team. Given the maturity of the domain name market with nominal growth in the domain names under management, what planning has the ICANN Org and the board undertaken to account for future shortfalls when cost efficiencies alone cannot balance the budget alone? Given the fact that ICANN cannot raise the price it charges gTLD the registry operators a variable fee of $0.25 per domain name, has ICANN considered raising the variable fee it charges registrars? Previously, registrars were charged $0.25 per domain name, but this was lowered to around $0.17 to $0.18 per domain name. Xavier, I see that you have your hand raised. If you wanted to go ahead and answer this question.

XAVIER CALVEZ: Well, I'll answer the question in the Q&A pod since that's where Michael raised it. So I'll do that now. Thank you.

KELLY MEDINA: Okay, thank you. So anyone have any more questions regarding our FY '25 to '29 operating plan at this time? You may raise your hand or we will go ahead and move on to our next slide.

VICTORIA YANG: Thank you. Thank you, Kelly and Paul. Hello, everyone. My name is Victoria. I am part of the planning team as well and also the project manager for the strategic plan development of fiscal year '26 to '30. All right. So let's move on to the next slide. I'm going to just touch base on a brief background. So ICANN's bylaw requires a five-year strategic plan for each fiscal five-year period. So the current strategic plan that is in effect is for fiscal year '21 to '25, which will end by June 2025. And therefore, as of July 1st, 2025, we should have a new five-year strategic plan for the period of fiscal year '26 to '30. So that's the project that we are working on now.

The current development approach and process aim to deliver the fiscal year '26 to '30 strategic plan around March 2025 for board consideration and adoption. And one more note on that is the ICANN board is responsible to set strategies for ICANN. The board strategic planning committee is responsible for leading this process on behalf of the board. Let's move on to the next slide.

So what is a strategic planning process, strategic planning, and how do we do that? There are many process and approach that companies can follow. So it's whatever applies to your overall environment. But the bulk part of it basically outlined on these slides. There are some key steps that regardless of what approach you use, most of these key steps that outlined on these slides will be touched upon. And also I want to mention that a strategic planning process is really the value and the value and the key coming out of the process is the strategic thinking that you conduct through this process, where you discuss and learn from what you are doing now to inform what you are going to do next.

The output of strategic planning process is a strategic plan. It's a plan that documents the outcome of all the work, the thinking and the discussion work that you have done throughout this process. So on this slide, you can see that start with environmental scan, which is the process of gathering information. And Michael, this will answer part of your question. So we started last September and we have conducted many sessions with the community board and ICANN Organization. So joining these environmental scan sessions, all participants have the opportunity to really reflect upon what are the strengths and weaknesses of ICANN. When I say ICANN, I meant the community, ICANN Organization and the board, in general, our ecosystem. And what are the opportunity and threats in our external environment that we will most likely to see in the next five to 10 years. So the board tomorrow will share more details about the outcome of this environmental scan.

Following that, we get into strategy formulation phase. As I mentioned, the board is responsible to set strategy for ICANN. So during this phase, the BSPC is taking the lead in discussing and also set the vision for ICANN. The board has had multiple work sessions since December, and we have developed some great progress. The board tomorrow, during the board session, is going to share the draft vision statement with the community to gather your feedback. Following that, the board's strategic planning committee also worked on formulating draft strategies, and we are progressing well on that.

Once we set the strategies, we'll have to discuss how to implement this, and that's usually referred to as tactic formulation or implementation strategy formulation. During that phase, we'll be basically discussing what are the options and ways for us to get from point A to point B, and whether or not we should put these steps in sequential process so that we can have a roadmap of the next five years of how do we achieve the strategic objective and goals that's set by the ICANN board.

And finally, we move into action planning, and this is more detailed activities and resources allocation. This step is more impactful in the one-year operating plan and budget process. So this is the key steps of how to carry out strategic planning. Let's move on to the next slide, which is an overview of timeline.

So on this timeline, you can see that we started last September, and we have completed the environmental scan and analysis. We are now on track of doing strategy formulation, working very closely with the BSPC. We're also getting ready to start the implementation strategy formulation. So the project is on track, and we're progressing very well.

Without getting too much in details, what I want to highlight on this slide is, as you can see, community participation throughout this process is very important because the strategic plan is not a plan for the board or for the organization. It should be a plan that reflects our shared vision, our shared goal for the next five years. So along the process, we want to make sure that we build into plenty opportunities for community to come in and reflect up on the work that the board has done throughout this process. And we want to hear from the community so that we can continue to refine the strategies for the next five years to make sure that this is a reflection of our shared goal.

On the next slide, I want to just dive into a little bit more on the environmental scan. So the environmental scan is the process to gather information about external opportunity and threat, and also internal strengths and weakness. The board tomorrow is going to share some details on the status, how many sessions, data that we collected, and what are the key themes that we derived from the environmental scan. This is very important because the environmental scan output is going to guide the board in formulating strategies. So the sentiment from the environmental scan is giving us a foundation of where dialogues will be going, where strategic focus will be set during the strategy formulation phase.

On the next slide is the strategy formulation, right? It's the process of creating strategic objectives and goals for the next five years so that we can achieve the vision. As I shared earlier, to start strategy formulation, we first need to set a vision for the period that we are planning for. So in this case, we are planning for fiscal year '26 to '30. So the board has worked on several working sessions to draft a vision statement for ICANN in 2030, and the board is going to present this tomorrow during a session to gather community feedback.

Following that, the board worked on generating draft strategies. So here I do want to mention that the intention is as we progress and as the board generate draft strategies and make them available, we will ensure that we take it to the community for feedback. So we are working with our communications team and engagement team to make sure that we set the webinars before ICANN 80 to ensure that community has the opportunity to look at the draft strategy and also have the opportunity to provide feedback before we document that into a draft strategy plan. So there are plenty of opportunities planned between now until June for community participation.

And that leads us to our last slide, which I want to highlight on these slides, I did mention that tomorrow we have a board engagement session. This is a new session that's led by different board members. The five-year strategic plan is going to be one of the topics that's to be discussed tomorrow where the board is going to share more details. My update here today is just a general update. So tomorrow you will be able to participate in a more meaningful way. And in ICANN 79, we have also scheduled a community consultation session. It's on March 6, Wednesday morning at 10:30. So my team will be there on the floor to ensure that we have that opportunity to engage with the broader communities on the work that we have accomplished so far. And with that, I'm happy to answer questions.

KELLY MEDINA: Thank you, Victoria. I do see that Michael had asked a question earlier that we noted that we would return to. This is regarding the community input provided at the annual meeting regarding ICANN's next strategic plan and how that might impact future budget planning cycles. Michael, I know we covered a bit of our strategy for the strategic plan. I'm not sure if you felt your question was answered already or if you wanted to provide more clarity to your question.

MICHAEL PALAGE: Thank you. I guess maybe I'll wait till tomorrow's session to see what it is. I guess what I was looking at is there was lots of writing on lots of paper during those two back-to-back sessions in Hamburg. And I spent a lot of time reading the comments written by different people. And I found it actually informative. It actually helped drive some of my comments. And I'm just wondering how ICANN went about documenting that and how that was shared with the board and then how that will actually be shared with the community at large. I guess that's my comment because I saw a lot of good stuff. And I just want to see how that's made part of the record going forward for this important discussion.

VICTORIA YANG: Thank you, Michael. Yeah, great question. I mean, I understand the interest of how we are going to use the input that we gathered from the community. So as shared earlier on slides 26, so if we can go back there, environmental scan by itself is just a step in the overarching strategic planning process. And the reason we do environmental scan is so that the board or whoever -- in our case is the board, but in general, whoever is going to do strategy formulation is not blindsided, right? So they want to have relevant information. So overview of the horizon, what does our environment look like in the next five to 10 years? So that when we generate strategy, we are in the known. So that's really the goal of the environmental scan. Who is the consumer of the environmental scan? The information that we collected. Primarily, whoever is going to formulate strategies. So in our case is the board. So they are the primary consumer of the information that I shared.

How we are going to use that? So just very briefly, we collect a lot of information, about a thousand data point. So for the board to have a better strategic focus joining this strategic thinking process, we are structuring this information in a SWOT metrics. I believe many of the audience here can be familiar with strengths, weakness, opportunity, threat. SWOT matrix. So that when they are talking about generating strategies, let's say about a particular objective, they have all the input from community board and organization. The input that is relevant to that objective so that they can look at all this information and stay focused when they think about where we want to be in the next five to 10 years. The board will share a little bit more tomorrow on how that information will be used, etc. But I hope that answers your question. If not, happy to provide more details via chat.

MICHAEL PALAGE: If I could just follow up real quick. So all of the comments, was that distilled down by staff and then presented to the board? Or do the board have the ability to go back and look at specific comments? So like for example I documented all of my comments. So can I just go to a board member, hey, look at what I said, or would they not have access to that? They're only going to have access to how staff distilled that input, or do they have the raw data that people actually submitted? I guess that's my specific question.

VICTORIA YANG: Okay. So, yeah, we basically presented the data in a summary way to the board via report. And also we do have a database as well with the exact comments of, for example, whatever comment you left there. That's an interesting comment. We have not thought of sharing the raw data only because the key is to structure the data and organize the data in a meaningful way so that they can stay focused. So that's how we went about analyzing all the data. But we do have the database, so we can definitely take that to the board. Several of the board members are here in this session, and we can definitely discuss that with the board if they think that will be useful.

KELLY MEDINA: Thank you, Victoria. I also see that, Becky, you have your hand raised. If you wanted to add on, feel free to unmute yourself. And as a reminder for all speakers, please make sure that we speak slowly and clearly.

BECKY NASH: Thank you very much. I just wanted to respond to Michael on top of what Victoria has indicated. Just as a reminder, as part of this environmental scan process or landscape assessment, which is often a term that is used, we ran several sessions across both board, Org, and community. And some of them were also remote, just as an explanation for the community here to understand. And just to respond to your point, Michael, we did not collect data using anyone's name, meaning it was -- and I do recall you in our session, which we really appreciate both you and all the community members, but the writing was not necessarily by person. And we collected it using the PESTLE technique. And so just to let you know, the information that was received, we are using as part of the preparation for the board strategic planning committee and the board to review this analysis at a summary level and using a technique or their strategy formulation called the SWOT analysis, which is what Victoria mentioned. So I hope that explains a little bit more perhaps what you were asking. Thank you.

KELLY MEDINA: Thank you, Becky. If there are no more further questions, we will go ahead and move over to our next section, which will be the fiscal year 2026 planning process. Paul, whenever you're ready.

PAUL GUEVARRA: Great. Thank you, Kelly. Thank you, Victoria. So I'm just going to go through quickly the annual planning process and the work that we will be doing in the next two planning cycles. So on this slide, we're showing the current work that ICANN is performing as a part of the annual planning process. As you can see, as the cycle takes over 12 months, there is an overlap between the two planning cycles of about five months. So as you can see here in the FY25 planning, we're hoping to get PTI plan board adoption by March 2024. And then by May, June, ICANN plans to be board adopted and then start the empowered community period. And then at the same time, we will also be starting the FY26 planning process through the FY26 planning prioritization process. And then this year, because we are working on the FY26 to 30 strategic plan, that will be occurring at the same time with the strategic plans submitted for public comment in April to June timeline. So a lot going on. Next slide, please.

And this just gives a more detailed summary of what's happening in July, September, hopefully we will have the FY25 to 29 operating plans in effect. And then we will also be in the midst of initiating the draft version of our operating plan and budget for FY26. The FY26 to 30 strategic plan will be moved into public comment period. And then towards the latter half or the latter third of 2024, the strategic plan will be revised for board adoption. And the FY26 operating plan and budget will be published for public comment in January and March of 2025. We will look to get adoption of the strategic plan and start the empowered community period. We will also look to get the FY26 operating plan and budget for PTI board adopted. And then April, June next year, the ICANN FY26 plans, excuse me, board adopted and started the empowered community budget period. And then in July and September 2025, we will hopefully have the FY26 to 30 strategic plan, as well as the 26 to 30 and FY26 operating plan and budget all in effect. Any questions so far on the timeline of what we're doing?

KELLY MEDINA: I don't see any hands raised. You may continue, Paul.

PAUL GUEVARRA: Thanks, Kelly. And here, I just wanted to highlight again on how to get involved in ICANN's planning process. There's a link here on this presentation. And Kelly, if we could also put it in the chat, a link to the ICANN public comment page. That will include the draft ICANN and draft PTI FY25 public comment proceedings. We also encourage the community to visit the wiki link as provided here. It has many of the links and resources that we touched on today, like the planning process and the strategic plan. We'll also link that in the chat. And please, we encourage everyone to sign up to the community finance list on the blue box right there. Or please send through an email to the planning inbox. And also, we encourage anyone, if there are any questions, please type here in the chat or raise your hand.

If there's no questions about this, we will move on to the general questions and answers. Again, please raise your hand in Zoom if you'd like to ask a question, or please type your questions in the chat. And please feel free to send any questions or request information by emailing the planning inbox at planning@icann.org. With that, I'll open up the floor for any questions on today's presentation. Thank you.

KELLY MEDINA: Thank you, Paul. As it was noted, we will be taking any questions at this moment for either the finance or planning team. If you are comfortable, you may raise your hand on Zoom and I will unmute you. As a reminder, for any spoken questions, please state your name and speak clearly and slowly. And also inform us if you will be speaking in a language other than English. We are also going to be taking questions in the Q&A pod if you would prefer to type your questions out.

Okay. I do not see any hands raised at this moment. So I think we're good to move forward. If anyone in the finance and planning team has any final comments to add in before we end the session, you have the floor.

BECKY NASH: Thank you, everyone. This is Becky Nash. We want to thank you for attending this webinar. And we encourage you to register for additional prep week sessions. And also noting that we will have opportunities to meet with the community and the SOs and ACs at ICANN 79. So thank you very much for attending.

[END OF TRANSCRIPTION]