ICANN 69
VIRTUAL ANNUAL GENERAL

Planning and Financial Update

06 October 2020

Webinar Information

This session is recorded.

This session is scheduled to last 1.5 hour.

Presentation is published here:
https://69.schedule.icann.org/meetings/addHduMjKbH9Ezdbg#/?limit=10&sortByFields[0]=isPinned&sortByFields[1]=lastActivityAt&sortByOrders[0]=-1&sortByOrders[1]=-1

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

Opening Remarks

Xavier Calvez

SVP Planning &
Chief Financial Officer

Agenda

- ICANN Planning Overview and Processes

- ICANN New Planning Department and "Planning at ICANN" Operating Initiative

- FY22 Planning Processes:
  - Strategic Planning
  - Operating Planning
  - Overall Timeline and Community Engagement Opportunities
  - Funding Assumptions and Process
  - 5-Year Financial Plan and 1-Year Budget Assumptions

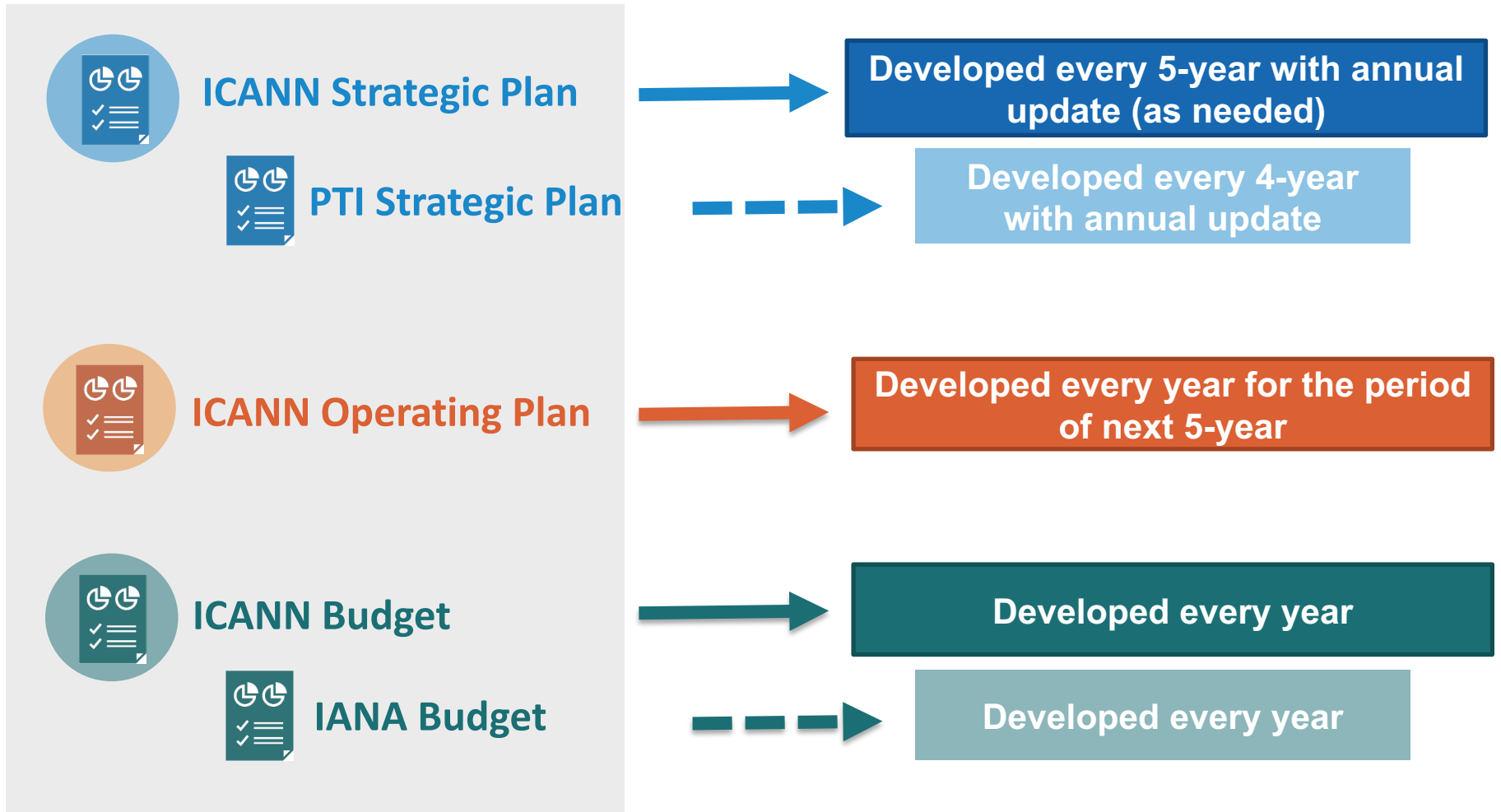- Financial Updates

- Q&A

ICANN Planning Overview and Processes

Becky Nash

Planning Process & Documents

WHERE ARE WE NOW?

Strategic Plan

Achievement & Progress Reporting

HOW ARE WE DOING?

WHERE DO WE WANT TO BE?

WHO MUST DO WHAT?

HOW WILL WE GET THERE?

5-Year Operating & Financial Plan
and
Annual Operating Plan & Budget

Bylaws Requirements

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

PTI Strategic Plan ⇢ **Developed every 4-year with annual update**

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

ICANN Budget → **Developed every year**

IANA Budget ⇢ **Developed every year**

ICANN Planning Processes Overview

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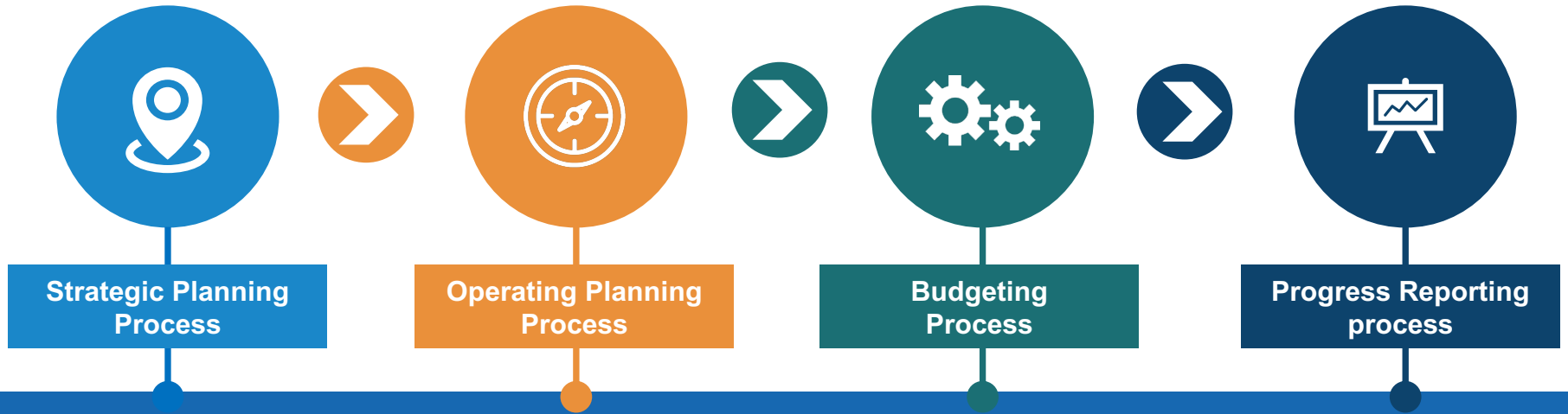
The process of defining ICANN's strategic direction, including its mission, vision, Strategic objectives and goals.

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 New Planning Department and "Planning at ICANN" Operating Initiative

Becky Nash

Introduction to New Planning Department

- In July 2020, a new Planning Department was formed to lead all planning activities across ICANN and to prioritize and organize ICANN's activities with all participants in the ICANN ecosystem (org, Board, and community).

- The long-term objective of the Planning department is to continuously develop the effectiveness of the organization through adequate planning and measurement of the delivery against the plans.

- The creation and evolution of the planning department will accomplish one of the Operating Initiatives, which will contribute to achieving the FY21-25 Strategic Plan.

Planning at ICANN Operating Initiative Overview

⊙ Planning at ICANN is one of the 15 Operating Initiatives included in ICANN org's Adopted Operating and Financial Plan for Fiscal Years 2021–2025

⊙ Strategic goal and its targeted outcomes Supported:

  ○ Strategic goal: Implement a five-year Financial Plan that supports the five-year Operating Plan. Among the various targeted outcomes of this Strategic Goal, this Operating Initiative help to bring focus on developing processes and tools in place to effectively prioritize and periodically reprioritize its (ICANN's) work; and, community's engagement in prioritization and decisions about affordability measurably increases.

  ○ Strategic goal: Manage operations and their costs to optimize the effectiveness and efficiency of ICANN's activities. Among the various targeted outcomes of this Strategic Goal, this Operating Initiative help to bring focus on prioritizes its (ICANN's) activities to deliver its mission in the global public interest in the most cost-effective way.

Planning at ICANN Prioritization

- The FY22 planning process is currently on-going with the objective of proposing to the community an Operating Plan which includes progress intended on a number of activities that pertain to the entire workload of the org, Board and community.
  - A draft plan will be developed and proposed by the org reflecting a certain scenario of prioritization.
  - A key deliverable is ICANN's Community-led activity Roadmap

- Separately, a methodology and process for the prioritization of ICANN's work needs to be developed collaboratively with org, Board and community, for implementation through annual planning cycles.
  - Target collaborative process to be carried out on an on-going basis to plan and perform ICANN's work.
  - The methodology and process needs to be designed, tested (with a pilot) and implemented with community and board involvement and org support throughout every phase.

FY22 Planning Process

Strategic Outlook and Strategic Planning

Nathalie Vergnolle

Introduction to Strategic Planning at ICANN

The purpose of strategic planning is to set out the long-term strategic objectives for the organization, reflecting the ICANN mission and vision.

- ⊙ A fundamental part of ICANN's governance, mandated by the organization's Bylaws.

- ⊙ A core element of ICANN's three-fold planning process cycle, namely a 5-year Strategic Plan, 5-year Operating Plan, and the Annual Plan and Budget process.

- ⊙ The current Strategic Plan for fiscal years 2021 to 2025 came into effect on 01 July 2020. It was adopted by the Board on 23 June 2019.

- ⊙ The strategic planning process starts with a yearly identification and analysis of trends that affect ICANN.

Strategic Outlook Trends Identification & Analysis
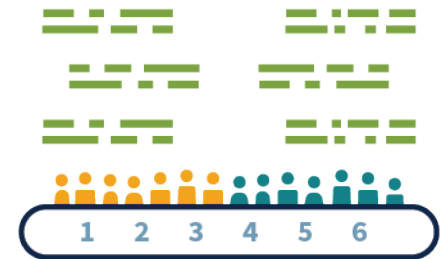
Process repeats annually
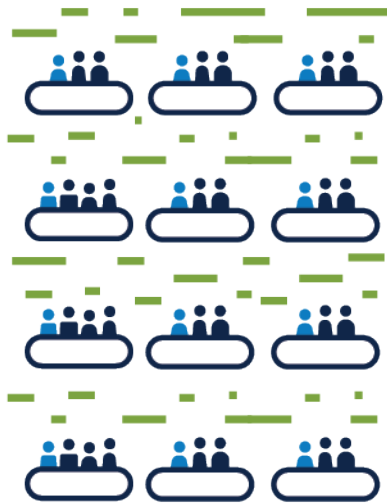
ORG & COMMUNITY
Functions & Regions /
SO/AC Groups-
level workshops
Identify trends and
impacts on ICANN

NETWORK TEAM
Consolidate the trends
and prioritize

EXEC TEAM
Confirm trends &
prioritization

**EXEC TEAM
& BOARD**
Assess impacts of
trends and shifts, and
Make strategy & tactical
decisions

An annual process to ensure ICANN has a
consistent way to:
- Identify and track trends
- Prepare for opportunities
- Mitigate or avoid challenges
- Inform strategic & operational planning
and prioritization

2020 Strategic Outlook Trend Sessions

21 strategic outlook sessions

- 6 stakeholder group sessions: GAC, GNSO Council, IPC, SSAC + 2 cross-community sessions
- 15 org departmental & regional sessions

398 participants

- 77 community members
- 321 staff members

1853 data elements collected

- 889 trend statements
- 497 risks or threats
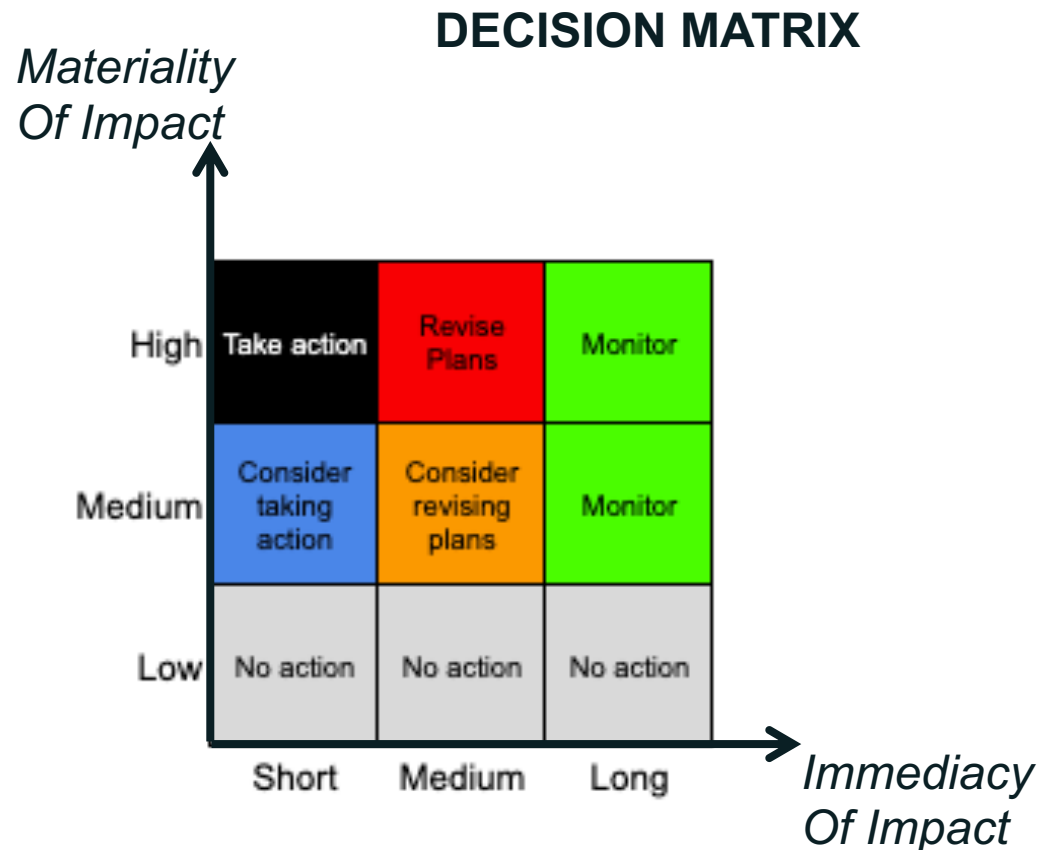- 467 suggested actions or opportunities

Trend Impact Assessment Methodology

1. Identification of **notable shifts** in trends or new trends and their **impacts on ICANN**

2. Determination of the **materiality** and the **immediacy** of the impacts of the trends identified

3: Rationalization of the decisions to update the plans or other decisions using a **materiality/immediacy decision matrix**

4: Decision of strategic or tactical opportunities

DECISION MATRIX

Materiality Of Impact

	Short	Medium	Long
High	Take action	Revise Plans	Monitor
Medium	Consider taking action	Consider revising plans	Monitor
Low	No action	No action	No action

Immediacy Of Impact

ICANN

Preliminary conclusions & next steps

- ◉ The Strategic Planning Board Working Group will present its recommendations to the Board in the next few weeks:

  On the basis of the work to-date, **no changes to the ICANN strategic plan** for fiscal years 2021-2025 are expected to be recommended.

- ◉ Findings on trends and their impacts on ICANN, as well as opportunities they represent and resulting proposed planned activities, will be documented in the Draft FY22-FY26 ICANN Operating Plan that will be posted for Public Comment in December of this year.

FY22 Planning Process

Operating Planning

Victoria Yang

Operating Plan Overview

The Operating Plan includes description of the major work ICANN org will undertake to achieve its Strategic Plan, operate the organization and implement its mission and mandate.

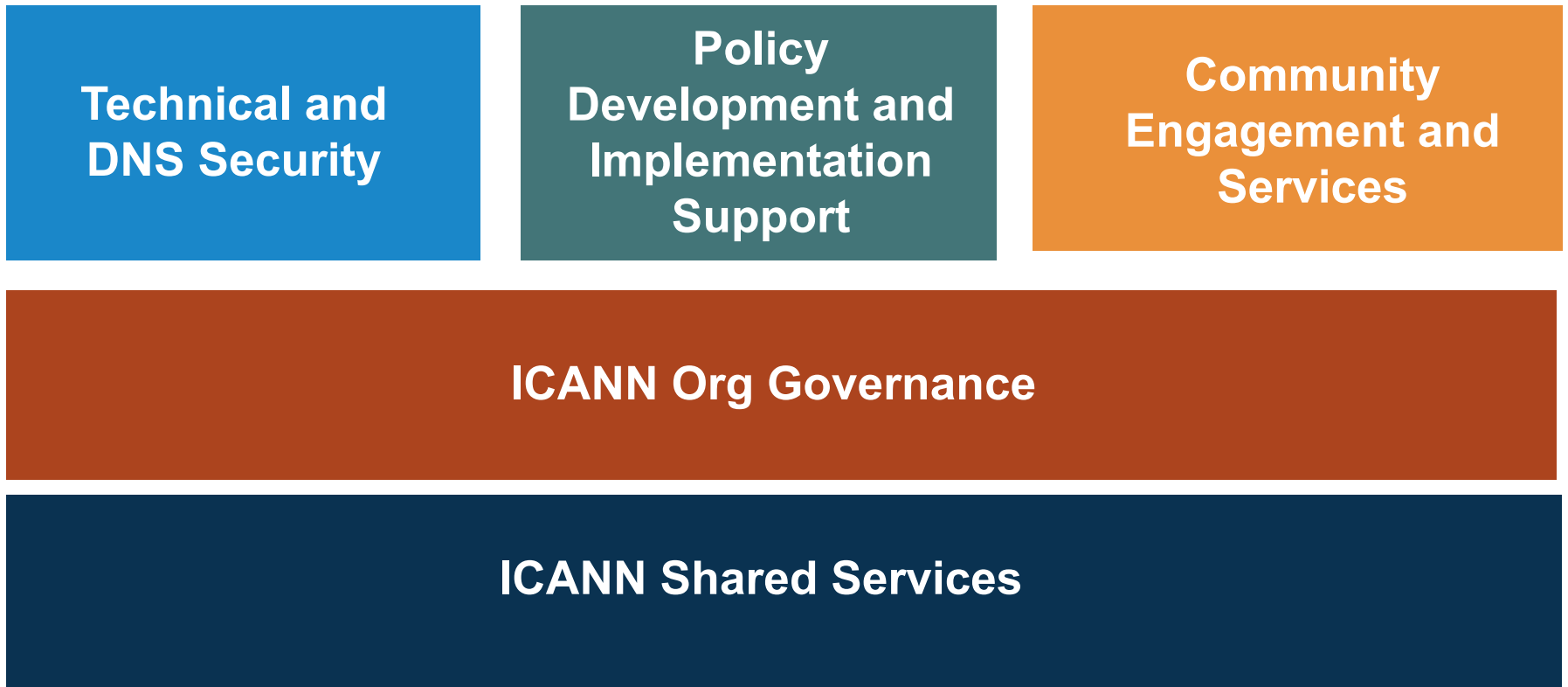| Functional Activities (35 in 5 groups)	Operating Initiatives (15)
Activities of the Functions to: • Operate the organization, such as *Human Resources or Finance* or • Implement ICANN's mission and mandate, such as *Contractual Compliance or the IANA.*	The efforts of the Functions that focus directly on achieving the Strategic Plan. Some are not new but continued efforts toward key strategic directions.

Operating Plan Structure

Technical and DNS Security

Policy Development and Implementation Support

Community Engagement and Services

ICANN Org Governance

ICANN Shared Services

Operating Initiatives - 15
Functional Activities – 35 in 5 Service Groups

5-Year Operating Plan and 1-Year Operating Plan

All Functional Activities and Operating Initiatives are described with their purpose, activities, alignment with the strategic plan, resources, considerations (risks, dependencies, challenges) and progression/ milestones.

FY22-FY26 Operating Plan

- Content is high-level over the 5-Year horizon.
- Resource planning is high-level – "Stable" "Increase" or "Decrease", with projection of when (Fiscal Year) the changes are expected.
- Progression/ Milestones are high-level roadmaps.

FY22 Operating Plan

- Content is more detailed with focus on FY22.
- Resource planning is at detailed level using budget templates.
- Progression/ Milestones are roadmaps in FY22 with applicable targets and measurement.

Planning Assumptions and Approach

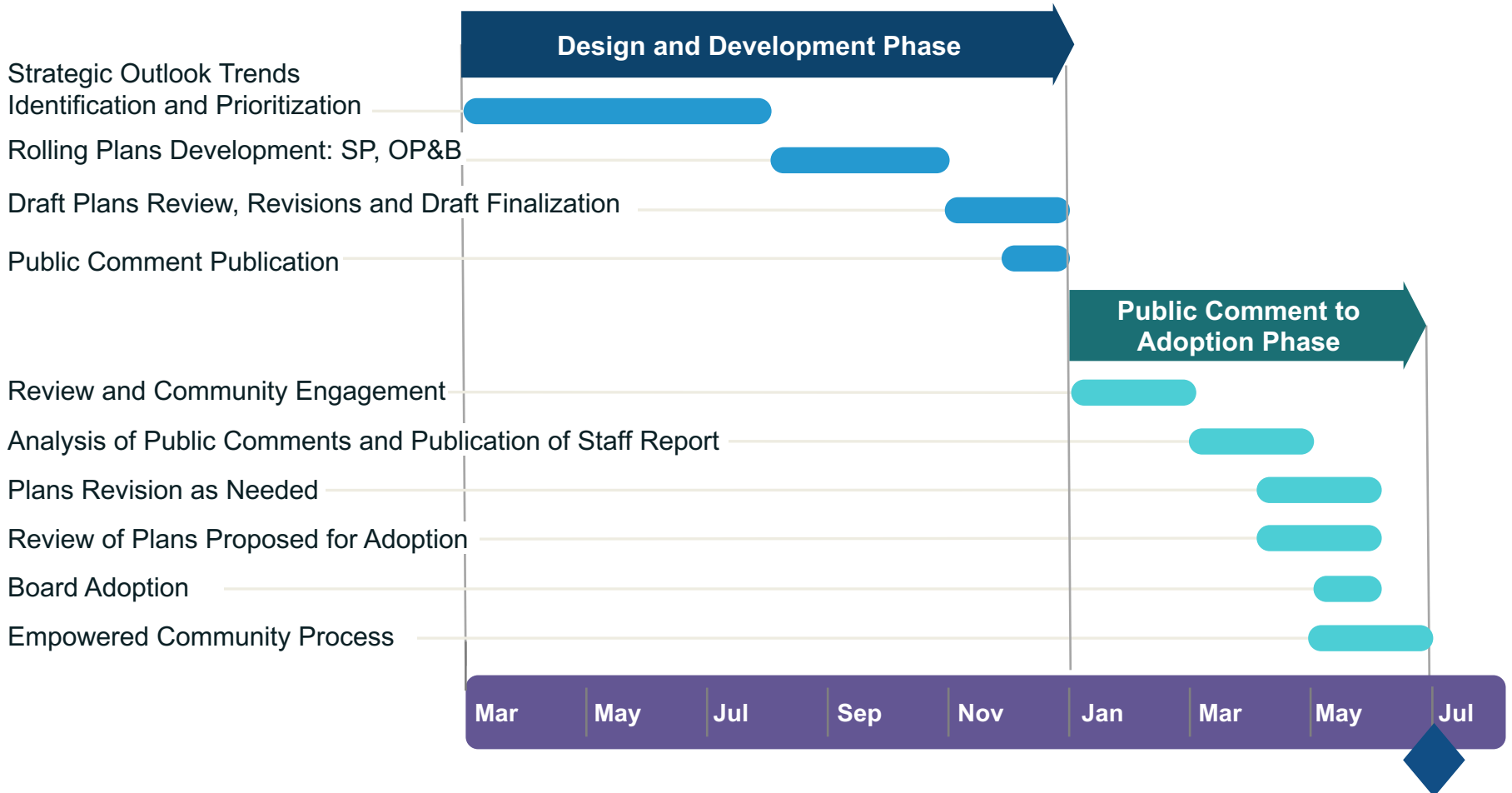|		
1	**Affordability Assumption**	Draft plans will be based on the "base" scenario funding projections
2	**Recurring Work Continues**	Majority of ICANN org's work recurs year over year: • needed for organization operations, or • to support ICANN's mission and mandate.
3	**Emphasizing Major Work & Deltas**	• Operating Initiatives – Major work to achieve the Strategic Plan. • Functional Activities – New or changed activities, (Delta), indicated with △ in the draft plan.
4	**Dependency**	The Draft Plan will include high-level description of work under discussion with the community, such as: • New gTLD "Subsequent Procedures" PDP, • New gTLD auction proceeds, • Reviews, e.g. CCT, RDS. Specific implementation plans and timing will be in future updates of the 5-year O&FP and annual plans, upon Board's decisions triggering org actions.
5	**Rolling 5-Year O&FP**	The 5-year Plan will be updated annually and roll forward one year.

FY22 Planning Process

Overall Timeline and
Community Engagement Opportunities

Becky Nash

High Level Planning Timeline

Design and Development Phase

Strategic Outlook Trends Identification and Prioritization

Rolling Plans Development: SP, OP&B

Draft Plans Review, Revisions and Draft Finalization

Public Comment Publication

Public Comment to Adoption Phase

Review and Community Engagement

Analysis of Public Comments and Publication of Staff Report

Plans Revision as Needed

Review of Plans Proposed for Adoption

Board Adoption

Empowered Community Process

| Mar | May | Jul | Sep | Nov | Jan | Mar | May | Jul |

Jul 1

Next Fiscal Year – Plans in Effect
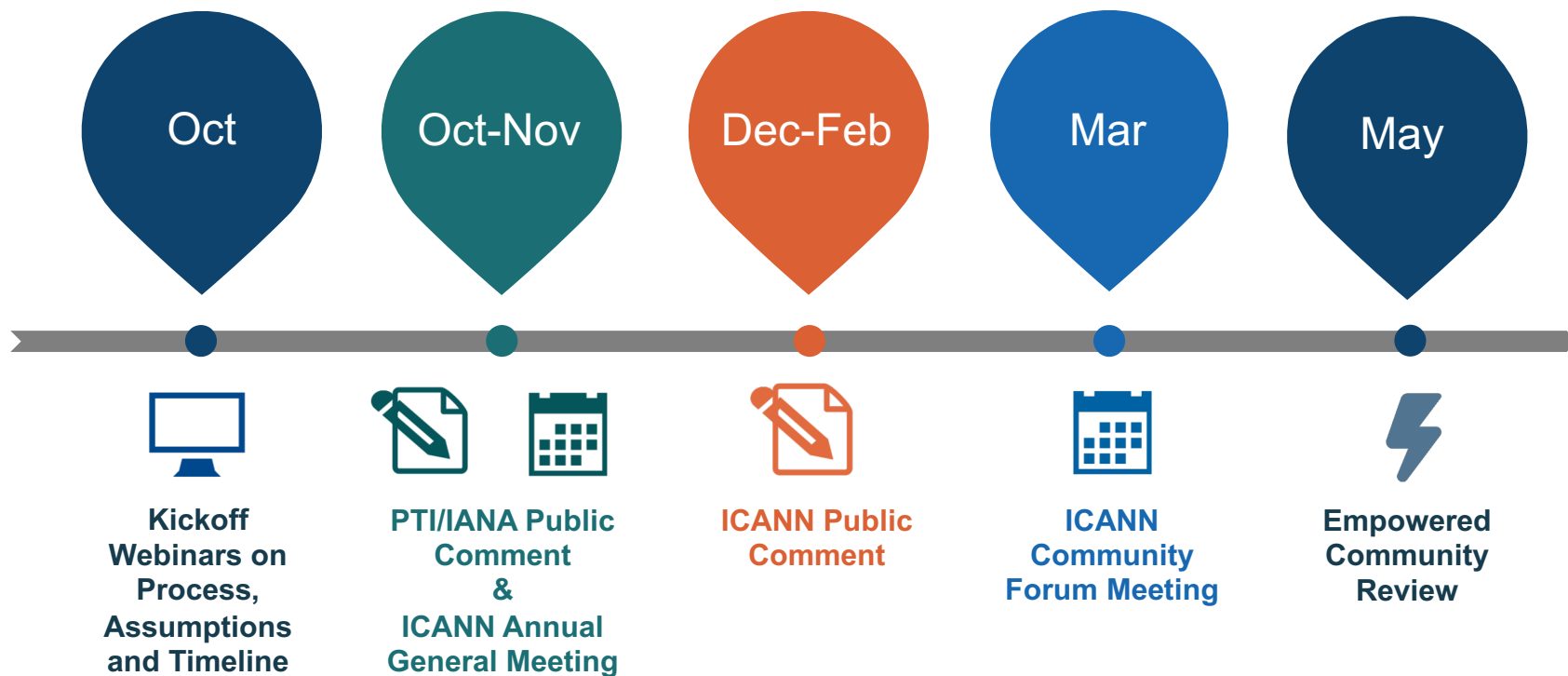
o *An assessment of the timing of each step is underway for future cycles*
o *The current year timeline is more than 10 + months*

Total ICANN FY22 Planning Timeline – Key Dates

Step	Dates	Action By	Note
✓ FY22 Planning Kickoff	27 Aug 2020	ICANN org	FY22 Planning Process and Timeline
ICANN 69 Planning Webinar	6 Oct 2020	ICANN org/Community	FY22 Planning Process
Additional Budget Request Submission Period	9 Nov 2020 – 29 Jan 2021	ICANN Community	Submit to planning@icann.org
BFC Reviews Draft Plan for Publication	5 Dec 2020	ICANN BFC	
ICANN Public Comment Period	17 Dec 2020 – 08 Feb 2021	ICANN org	54 Days including 7 days for Year End
Community Webinar	Early/Mid Jan 2021	ICANN Community	
ICANN Staff Report on Public Comment Published	18 Mar 2021	ICANN org	Staff Report Published
BFC Recommends to the Board Adoption of Plans	5 April 2021	ICANN BFC	
ICANN Board Adopts	6 May 2021	ICANN Board	Target to allow for EC Review Period
Empowered Community(EC) Process	7 May – 7 Jun 2021	EC Decisional Participants	The Plans are in effect at the start of the Fiscal Year.

When can community members participate?

Oct	Oct-Nov	Dec-Feb	Mar	May
Kickoff Webinars on Process, Assumptions and Timeline	**PTI/IANA Public Comment & ICANN Annual General Meeting**	**ICANN Public Comment**	**ICANN Community Forum Meeting**	**Empowered Community Review**

We are seeking your input!

FY22 Planning Process

Funding Assumptions and Process

Mukesh Chulani

ICANN's Funding Forecast Approach

- ICANN's funding projections are developed through the following activities:

1 Marketplace Horizon Scan	**2** Formulation of Assumptions	**3** Forecast Generation

Marketplace Horizon Scan

	FY15 Actual	FY16 Actual	FY17 Actual	FY15-17 CAGR (%)	FY18 Actual	FY19 Actual	FY20 Actual	FY18-20 CAGR (%)
# of Transactions (in Millions)	158.5	184.9	183.1	**5%**	187.0	192.9	205.5	**3%**
Legacy gTLDs – Total	151.2	161.5	160.9	**2%**	164.5	170.0	173.1	**2%**
New gTLDs – Total	7.3	23.4	22.2	**45%**	22.6	22.9	32.4	**13%**
New gTLDs - Billable	6.0	18.1	18.6	**46%**	19.5	19.8	29.3	**15%**
% of Billable New gTLDs vs. Total New gTLDs	82%	77%	84%	--	86%	87%	90%	--
% of Total New gTLDs vs. Total	5%	13%	12%	--	12%	12%	16%	--
% of Legacy vs. Total	95%	87%	88%	--	88%	88%	84%	--

	FY15 Actual	FY16 Actual	FY17 Actual	FY15-17 CAGR (%)	FY18 Actual	FY19 Actual	FY20 Actual	FY18-20 CAGR (%)
# of Contracted Parties (End of Year)	2,245	3,201	4,188	**23%**	3,703	3,680	3,651	**0%**
Legacy gTLDs[1]	18	18	18	**0%**	18	18	18	**0%**
New gTLDs	683	1,052	1,218	**21%**	1,218	1,203	1,184	**-1%**
Registrars	1,544	2,131	2,952	**38%**	2,467	2,459	2,449	**0%**

Notes:
[1] Corresponds to Legacy TLDs having contracts with ICANN.
CAGR corresponds to Compound Annual Growth Rate; Arithmetic inconsistencies are due to rounding of values.

Marketplace Horizon Scan

	FY15 Actual	FY16 Actual	FY17 Actual	FY15-17 CAGR (%)	FY18 Actual	FY19 Actual	FY20 Actual	FY18-20 CAGR (%)
# of Transactions (in Millions)	158.5	184.9	183.1	**5%**	187.0	192.9	205.5	**3%**
Legacy gTLDs – Total	151.2	161.5	160.9	**2%**	164.5	170.0	173.1	**2%**
New gTLDs – Total	7.3	23.4	22.2	**45%**	22.6	22.9	32.4	**13%**
New gTLDs - Billable	6.0	18.1	18.6	**46%**	19.5	19.8	29.3	**15%**
% of Billable New gTLDs vs. Total New gTLDs	82%	77%	84%	--	86%	87%	90%	--
% of Total New gTLDs vs. Total	5%	13%	12%	--	12%	12%	16%	--
% of Legacy vs. Total	95%	87%	88%	--	88%	88%	84%	--

	FY15 Actual	FY16 Actual	FY17 Actual	FY15-17 CAGR (%)	FY18 Actual	FY19 Actual	FY20 Actual	FY18-20 CAGR (%)
# of Contracted Parties (End of Year)	2,245	3,201	4,188	**23%**	3,703	3,680	3,651	**0%**
Legacy gTLDs[1]	18	18	18	**0%**	18	18	18	**0%**
New gTLDs	683	1,052	1,218	**21%**	1,218	1,203	1,184	**-1%**
Registrars	1,544	2,131	2,952	**38%**	2,467	2,459	2,449	**0%**

Notes:
[1] Corresponds to Legacy TLDs having contracts with ICANN.
CAGR corresponds to Compound Annual Growth Rate; Arithmetic inconsistencies are due to rounding of values.

Marketplace Horizon Scan

	FY15 Actual	FY16 Actual	FY17 Actual	FY15-17 CAGR (%)	FY18 Actual	FY19 Actual	FY20 Actual	FY18-20 CAGR (%)
# of Transactions (in Millions)	158.5	184.9	183.1	**5%**	187.0	192.9	205.5	**3%**
Legacy gTLDs – Total	151.2	161.5	160.9	**2%**	164.5	170.0	173.1	**2%**
New gTLDs – Total	7.3	23.4	22.2	**45%**	22.6	22.9	32.4	**13%**
New gTLDs - Billable	6.0	18.1	18.6	**46%**	19.5	19.8	29.3	**15%**
% of Billable New gTLDs vs. Total New gTLDs	82%	77%	84%	--	86%	87%	90%	--
% of Total New gTLDs vs. Total	5%	13%	12%	--	12%	12%	16%	--
% of Legacy vs. Total	95%	87%	88%	--	88%	88%	84%	--

	FY15 Actual	FY16 Actual	FY17 Actual	FY15-17 CAGR (%)	FY18 Actual	FY19 Actual	FY20 Actual	FY18-20 CAGR (%)
# of Contracted Parties (End of Year)	2,245	3,201	4,188	**23%**	3,703	3,680	3,651	**0%**
Legacy gTLDs[1]	18	18	18	**0%**	18	18	18	**0%**
New gTLDs	683	1,052	1,218	**21%**	1,218	1,203	1,184	**-1%**
Registrars	1,544	2,131	2,952	**38%**	2,467	2,459	2,449	**0%**

Notes:
[1] Corresponds to Legacy TLDs having contracts with ICANN.
CAGR corresponds to Compound Annual Growth Rate; Arithmetic inconsistencies are due to rounding of values.

Formulation of Assumptions: Sample

Excerpt of Marketplace Horizon Scan Finding

"The experience as of the first half of 2020 shows that domains under management have been stable, and in some cases has increased slightly. These trends, however, are uneven. A common question is whether this current period of resiliency represents simply a delayed reaction, with bigger impacts likely unfolding in the months to come...…"

Formulation of Assumptions (Qualitative)

The extent to which COVID-19 contributes to slower growth or even contractions of economies or shifts previous face-to-face activities to online interactions are all key questions. At present, uncertainty remains high.

At the 'base-case' and 'high' funding scenarios, domain name transaction volumes will continue to grow, albeit at varying levels. The 'low' scenario factors a decline in transaction volumes. The 'low' funding scenario will also feature fewer total accredited registrars, while the 'base-case' and 'high' funding scenarios will depict a flat-to-slight increase in this base. The total count of gTLD registry operators will decline across all scenarios, albeit at varying levels.

Formulation of Assumptions (Quantitative)

Low Scenario	Base Case	High Scenario

New gTLD transaction volume and growth trendline
Legacy gTLD transaction volume and growth trendline
Size of contracted party base

FY22 Planning Process

5 Year Financial Plan and
1 Year Budget Assumptions

Alex Morshed

Five-Year Financial Plan and One-Year Budget

- ⊙ The Five-Year Financial Plan is developed to support the Five-Year Operating Plan. The Five-Year Operating Plan is reviewed and developed on an annual basis.

- ⊙ The Five-Year financials are a high-level overview of ICANN org's financial assumptions. The anticipated numbers will shift as more information becomes available and will be adjusted accordingly. This also allows for activities to be reprioritized based on the current environment, which will undoubtedly shift and evolve over the course of the five-year period.

- ⊙ The Five-Year financials will be supplemented by ICANN org's annual plans and budgets, which will provide more detailed financial information for the respective year.

Five-Year Financial Plan Funding and Expense Assumptions

- The Five-Year Financial Plan will provide "base", "low" and "high" scenario funding. The Operating Plan will be developed using the base scenario funding projections

- The Five-Year Financial Plan will include a planned annual contribution to the Reserve Fund

- The headcount is expected to remain relatively stable through the five-year period

- The Five-Year Financial Plan will be a balanced budget where expenses, plus planned contributions to the reserve fund, will not exceed funding

FY22 Budget Assumptions

- The ICANN budget will be balanced; projected expenses will not exceed projected funding

- Only activities supporting the implementation of Board-approved policies or review recommendations are specifically included in the budget
  - Implementation activities for policies or review recommendations not yet approved by the Board will be scheduled, if and when approved by the Board

- The ICANN budget will continue to include funds for contingency
  - Contingency is an amount included in the budget, but not allocated to specific activities. This allows for the flexibility to cover the difference between projected and actual costs, expenses impossible to forecast such as litigation costs, or activities that have been confirmed for implementation by the Board after the budget was finalized.

FY22 Budget Assumptions (continued)

- ⊙ There continues to be uncertainty around the pandemic and the impact it may have on ICANN's Funding and Operations

- ⊙ Funding is still being assessed but is expected to grow modestly from the FY21 Budget projection
  - ○ Funding will include a contribution from Verisign to support ICANN's efforts to preserve and enhance the security, stability, and resiliency of the DNS

- ⊙ Headcount is budgeted to end at 410, similar to current staffing levels

- ⊙ Travel is assumed to be comparable to levels prior to FY20
  - ○ FY22 Budget assumes 3 face to face ICANN Public Meetings
  - ○ Funding for ICANN constituents is projected at levels prior to FY20

- ⊙ Replenishing the Reserve Fund will continue to be a priority

- ⊙ The Budget will include funds for Additional Budget Requests (ABR)

Additional Budget Request Overview

The Additional Budget Request process pertains to a dedicated part of the overall ICANN annual budget that is set aside to fund specific requests from the community for activities that are not already included in the recurring ICANN budget.

Assessment Process:

- Allocating available resources to those requests which, on their face are directly and demonstrably related to current ICANN policy development, advisory and technical work

- Addressing capacity development objectives through encouraging collaboration with ICANN's Public Responsibility Support and Global Stakeholder Engagement teams, including development of materials that can be used for online (rather than face-to-face) training

- Considering the availability of resources, both financial and staff, to support the individual and collective requests submitted in an equitable and transparent manner

- For travel related requests, a primary consideration is to prioritize events taking place at an ICANN Public Meeting or other ICANN-organized meeting (e.g. the GDD Summit)

Additional Budget Request: FY22 Tentative Key Dates

Community Kick off and
Submission period

9 November 2020 to 29 January 2021

SO/AC Consultations
at ICANN 70

20 March 2021 to 25 March 2021

Notify SO/ACs of Publication

14 May 2021 to 17 May 2021

Publication on Website

17 May 2021

Financial Updates

Financial Reporting

Shani Quidwai

Agenda for Financial Updates

- Future Updates, Quarterly Webinar

- Financial Accountability- Reporting

- FY20 Results

- FY21 Forecast

Planning/Financial Updates- Quarterly Webinar

- ⊙ The ICANN Finance and Planning teams will host a quarterly webinar to review Financial and Planning information

- ⊙ These webinars will be recorded and archived

- ⊙ These webinars will generally be held 45 days after the end of a Financial Quarter

- ⊙ More information will be provided regarding the dates and content

Fiscal Year Quarter	Quarter End Date	Estimated Meeting Date
Quarter 1	30 September	15 November
Quarter 2	31 December	15 February
Quarter 3	31 March	15 May
Quarter 4	30 June	15 August

Financial Accountability- Reporting

ICANN org reports results to the community in support of commitment to accountability and transparency.

Periodically, throughout the year	Annually
• Quarterly Financial Reporting • Publication of the CEO Report • ICANN Meetings travel reports	• Independent Auditors Report • Annual Report • Board Expenses • ccTLD Contributions • Funding by Source • Operating Plan and Budget • Tax Return (Form 990) • ICANN org Remuneration Practices

Link to Financial Documents:

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

Financial Update

FY20 Financial Results

FY20 Overview

USD in millions Unaudited	FY20 Actual Total ICANN Operations	FY20 Budget Total ICANN Operations	Under / (Over) vs. FY20 Budget ICANN Operations	FY20 Forecast* Total ICANN Operations	Under/(Over) vs. FY20 Forecast ICANN Operations
Funding	$140.7	$140.1	$0.6	$137.5	$3.2
Cash Expenses [1]	$126.1	$137.1	$11.1	$121.6	($4.4)
Excess/(Deficit) Before Contribution	$14.6	$3.0	$11.7	$15.9	($1.2)
Planned/Actual Reserve Fund Contribution	$0.0	$3.0	($3.0)	$0.0	$0.0
Net Operating Excess/(Deficit)	$14.6	($0.0)	$14.7	$15.9	($1.2)
End of Period Headcount	387	408	21	392	5

1) Expenses exclude depreciation, investment income, and NgTLD Program historical development costs reimbursed to ICANN.

*Communicated during April webinar

FY20 Financial Results- Summary

- ⊙ **Funding** was **$140.7M** or $0.6M higher than budget primarily due to New gTLD transactions
  - ○ Through June, funding has not been negatively impacted by the global pandemic

- ⊙ **Expenses** were **$126.1M** or $11.1M lower than budget primarily due to:
  - ○ Travel restrictions and savings from holding ICANN67 and ICANN68 virtually
  - ○ Fewer positions than budgeted
  - ○ Savings on administrative expenses from Regional Offices

- ⊙ **Net Excess** was **$14.6M** or $11.7M higher than budget primarily due to lower than planned expenses

- ⊙ **Funds Under Management** increased by **$15.8M** versus prior year
  - ○ Increase primarily due to net excess and investment gains despite market volatility from the global pandemic
  - ○ Significant progress has been made with the Reserve Fund, our year end balance of $123M was nearly equal to our expenses for the year

FY20 (Jul 19 – Jun 20) Funding

	Driven By Domain Name Registrations	Driven By # of Contracted Parties
FROM REGISTRIES	Registration-based fees **$57M** 40%	Per-TLD fixed fees **$30M** 21%
FROM REGISTRARS	Registration-based fees **$37M** 26%	Application fees Accreditation fees **$14M** 10%
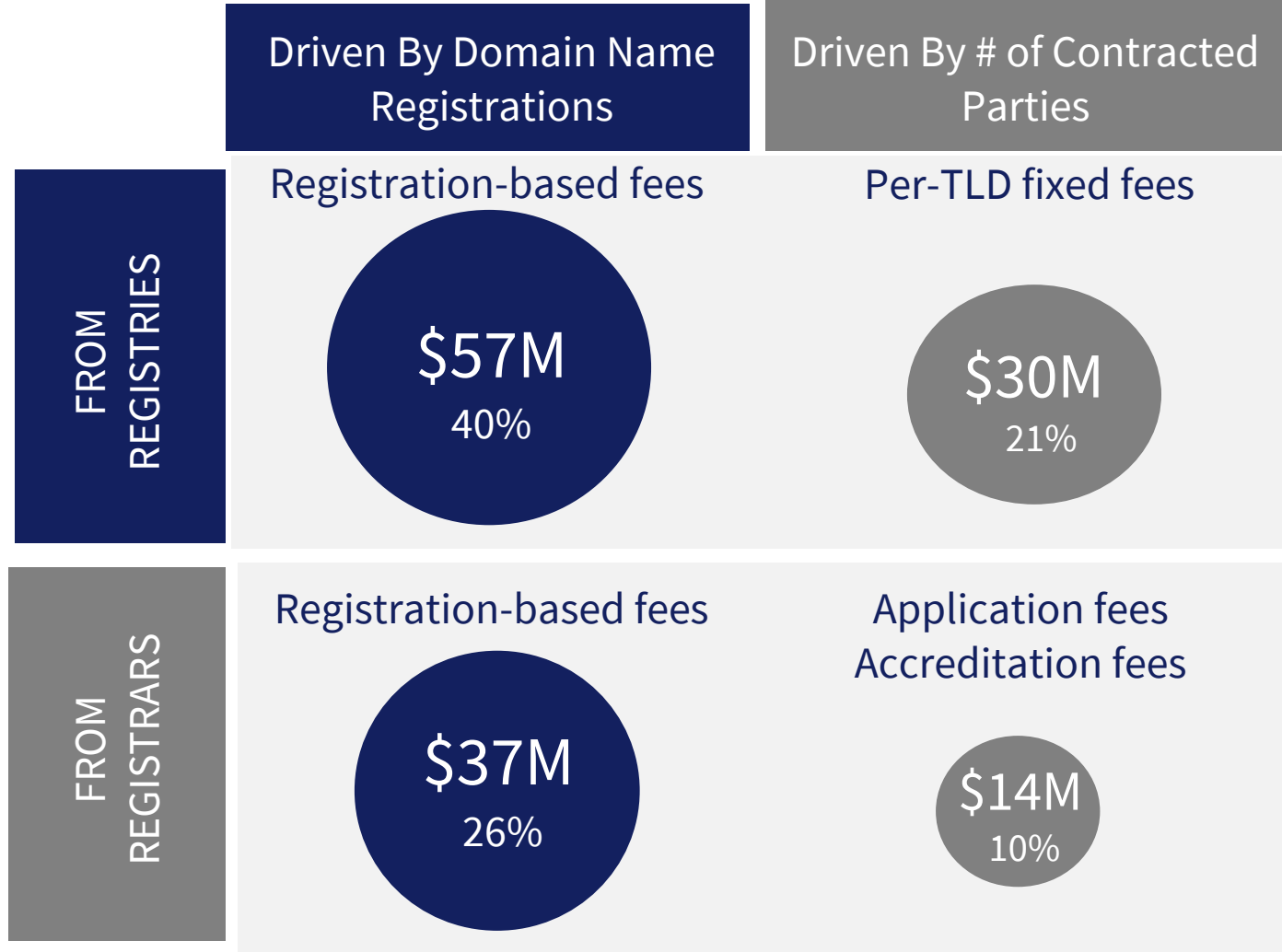
Other Income: $3M, 2%   Total Funding: $141M

FY20 (Jul 19 – Jun 20) Funding vs Budget & FY19

Funding slightly higher than Budget due to higher than planned transaction fees

Actual:	**$ 141M**
Budget:	**$ 140M**
FY19:	**$ 137M**

Chart data (Actual, Budget, FY19):

	Actual	Budget	FY19
REGISTRY TRANSACTION FEE	$57	$56	$54
REGISTRAR TRANSACTION FEE	$37	$36	$35
REGISTRY FIXED FEE	$30	$30	$30
REGISTRAR OTHER FEES	$14	$14	$14
OTHER	$3	$4	$4

Legend: ■ Actual ■ Budget ■ FY19
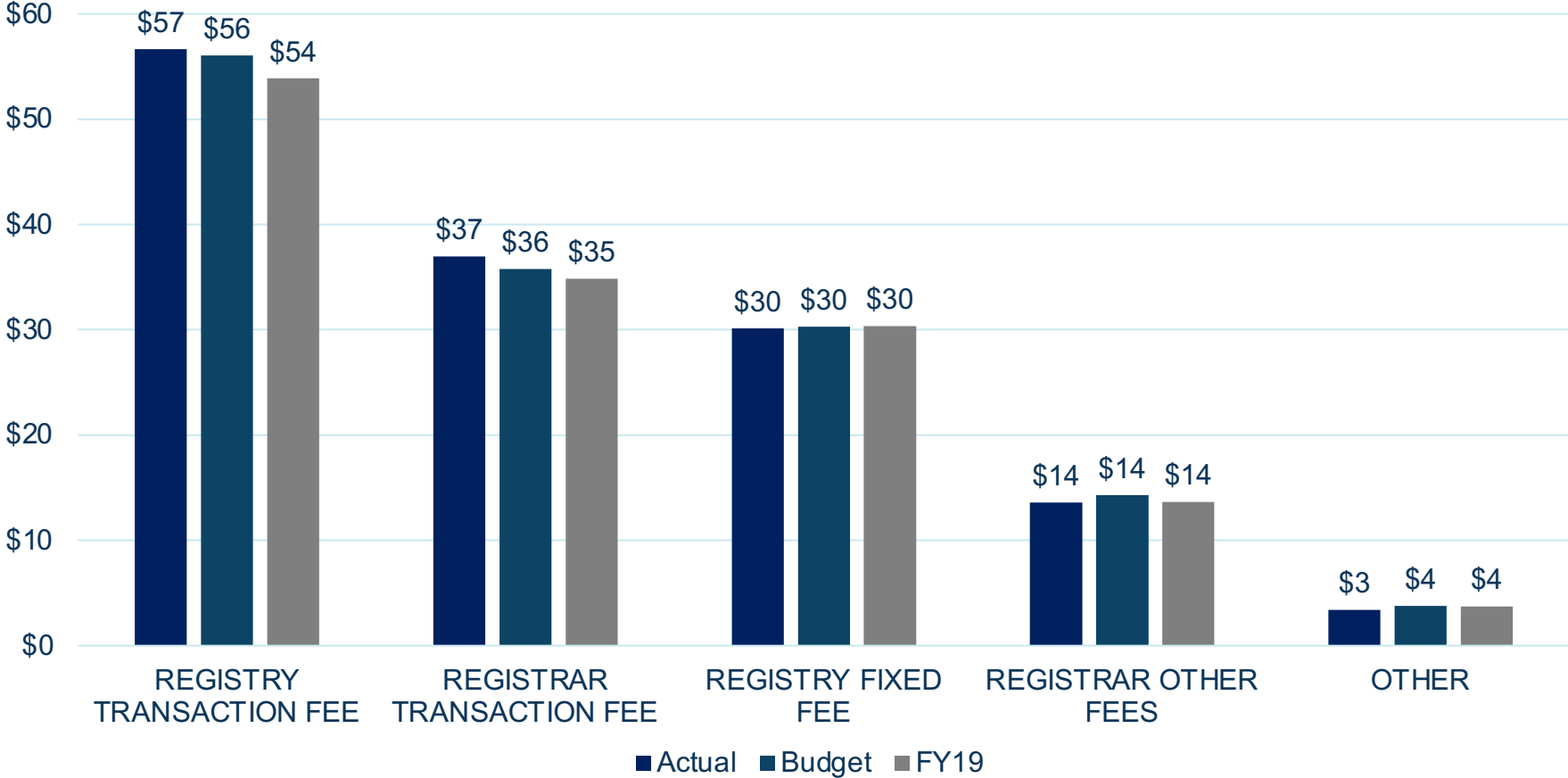
FY20 (Jul 19 – Jun 20) Operating & Capital Expenses

Year-to-date Actual Expenses : $126M

Includes IT infrastructure and security improvements

Capital
$7M
5%

Includes rent and other facilities costs and telecommunications

Administration &
Other*
$16M
13%

Reflects an average headcount of 388 vs. budget of 405

Personnel
$73M
58%

Includes contractor services, legal fees and language services

Professional
Services
$21M
17%

Travel & Meetings
$9M
7%

Includes travel and venue costs for outreach and meetings

FY20 (Jul 19 – Jun 20) Operating & Capital Expense

Lower personnel costs and Travel & Meetings savings due to travel restrictions from the Covid-19 Pandemic

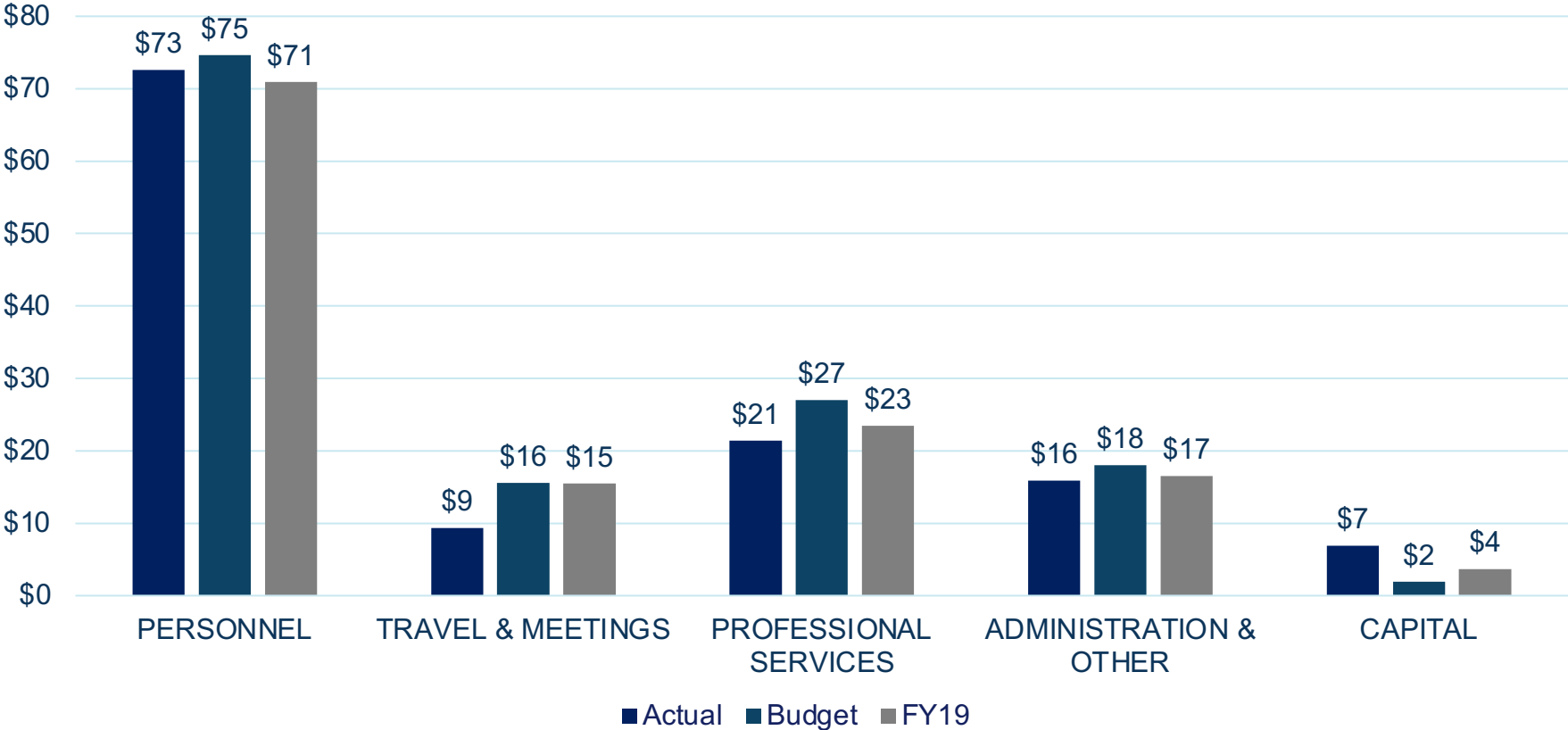|	
Actual:	$ 126M
Budget:	$ 137M
FY19:	$ 130M

Chart: Operating & Capital Expense by category ($M)

Category	Actual	Budget	FY19
PERSONNEL	$73	$75	$71
TRAVEL & MEETINGS	$9	$16	$15
PROFESSIONAL SERVICES	$21	$27	$23
ADMINISTRATION & OTHER	$16	$18	$17
CAPITAL	$7	$2	$4

Legend: ■ Actual ■ Budget ■ FY19

Overview of Accounts and Balances as of 30 June

$ in millions

June FY19 Balance
June FY20 Balance

	Auction Proceeds	New gTLD Application Fees	Reserve Fund	Operating Fund*	Total ICANN
June FY19 Balance	$208	$106	$116	$40	$464 (30 Jun 19)
June FY20 Balance	$212	$86	$123	$61	$480 (30 Jun 20)
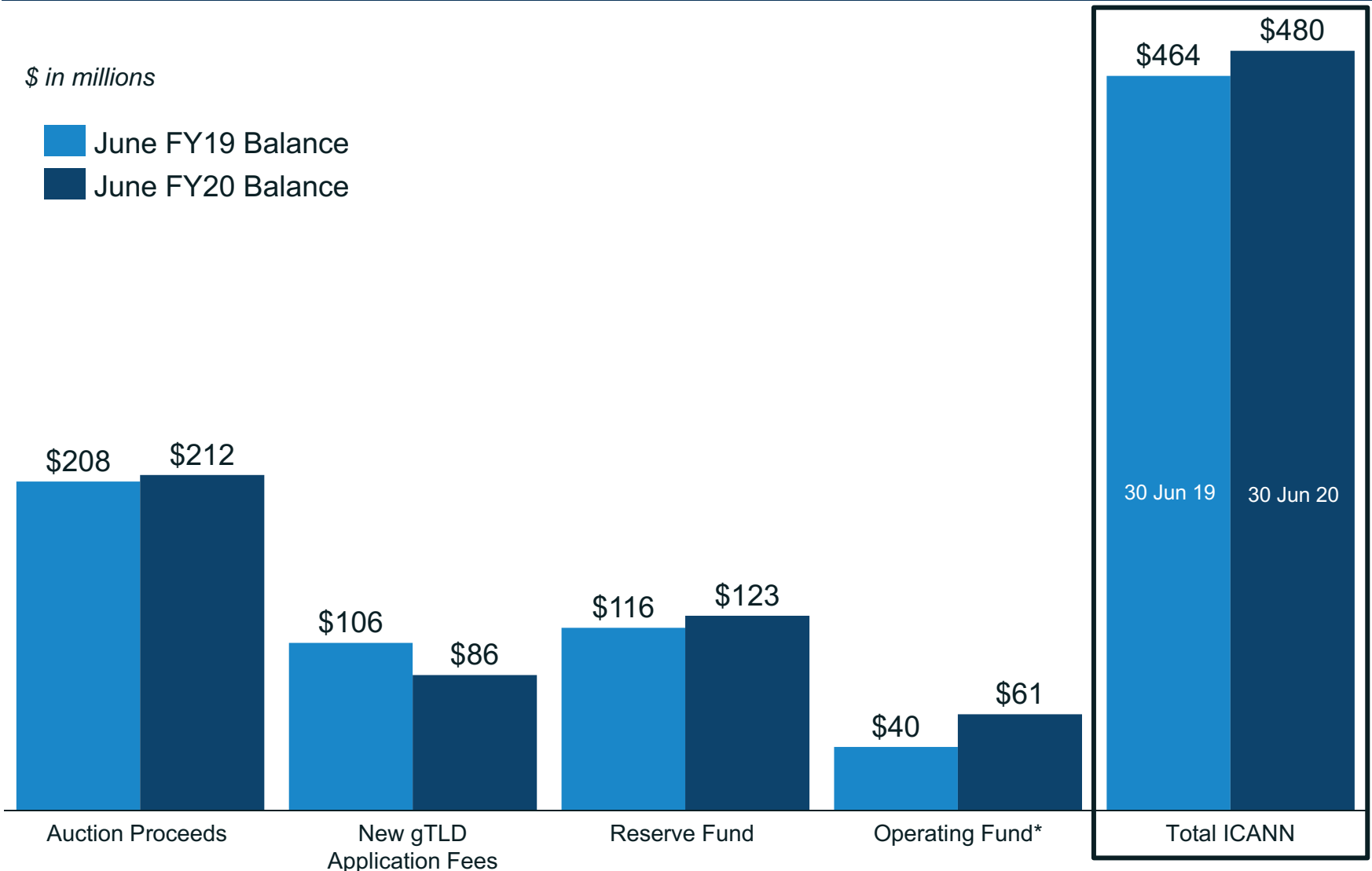
Total ICANN represents sum of month-end balances for all accounts
Blue bars represent month-end balances except for Operating Fund which show rolling 3-month averages

ICANN

Reserve Fund Replenishment Strategy

◉ The Reserve Fund Replenishment is tracking well ahead of the Board Approved Strategy

◉ The Reserve Fund Balance exceeded the minimum target Balance on 30 August 2020

Legend:
- Reserve Fund Replenishment Strategy (Board Approved)
- Actual
- Target Balance (1-year Annual Expense)
- ICANN Org Contributions
- Transfer from Auction Proceeds

Chart values:
- FY18: $70 (Strategy), $70 (Actual), $5M (ICANN Org Contributions), $131 (Target Balance)
- FY19: $109 (Strategy), $116 (Actual), $3M (ICANN Org Contributions), $36M (Transfer from Auction Proceeds), $130 (Target Balance)
- FY20: $112 (Strategy), $123 (Actual), $3M (ICANN Org Contributions), $129 (Target Balance)
- FY21 (as of 30 August): $115 (Strategy), $130 (Actual), $129 (Target Balance)

ICANN Org will make an FY21 contribution in December 2020, the amount is still being evaluated

FY21 Target Balance= FY21 Expense Budget

FY20 Review: Closing Thoughts

- ICANN is currently undergoing our annual audit, expected to be completed in October with no significant changes to financials

- The FY20 expected $14.6M net excess strengthens ICANN's financial health

- The FY20 net excess contributes to the Operating Fund exceeding its minimum requirement of three months of operating expenses

- The Board will consider how to allocate the Operating Fund excess, with the objectives of strengthening ICANN's financial sustainability and supporting ICANN's operations

Financial Update

FY21 Forecast

FY21 Forecast

USD in millions	FY21 Forecast	FY21 Budget
	Current Forecast	**Full Year Budget**
Funding	**$136.7**	**$129.3**
Cash Expenses	**$122.7**	**$129.3**
Excess/(Deficit)	**$14.0**	**$0.0**
End of Period Headcount	**400**	**400**

FY21 Forecast: Overview

- ⊙ ICANN org is three months into FY21 with a first opportunity to compare against budget

- ⊙ Based on latest intelligence, we have produced a forecast for FY21 to reflect updated information versus what we had planned
    - ○ **Funding is higher than budget** due to the resilience of the domain market and better than anticipated collections
    - ○ **Expenses are lower than budget** driven by more travel restrictions than anticipated

- ⊙ We are still amid a pandemic and a financial crisis so ICANN org will continue assessing funding projections and controlling costs strictly

- ⊙ As discussed earlier, ICANN org will provide quarterly updates regarding our financials

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

✉ Email the planning team ▶ **planning@icann.org**

Appendix

Operating Initiatives

1	Support the Evolution of the Root Server System
2	Facilitate DNS Ecosystem Improvements
3	Evolve and Strengthen the Multistakeholder Model to facilitate Diverse and Inclusive Participation in Policymaking
4	Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking
5	Develop Internal and External Ethics Policies
6	Promote and Sustain a Competitive Environment in the Domain Name System
7	Universal Acceptance
8	Root Zone Management Evolution
9	Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem
10	Through Targeted Engagement Improve Governments and Intergovernmental Organizations (IGOs) Engagement and Participation in ICANN
11	Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration with Others that May Impact the ICANN Mission
12	Formalize the ICANN Org Funding Model and Improve Understanding of the Long-term Domain Name Market Drivers
13	Implement New gTLD Auction Proceeds Recommendations as Approved by Board
14	Planning at ICANN
15	ICANN Reserves

Functional Activities – 35 in 5 groups (as of FY21)

Technical and DNS Security

- Office of the Chief Technology Officer
- ICANN Managed Root Server
- Internationalized Domain Names and Universal Acceptance
- IANA Functions
- Contractual Compliance

Policy Development and Implementation Support

- Policy Advice & Development
- Policy Research
- Contracted Parties Services Operations
- Technical Services
- Global Domains Division Strategic Programs
- Constituent & Stakeholder Travel

Community Engagement and Services

- Global Stakeholder Engagement
  - Regional Offices
- Public Responsibility Support
- Government & IGOs Engagement
- gTLD Accounts & Services
- Consumer Safeguards
- Communications & Language Services
- Global Meetings Operations
- Ombudsman

Functional Activities – 35 in 5 groups (as of FY21)

ICANN Org Governance

- Board Management
- Office of CEO
- Governance Support
- Nominating Committee Support
- Complaints Office
- Strategic Planning & Strategic Initiatives
- Accountability Reviews

ICANN Shared Services

- Operations Planning
- Finance & Procurement
- Risk Management
- Engineering & Information Technology
- Global Human Resources & Administrative Services
- Global Support Center
- Board Operations
- Security Operations
- ICANN Offices