ICANN70 | Prep Week – Planning at ICANN
Tuesday, March 9, 2021 – 10:30 to 12:00 EST

BECKY NASH:

Thank you everyone for joining. We're going to go ahead and get started. Hello, this is Becky Nash from the Planning Department, and welcome to this webinar. This session is being recorded. This session is scheduled to last one and a half hours. The presentation that we are presenting today is published here on the ICANN70 Prep Week web page and also on the ICANN Finance and Planning Community Wiki page. Q&A for this session will be during the presentation and at the end of the presentation. We do request that you use the Q&A pod to ask questions and that's by selecting the Q&A icon at the bottom of the screen and to be sure to type your questions in this pod. But, again, we will pause during the presentation to respond to questions and look for raised hands.

Next slide. At this time we would like to ask Xavier Calvez to give some opening remarks. Thank you.

XAVIER CALVEZ:

Hello everyone. Thank you, Becky. Good morning, good afternoon, good evening wherever you are. Thank you for participating to one of these first sessions for the prep week for ICANN70. It's great to have everyone here. There's a lot of participation in the prep week and we're hoping for a lot of participation in ICANN70 as well. This planning and financial presentation is happening in the context of our FY22 planning

process where we have just finished a public comment period and we will talk more about it on all our planning documents with a great participation for this community with a lot of comments submitted and we will look forward to the future Board approval in the next few weeks of this plan once the public comments have been taken into account. This is a very important moment of our planning process. This is in the context whether the organization, the community and the Board face a lot of different topics to deal with. A lot of different review recommendations, a lot of different CCWG recommendations, as well as policy development processes that are going on, or that are at the end of their development process and with implementation coming up ahead.

So a lot of things to do, a lot of things to consider, a lot of things to discuss with this community and, therefore, a lot of work to organize for all of us and this will be the subject also of prioritization discussion during this presentation. This also means that a lot of resources need to be put in place in order to face this amount of work which is often important and complex at the same time, or sometimes very innovative. Auction Proceeds, for example, how to deal with that is something new for ICANN. Very common elsewhere, but new in the ICANN environment so these are new things that we will need to deal with in the future weeks and months, and probably years. With that, I will let the team go over the presentation and we look forward to your engagement, to your input, to your questions, to your comments throughout the presentation in the chat, and then through the Q&A session at the end. With that, Becky, thank you. Please proceed.

BECKY NASH: Thank you very much. On this slide, we have our team members that work on planning and finance matters for ICANN and along with GDS. So several of us will be presenting today and just before we get started I would like to acknowledge that we have several ICANN Board members on the call today. We do have members of the BFC and members of the Board Finance Committee, and members of the Strategic Planning Committee and we appreciate their attendance today. Next slide. A quick overview of the agenda. We're going to start with a review of the financial results and then we're going to provide information on the FY22 draft five-year operating plan and draft fiscal year '22 operating plan and budget. We then will have a presentation on the funding projections for the five-year period, and then we have information on the financial plan and the budget and a review of the public comments for the FY22 draft plans. Then, a quick update on the next steps for both FY22 planning and some slides on FY23 planning.

We will have a Q&A at the end, and now I would like to ask Shani Quidwai to move to the next section. Thank you.

SHANI QUIDWAI: Thank you, Becky, and hello everyone. This is Shani Quidwai from the ICANN Finance Department. As Becky noted the focus of today's presentation will be primarily planning as it relates to FY22 and the five-year plan that was also recently published for public comment. Before we go into that we thought it would be helpful to give a recap of our

financial results and provide an overview of the financial health of the organization with a focus on our last fiscal year as well as how the financials are trending this year. If we could move to the next slide. Starting with FY20, this is the most recent fiscal year that has been completed for ICANN. That fiscal year started in July 2019 and ended in June 2020. Overall ICANN had a very strong financial year. Funding was approximately $141 million and aligned with the budget. The $140 million of funding is a stable number that aligns with the funding that we have seen over the last few years.

This is still quite noteworthy when you consider the fact that half of that fiscal year or so was during the pandemic and there was a lot of uncertainties regarding the economy and just the impact on domain market and a lot of collections and so forth. So the fact that our funding was aligned to the budget and aligned with what we had seen in the prior years was a noteworthy item. On the expenses, they were $126 million—or $11 million lower than budget—and that significant variance or under of budget is primarily due to the travel restrictions that started to take place as a result of the pandemic. In fiscal '20 ICANN67 and ICANN68 were both held virtually, which generated a savings against the budget. The budget assumed face-to-face meetings and a lot of travel cost associated with that, and as a result, travel was lower and that is why our expenses were primarily lower.

In addition to that we had fewer positions than what we had budgeted and we did see lower office related expenses due to the closure. For the year, there was a net excess of $14.6 million, or $11.7 million higher than our budget. Our budget had assumed an excess of $3 million so that we

could make a contribution to the reserve fund but you can see that we came in quite higher than that due to some of these travel restrictions. Then, lastly, I'll go into this more in another slide but the funds under management, or essentially the funds that ICANN has available at our disposal to carry out all of our work and our mission increased $15.8 million versus the prior year. This is primarily due to the excess that I noted above and investment gains that we saw in some of these assets despite some of the volatility within the market.

Moving to the next slide here, we just wanted to bring to light some of the publications that exist on ICANN.org. We post quarterly financial reporting which I'll go through next. Every quarter these financials are posted so if you're wanting to understand more how our financials are trending and how we're performing against the prior year or against our budget, this is a good resource. A lot of these materials we discuss in webinars so you don't need to purely read them but it's just a good place if you want to get something at your own time. In addition to that, there is a bunch of other schedules you can see here that we publish. On the right side is a list of all of the items that we post on an annual basis and on the left are items that we post periodically throughout the year.

So there's a link at the bottom of this slide and we encourage everyone to take time and view these when possible. I have been focusing on fiscal '20 which was our last year that was completed and now I'll move into fiscal year '21. This is the current fiscal year that ICANN is in. This started in July 2020 and will end in June 2021. Here we have our results six months into the year or through December 2020. You can see here

starting with funding. Funding has been 10% better than the budget or $6 million higher and flat to the prior year. This is due to the fact that you can see that funding has remained stable. We had made projections that funding would be lower than prior years due to the pandemic. These projections were developed at the very beginning of the pandemic and there were a lot of uncertainties so we took a cautious approach to estimating the funding and we've been pleased to see that it's been very similar to prior years.

Expenses are 8% better than the budget or $5 million better than the budget and a key driver here is also travel. When we developed the budget, we assumed three face-to-face ICANN meetings. We did expect the travel restrictions would still remain at the beginning of our fiscal year, but at the point when we developed the budget we thought the travel restrictions might start to ease around the October time frame. Which is why we are under the budget because those travel restrictions haven't quite yet lowered. You can see that overall we have an excess of $11 million halfway through the year and our headcount has been relatively flat to the prior year to the budget. If we move to the next slide, all of these slides that I'm showing here on the current fiscal year, these are available on ICANN.org and were posted a few weeks ago.

Here is an overview of our funding and we have a pie chart here just describing the various sources of funding. This breakdown of funding is similar to what we have seen in the past with the largest piece of our funding coming from registry transaction fees. These are driven by domain name registrations. The second-largest piece of the funding— which is 26%—are registrar transaction fees which are also driven by

domain registrations. Next, we have 22% of our funding that comes from registry fixed fees and this is essentially an annual fixed fee that's driven by the number of TLDs. Similarly, we have accreditation fees associated with registrars that compose 10% of our fees. So you can see here that overall our funding is $69 million halfway through the year and this is aligned with the prior year and higher than what we had projected in the budget.

Moving to the next slide here we have an overview of our expenses. You can see that the largest piece of our expense—or 67%—is personnel. This includes all of the salary costs, the healthcare benefits, and costs associated with our staff. The second-largest piece of our expenses are professional services which compose 15%. There's a variety of items that fall within the professional services line but some examples of those are legal fees, language services fees, contractors, and costs associated with ICANN meetings regardless of whether they're virtual or face-to-face. Our next item here is administration fees, these are 13%. This includes rent, other facility costs, and some telecommunication costs and licenses.

One item that's not really prominent here and typically is, is our travel and meetings. You can see that that's 0% due to the restrictions that have happened. But typically with the type of travel that the organization does you'll see that that's a much bigger piece of our expense. Overall the year-to-date expenses are $55 million. If we could move to the next slide. I believe this is the last slide here, but this is just an overview of the fund under management that I had mentioned before. You can see on the left side this is where we started the fiscal

year. The light blue bars and the dark blue bars are the balances at the end of December, so over six months, how did these balances change? You can see each one of these are essentially the funding available that ICANN has to carry out these operations. Starting with the Auction Proceeds, these are the Auction Proceeds that were collected that were associated with some of the 2012 applications.

This balance is flat because we are not utilizing these funds and we haven't started any of the work on this program yet. Ultimately when this work does start these are the funds available that we have to carry that out. Next, we have the new gTLD application fees. We are still processing new gTLD application fees. You can see that the balance decreased $1 million and this is where we will continue to draw funds to process those remaining applications or any costs associated with that program. The reserve fund has increased $13 million over the year and this is due to investment gains on the investments within that portfolio. There is also a contribution that ICANN is planning to make into the reserve fund but that has not yet taking place in this timeframe here.

Lastly, we have the operating fund and this is the funds that ICANN has to carry out all of our day-to-day operations. This is where all of the funding that I was discussing earlier comes into and these are where all of the expenses that we incur on a day-to-day basis come out of. You can see that that balance increased $8 million and that's due to the fact that we have been operating at an excess right now due to lower travel than what we had projected and the fact that funding has remained resilient and higher than projections. So overall the funds under

management that ICANN has available has increased $21 million over this time frame. With that, I will hand it over back to Becky. Thank you.

BECKY NASH: Thank you, Shani. Just wanted to pause for a moment. We have received some questions in the Q&A pod that we've been in the process of responding to. I know that there's an additional one, a follow-up one from Jeff Neuman at this time. We will continue to respond to questions in the Q&A pod and/or if hands are raised in the room. With that, I think I will go ahead and move into the next section. Thank you. We're going to cover just an overview of the FY22 planning documents. We've provided on this page a link to the public comment page where the draft FY22 through '26 operating plan and financial plan, and draft FY22 operating plan and budget were posted for public comment. Would just like to highlight that the documents that were published for public comment in December 2020 comprised three documents.

A highlights document, the draft operating and financial plan for five years, and the fiscal year or one-year operating plan and budget document. In addition, we provided two supporting documents on this page. The ICANN strategic outlook trends report for calendar year 2020 which was input into the FY22 planning and then a funding forecast assumptions report. We encourage those that have not yet had a chance to review these documents to please find the link on this page and check out these documents, please. Next slide, the operating plan structure for the draft plans. The structure of the document is organized into two areas, one called functional activities and one called operating

initiatives. The operating plan includes a description of the activities that ICANN Org will undertake to achieve its strategic plan, operate the organization and implement its mission. So the functional activities are 34 functions that are grouped into 5 groups.

The examples would be: activities of functions to operate the organization such as human resources or the finance function, or activities that implement ICANN's mission and mandate such as contractual compliance or the IANA functions. Then we have sections describing 15 operating initiatives and these 15 operating initiatives represent major areas of work that support the strategic objectives identified in the strategic plan. We have a list of all of these elements in the appendices. On this slide is a quick overview of the functional activities that we just discussed where we have 34 functions in five service groups. The complete list is listed in the appendix and this is just as an overview of these planning documents for those that have not yet had a chance to read them.

Next slide. We'd like to highlight key planning assumptions for the FY22 through '26 plans. One key assumption is that the strategic objectives for FY22 planning remain unchanged, so based on the work completed for the strategic outlook, the strategic planning committee of the Board had recommended no change to the strategic objectives for this planning period. In addition, a key planning assumption is the affordability and the fact that we have a balanced budget. The draft plans are based on base scenario funding projections, and each fiscal year, the resources for the cost of the work planned do not exceed funding available. A key assumption related to recurring work is the

majority of ICANN's work that supports the organization or supports the mission recurs year over year. Dependencies and the rolling plan, each year the five-year operating plan is developed as a rolling plan. The one-year operating plan and budget then includes detailed implementation work resulting from Board decisions of policy and community recommendations.

Next slide. Several highlights that are included in the operating plan include resuming face-to-face meetings and engagement. At the time the plans were developed—and although even today there's still uncertainty—we did include in FY22 to resume business travel and three face-to-face meetings for ICANN meetings. Another key assumption as highlighted in the operating plan is that the Work Stream 2 implementation work is prioritized for implementation in the FY22 plans. Other Board-adopted recommendations will be subject to the prioritization process for planning. Progression towards the achievement of the operating initiatives is included in the FY22 plans. So operating initiatives and key projects, there is progression towards achievement of these activities.

Finally, cost savings and efficiencies are assumed over the five-year plans as noted further in this presentation. At this time I would like to ask my colleague Mukesh Chulani to cover the funding projections.

MUKESH CHULANI: Thank you, Becky. Is my audio coming through okay?

BECKY NASH: Yes. We can hear you. Thank you.

MUKESH CHULANI: Thank you. My name is Mukesh Chulani, I represent the Global Domains and Strategy Division within ICANN. Within this team, we have a recurring cycle of forecast reviews and updates. I want to walk you through the approach we'd take towards funding projections. If you move to the next slide, please. On the left, you'll see three tiles and those correspond to the major steps we take as we develop funding projections at ICANN. The first is always a marketplace horizon scan, so within this first step, we evaluate developments that are likely to impact the supply and demand for domain names over the forecast horizon. It's our constant starting point irrespective of whether we're looking at a five-year forecast or a one-year forecast. This is the input that begins that process. You'll see, I'm not going to read the small font on the slide but during the latest forecast period, you'll see that we've really had to temper our marketplace horizon scan with macroeconomic forecasts in light of the COVID-19 virus outbreak.

When we had to revisit our forecasts, we had to draw on the assessments of third-party sources and you'll see a lot of them listed on the slide. The IMF, World Bank, Dun & Bradstreet, the OECD, Boston Consulting Group among others. In addition, we conducted interviews with various industry representatives. Those interviews were done both by account managers internally and also via third-party consultant. In addition to that, we combed through publicly available industry information so those would be things like investor statements,

regulatory filings, news profiles, and of course we supplement that with information we have on transaction volumes where we look at new acquisition versus renewals. We look at the growth pattern of strings. We take a look at data escrow records to evaluate trends within both legacy and within key new gTLDs.

The marketplace horizon scan represents the sum total of those trends that we identify. These are taken/presented at face value independent of assumptions, and then we go into the next slide where we work through assumptions. If you move to the next slide, please. Perfect. One back, thank you. Yes. As good forecasting practice we anyway outline a number of forecast scenarios and each of those—if you think of it—have different thresholds of conservatism versus let's say optimism. They represent plausible viewpoints of how funding might evolve over a forecast period. But as you can imagine, you can have an infinite number of scenarios. What we do is we develop three scenarios, our base-case estimate which is the scenario we most strongly believe will take place in addition to high and low estimates.

In tandem, these three scenarios give us the breadth of potentialities for future funding. You'll see on the slide outlined some keywords here about what each scenario really represents. When we talk about low funding scenario we're talking about a decrease in all drivers of funding. When we talk about the base scenario, we're talking about a conservative appraisal of growth and we're also saying that there's no long-lasting dislocation in the industry arising from the COVID-19 pandemic. However, there is recognition that we are in a maturing industry and within a high funding scenario, we take a slightly more

optimistic view. Although you'll see what optimistic means when we take a look at the next slide. We're not saying gangbusters here, we're still rather conservative in terms of what the high funding scenario means. I want to underscore that the scenarios have been prepared during this very uncertain period. Shani alluded to it and Jeff, on the chat, asked a question related to it. We really were in what is called a black swan event really, where we have the COVID-19 pandemic introducing uncertainty in the industry and that was really the backdrop for the development of this forecast.

If you take a look at the subsequent—okay we're already there. The actual funding of 140.7 million in FY2020. If you look at that year over year compared to FY19 and FY18 you'll see very, very marginal increment in terms of both and you'll see over the prior five-year period taking a look back, FY15 to FY20, we're really seeing something like a 7% growth rate. But that's skewed towards the first few years if you'll see the tapering of that growth curve. What we have here in terms of our projections is as I mentioned low scenario really says we're going to revert to a more conservative and highly mature industry where we have -3% growth, so we're in decline. Base scenario simply assumes the run rate and you'll see it continuing but very conservative growth of 2% and then when we look at the high scenario we recognize that it's lower than where we were as a 7% growth rate in the past five years. But we're still in the 5% growth rate category.

These three represent the breadth of potentialities and, of course, these do not include funding for the new gTLD SubPro or Auction Proceeds. We're looking here at recurring funding categories. And just one last

slide for me to go through. This slide shows you the accuracy of our prior projections and you'll see that we've tracked rather well in the past several years. We do expect FY21 to be an outlier and it's because of the rather conservative estimate we put in place in the budget back in the May/June time period when we were in the throes of that uncertainty owing to the pandemic. The updated FY21 value of 140 million represents the base-case funding estimate using the actual values from Q1 and that varies from what we adopted of 129.3 million.

When we develop our forecasts there are two considerations in mind. The first is that we are not low-balling it. We're developing our forecasts with the expectation of maximum funding levels. Conservative but by no means are we low-balling it. The second is that we maximize chances that actual funding is higher than what we project, so we would consistently want to have the actuals exceed our forecasts. It's a very fine balance and that's what we strive to have within our funding projections. With this, I've completed my segment. Turn it over to Shani. Thank you.

SHANI QUIDWAI: Thank you, Mukesh, and hello again everyone. Now I will go through some of the specific financials and assumptions associated with our five-year financial plan as well as the draft FY22 budget. Starting with here we just have an overview of ICANN's financial reporting structure and you can see that the gray boxes on the bottom are the funds that ICANN manages that I had touched on before. For ICANN operations which is all of our core day-to-day work that we do, which includes BTI

and IANA, we utilize our operating fund and as a last mechanism of resort, we do have the reserve fund there for an emergency.

On the right side here you can see the new gTLD program from 2012 that we do not use any of the operating fund or the core operations of the organizations. That is self-funded so all of the application fees that we took in for those applications are the fees… We utilize that funding to process the applications and carry out that program and as we think about the future work of ICANN and another round of TLDs would operate in a similar fashion, that it is what we call a cost recovery program where any fees or application fees for that program would be used to process and carry out that program similarly the way this past one was done.

If we move to the next slide we can discuss some of the high-level assumptions around funding and expense. I think Mukesh just gave us a great overview on our process and approach to doing funding projections. One of the things that he touched on was that there are multiple scenarios and outcomes that can occur over a five-year period. To overly summarize it, Mukesh and his team when they go through the projections, they develop a high case which is the highest projections that we could see possible, a low case, which is the lowest, and then a base case which is the most realistic and the most reasonable.

For all of our financial purposes here we leverage the base case that they calculate. We acknowledge that funding could be higher or lower but we utilize this base case because it's the best for our planning purposes. Included in our base funding projections is a contribution

from Verisign to preserve and enhance the security, stability, and resiliency of the DNS. Regarding the expenses, personnel expense and headcount is assumed to remain stable until the impact of resources of pending implementation were to be approved as reflected. At this time there is a lot of implementation work that is being discussed. That work has yet to be approved and finalized. Ultimately when that work is approved and finalized it will most likely necessitate higher resourcing than what we have here because the resourcing in here is very stable and aligned to what we have shown over the last few years.

At this time we're not including work from future Board decisions. Specifically things such as GDPR, EPDP Phase 2, RSSAC37, and 38. Expenses related to the Auction Proceeds in the subsequent rounds of new gTLDs are not included in these and would be funded separately as I mentioned before. As we think about the Auction Proceeds and whatever the goal is on utilizing those funds and carrying out that work, we would be using the Auction Proceeds as opposed to our operating expenses. The five-year plan will include contingency funding for unplanned work that has yet to be approved. We do acknowledge on an annual and definitely on a five-year basis that when we develop our plans, we develop them so far in advance that we won't have insight and we won't know of every Board decision or approval that will be done. Therefore we've set aside some specific funds so that when new work gets approved that we did not specifically plan for, the organization has funding and resourcing available to carry out that work for something that wasn't approved at the time of the development.

Regarding the reserve fund, we recently achieved a significant milestone where the balance in the reserve fund equaled one year of expenses. However, that is what we view as our minimum target and we do plan to continue adding to that balance and increasing above the minimum target level over the five-year period. Lastly, this is an affordable plan that is balanced where every single year our expenses do not exceed our funding, and actually, our expenses are lower than our funding on an annual basis because we have set aside contributions to the reserve fund. Here we have on the next slide an overview of the financials. A lot of numbers here so I'll just try to focus on some of the key ones.

You can see the year-by-year projections and then the five-year total of these projections off to the right. As noted earlier, the funding is based off the base case scenario, so you can see that we start with funding of approximately 144 million and reaching about 153 million by the end of the five-year period. You can see the personnel expenses are relatively stable over this time frame and you can see the travel and meetings are much more significant than what we have seen in the past years. That is due to the fact that we have assumed the travel restrictions would have been minimized and that face-to-face meetings and that type of engagement would reestablish itself over this five-year period. In addition to that, you'll see some pretty stable numbers across the Board when we look at things like professional services, admin, and capital expenses.

We will go into this more in some of the next slides but each year of our five-year plan does include an allotment of funding for operating

initiatives. Some of our operating initiatives we're able to carry out within our core budget and our core day to day activities, however, some of them require incremental efforts above and beyond. So this is the items that we've called out here are those truly above and beyond and incremental new expenses that the organization would need to carry out work on these operating initiatives. Last item to call out here is that we have a cost savings initiative that the organization is continually focused on operational excellence and making sure we have good contracts in place and that we're finding efficiencies within the organization, and you can see here that we have set aside a challenge of approximately two to three million dollars per year of expenses that we plan to reduce our efficiencies that we plan to achieve and find in order to help keep this budget balanced.

Lastly, you can see the reserve fund here, we broke it out in two lines that the first line is what contribution does ICANN need to make in order to maintain the minimum level. By minimum level, we've defined that as a balance equal to one year of our expense. You can see that from FY23 to FY26 those contributions we are making would be above the minimum level and are just further adding to the stability and the sound financial management of the organization by increasing that balance within the reserve fund. Here is an overview of the 15 operating initiatives and as I mentioned before, some of these initiatives, the organization is able to carry out within the core budget and do not require incremental efforts or resourcing and so any of the initiatives here that you can see that have a dash that indicates a zero, we have not allocated additional funding for these initiatives.

An example of something like that would be planning at ICANN or ICANN reserves. Those are initiatives for the organizations that we're able to carry out without additional resourcing. Whereas the others called out here, these are the estimates that we project for those initiatives and we have called out on the right some of the assumptions that compose what the financials are indicated in that gray column. That gray column is the midpoint or the average between our low estimate and the high estimate of the resourcing needed to achieve each one of those. On the next slide here we just have some more details around how we planned to phase those initiatives by year. You can see that for the most part a lot of this work is starting in FY22 and some of these initiatives will take a little longer but a lot of the work is already starting around going on these initiatives.

Moving now to the FY22 budget assumptions. Most, if not all of these assumptions would be the same or very similar to the five-year projections. This budget is also balanced where our expenses will not exceed our projected funding and the expenses are actually lower, once again, because we do want to make a contribution to the reserve fund. One thing to note is that the condition of the pandemic continues to remain uncertain and could impact our funding and operations. Our expense assumptions assume three face-to-face meetings next year but given how things are trending, that may or may not happen. As we think about the assumptions and how far in advance we have to make them, they may not play out exactly the way we think and these are the projections that we made at a point in time.

If we move to the next slide, just some more background. We have projected funding to grow modestly from the FY21 forecast projection. So as Mukesh had noted earlier, we were in a very unique environment when we developed the projections for FY21. Since then we have received a lot more data and have a lot more insight into how this pandemic has impacted our funding and we are projecting based on that modest growth, which is different clearly than what we projected for this fiscal year. FY22, we'll continue to assume the assumption of the contribution from Verisign for the SSR efforts. Regarding expenses, average headcount is assumed to be at 405 similar to the current staffing level until pending implementation work is approved. I touched on the travel that we are projecting for pre-pandemic level travel which includes three public meetings and face-to-face.

Lastly, the reserve fund balance as noted has reached one year of expense. However, we will continue to make those contributions to replenish above and beyond the minimum threshold. Here we just have a side-by-side overview on how our FY22 draft budget [that had] posted for public comment in December compares against the fiscal year forecast for this current year. You can see that we have the modest growth of $4.4 million against FY21. A key driver in that is a full-year contribution of the Verisign funds, whereas due to the timing of the way that came in this year doesn't have the full year impact on the FY21 forecast. Then going through some of these lines, I think some of the bigger ones that will stand out are travel. You can see that our FY21 forecast of $4.7 million is significantly lower than next year's budget. That is due to the fact that the current year's forecast has one face-to-

face ICANN meeting whereas next year has three. So that causes a big rise in expenses.

In addition to that, you can see some of the additional costs associated with meetings reflected in our professional services. We have that rising $1.7 million or 10% against the forecast. Then another item to call out here is the incremental operating initiatives will be a bigger focus and we expect bigger accomplishments and efforts associated with those. The current year forecast has $2 million for the operating initiatives whereas next year we have $5.5 million allocated within the budget. Moving to the next slide, we wanted to highlight the additional budget requests process. This process has already kicked off and the submissions were received in the January time frame so we want to thank everybody that took the time to develop additional budget requests and submit those.

Those are currently being evaluated and similar to the timing of the past years, we will notify the SOs and ACs of the approvals of those when the budget is adopted and approved by the Board in the mid-May time frame. Last slide here to close it out, once again looking at the fund under management. You can see that we have a three-year view here and within each of the three years we have the four key funds that ICANN is looking at. The operating fund is in gray, the reserve fund in green, the new gTLD application fees in light blue, and the Auction Proceeds in dark blue. Key item to highlight here is that within FY21 we have a $10 million contribution to the reserve fund that we are recommending to the Board. That transfer and that Board decision has not yet taken place but when and if that is approved would cause the

balance to significantly rise and be a very positive impact on the reserve fund.

In addition to that, we have the one million dollar contribution next year for the reserve fund that we've outlined in our budget, and aside from that very other little activity within these funds because as you think of the Auction Proceeds there are decisions that haven't been finalized yet and then the reserve fund is something we don't utilize, it's there for more of an emergency basis. That concludes the finance section and at this point, I'll hand it back over to Becky. Thank you.

BECKY NASH: Thank you, Shani. We're going to pause for a moment for several questions that have come in on the Q&A pod. Just as a reminder we do request that you submit your questions through the Q&A pod screen and we will answer several of these live at this time. Okay, so we do have a question from Daniel Nanghaka. I'll just read it. "Does the projected cost that were meant to be used during the pandemic year, will they be transferred to the reserve fund? The pandemic has lowered the operating expenses, concurrent funding challenge that has become an outcome of the pandemic be used to strengthen community engagement and capacity building programs of ICANN, especially to the underserved regions?" Shani, would you like to respond just about the reserve fund? I know we presented some of that during these slides.

SHANI QUIDWAI:	Sure, thank you, Becky. Yes, the excess that ICANN generated last year, one of the key focuses on what we planned to do with those funds is make a contribution to the reserve fund and the recommendation that the organization has made to the Board is to make a 10-million-dollar contribution into the reserve fund to further strengthen that stability of the organization. As it relates to specifically some of the community engagement and capacity programs, it looks like Victoria's going to provide some more background as to that. I see her answering this one so maybe we can move to one of the other questions.
BECKY NASH:	Thank you. The next question that is open in the Q&A pod. "Do you know when the Board will consider and act on the final report of the Auction Proceeds Cross-Community Working Group? Are those funds now safe from being used for ICANN's reserve fund per your current planning process?" I do see that Xavier Calvez is typing an answer to this one.
SHANI QUIDWAI:	We can wait for Xavier to answer this one, but I think one item just clarify for sure is that the funds related to the Auction Proceeds do not comingle with ICANN reserve fund and that is not something that we have ever done. Oh, I take that back. There was a one contribution of funds from the Auction Proceeds into the reserve fund but that is not something that we are actively looking to do and, yes, those funds

related to the Auction Proceeds are there to carry out the work of the Auction Proceeds CCWG group.

XAVIER CALVEZ:

If I may just add to what Shani just said. The report has been submitted, as [everyone knows,] and a lot of people actually know that the report from the CCWG has been submitted to the Board and the Board will then need to be able to consider this report and make a decision on the proposed mechanisms. As a reminder, the report does not make one recommendation but suggests to the Board to evaluate two different mechanisms and therefore this evaluation will be required for the Board to then be able to consider the report and ultimately make a decision on what to do and how to organize the disbursement of the Auction Proceeds. That work has not yet been completed. The Board and the organization are looking at a number of different topics in addition to the Auction Proceeds in its report that require also current attention and processing.

So this report will be considered in the context of the rest of the work of ICANN and also will be the subject of prioritization of work that the community will be involved in. Thank you.

BECKY NASH:

Thank you, Xavier. We have a few other questions that [we'll] take a couple of these. So the next question I see is from Judith Hellerstein. "Do you expect the contingency amount to rise each year, and why do you think this will occur?"

SHANI QUIDWAI: I can take that question, Becky. The numbers that Judith is referring to are on page 27 of the presentation and the contingency amount is $5.2 million and rises approximately $200,000 each year in these five-year projections. Due to the nature of what contingency is we don't know at this point exactly what the expense will be. This is, as a reminder that these are the funds that we set aside for unplanned work or things that we don't foresee. So this is our best estimate and the reason we have it rising throughout the five-year period is that the further out we go into our projections the more uncertainty we have. So we just wanted to make sure that we had more funding available for unplanned work in FY25 than we have for FY22 because by nature, the further we go out, the more unknown there is. It remains to be seen how much of this if any of the organization needs to use, but this is our assumption and this was the logic behind the rising balance. Hopefully, that's helpful.

BECKY NASH: Thank you very much. At this time, then, I think we will move into the next section of the presentation. We're now going to cover the public comments received. It's an overview for the FY22 draft plans. Next slide. We received 218 public comments for FY22. This results in a trend over the last several years where we are acknowledging that there has been significant involvement and engagement from the community members and it continues to remain high. We just would like to highlight that part of the process for public comments is to assign specific aspects of the memos or public comment documents received

as a comment. So that is something that is part of our process and in some cases, these different public comments are parsed in a way or separated in a way that we assign a numerical value and they are subject to change. Meaning we could combine one or two if we discover that they are actually part of the same comment.

But this is very encouraging and we appreciate all of the community members and SOs, and ACs, and individuals who submitted public comments for the FY22 plans. We're now going to provide an overview of the breakout by SO and AC and individuals. For FY22, we have a total of 11 groups that submitted or 11 individual groups and individuals that submitted public comments. We've noted the trend over the last two years just to highlight that in FY22 we received 218 as compared to FY21 planning process where we received 171. The number of submitters is approximately the same, meaning 11 versus 10 for the last planning process. This just highlights the distribution or the amount of comments, again, that as part of our process we assigned to each of the overall memos.

We, again, want to highlight that it's part of the accountability and transparency that we appreciate all of the community members that have submitted comments. This slide provides a breakdown of those comments by themes. Part of the process for the FY planning process is to group similar comments into a theme and here we are highlighting that for the FY22 planning process a large majority of the comments— approximately 40%—were related to the operating initiative plans. There were comments nearly on every operating initiative of which there are 15, and then there were several other comments. That is the

largest category of comments in FY22 and we can see that as compared to FY21 as noted under the label there that in last year it was 26% of the comments received. A couple of other notable areas are 12% for the operating initiative resources. These were public comments that were submitted as it relates to the incremental operating initiative expense that we reviewed in some of the financial slides just moments ago. Again, also about the functional activity efforts as it relates to operating initiatives.

Then we have another, the top three categories of financial management which was very similar to the amount of comments that we received in FY21. Next slide. This slide is a breakdown now of the themes that they've been assigned by SO and AC so that we can see for the themes on the left-hand side. Then the second column is the total number of FY22 comments, again 218, and then across the top, we have the names of the SO and AC groups and individuals that submitted public comments via the public comments site for FY22. We have highlighted a few areas where we see by theme a large number of comments submitted. So I'll just highlight again that in FY22 we do see the largest number of comments were received on the operating initiative plans and then by submitter, we can see that the business constituency provided the largest number of comments in that area.

Then we did receive two other groups that provided comments on that area, we've just shaded those. We've just highlighted by a couple of other themes, just ones that are a bit of a concentration or a highlight in that area. ICANN Org is in the process of preparing the responses to the public comments so the staff report will be published on the 18th of

March and we are going through these comments to formulate our responses. Again, we appreciate the effort that everybody has made for comments. I'll just pause here to see if there are any questions as it relates to public comments.

I don't see any questions in the Q&A pod at this time. We will then move into the next section, but we do have time remaining at the end to go back and cover any of the questions that we haven't answered.

This section, we're going to cover both FY22 planning—the next steps—and then also the FY23. So on this particular slide, we would just like to highlight again the next key steps as it relates to the FY22 planning process.

As I mentioned, we are in the process of preparing a staff report on public comments, and we appreciate any feedback that any constituency group or individual would like to make in the Q&A about the public comments.

The next key steps after the responses are published on the public comment website will be to review the plans, proposal for adoption. I will highlight that the plans that will be submitted for a recommendation to our Board finance committee and to the Board will be posted on our public comment page for community members to see those plans as they move into the next step of a recommendation for adoption to the Board. That is expected in the May timeframe.

And then once the ICANN Board has adopted the FY22 plans, we will then have the empowered community period which will follow directly

after that adoption and runs for 21 days, plus another 7 days, and we will have information on our website regarding that.

This next slide talks about the strategic plan and the outlook trends. We are mentioning this because the strategic trend sessions are the first step in the annual rolling planning process, and we have scheduled strategic outlook trends identification sessions with the community, Board and the Org, and this is the first step in our FY23 planning process.

So we are just highlighting here the purpose of strategic planning is to set out the long-term strategic objectives for the organization, reflecting ICANN's mission and vision, and the strategic planning process starts with a yearly strategic outlook trends identification and analysis of those trends that affect ICANN. And once that assessment process has taken place, it is reported back to the Board strategic planning committee with the support of the organization then assesses each year the strategic outlook trends results and does an evaluation on any potential short-term or long-term impacts on ICANN's strategic plan.

This next slide, again, just gives a little more information as it relates to the strategic outlook trends identification cycle and analysis. And again, we have scheduled many sessions with the SOs and ACs, Board and Org, and we do appreciate everyone's participation. It is important that both the community, the Board and the Org comes together to talk about ICANN's planning and strategic planning.

On this next slide, we would just like to give an update now on the FY23 planning process as it relates to the prioritization of ICANN's work project. The planning at ICANN is one of the 15 operating initiatives included in the draft plans, and the purpose is that ICANN Org needs to prioritize its activities with community input to deliver its mission in the global public interest in both an efficient and cost effective way.

The planning at ICANN operating initiative includes the description of the prioritization process as noted in the operating plan. The prioritization of ICANN's work is a project to develop a framework and techniques to prioritize with community input the work of ICANN.

The project's scope includes implementing tools and processes to efficiently prioritize work and make tradeoffs where necessary. Examples of what is included in scope for this prioritization project or prioritization process once implemented are major organization projects such as information transparency initiative and also a major Org project as it relates to systems and IT.

In addition, it's community-initiated activities supported by ICANN Org. So that would include PDP support and implementation, review support and recommendations implementation, and other non-policy and advice work and recommendation implementation. And just as a note, examples of work that would not necessarily be in scope would be smaller projects that do not significantly affect ICANN and that may be at the discretion of a given department or community group and then ongoing operations that do support the organization and the mission that are smaller in nature.

I hope that this provides an overview of the project's scope. And on the next slide, we would just like to highlight the significant amount of stakeholder involvement that will take place during the development of this framework and techniques before implementation of a process. This project is being led by the ICANN Org planning department which is responsible for facilitating prioritization at the organizational level at the time when projects and community recommendations are approved to be implemented. However, discussion and engagement activities will take place throughout all phases of the project and also once an actual design process is implemented, we will have significant amount of stakeholder involvement.

But in the short term, coming up, we will start with community, Board and Org informal consultations and discussions, and we will also seek interaction with the SO and AC leadership and the membership of the SOs and AC, again with consultations and discussions, and then this will also be drafted into a public comment process as part of the overall planning process. This provides just a short update on the project of prioritization, and there will be more to come shortly as it relates to this project.

We are now at the Q&A part of this presentation. We do still have approximately 15 minutes or so, so please feel free to raise your hand in the Zoom room and/or enter your questions on the Q&A pod, and I will check with the team about questions that may have come in.

Thank you, everyone. I do see an open question in the chat. I will read it now. Judith Hellerstein has indicated, "The pandemic has lowered

operation expenses, I believe, and there has been a surplus each year. So, I think we are wondering if the extra money that was not spent during the year can be added to some other cash strained or drained projects such as allowing more money to speed up the timing of ITI or other work that has been constrained and spread out over many years because of funding." I hope I read that correctly. Judith, thank you for your question. Xavier, your hand is up. Please go ahead.

XAVIER CALVEZ: Thank you. This is an important question that Judith is asking, and I'm sure others under the same in the sense of with the periodic and actually not necessarily recurring but over the past few years, we have had excesses, and therefore, what do we do with those excesses? And of course, many will have ideas and interest in activities that can be supported by those excesses.

So just to put this in the context of the process that we operate by in our multi-stakeholder model is that the type of suggestions on how to use funds are welcome in the context of our planning process. There was, in the recent weeks, the public comment period on the FY22 planning. This is exactly the type of suggestions or questions that are welcome in this context of planning, because this is the time and the place for suggestions on how to change potentially what is being proposed as operations through those comments, through those suggestions on how to use the funds.

I want to remind everyone that the availability of funding is not a trigger for spending. What we do is that we have strategic plan that defines what the organization needs to do and will try to carry out this strategic plan translates into an operating plan where the activities that are expected to deliver on this strategic plan are laid out, and it's in this context that suggestions on what to do more or less of are most welcome, and I think, Judith, this is the right path, the right process, and I know Judith has submitted comments in the public comment period with that intent. So thank you for that reminder and for the opportunity to remind on how we operate.

I just want to emphasize the point that we operate as per the strategic plan and we don't necessarily change the strategic plan because we have at some time an availability of funding that was not necessarily planned for. But of course, this availability of funding gives us flexibility, opportunities and there are discussions with the Board to enable the organization to carry out potentially more activities as a result of some of this funding being available. So more to come on the topic, but I just want to remind the opportunity of the annual planning process to suggest use of ICANN's funds in different activities or more activities than those that are planned for or suggested in the draft plans. Thank you.

BECKY NASH: Thank you, Xavier, for that response. At this time, if there's anybody that would like to raise their hand, we can unmute your microphone if you have any further questions, or feel free to please type into the Q&A

pod a question. I'll just pause for a moment. I don't see any hands at this time or any open questions. Again, please feel free to raise your hand should you have a question or a comment.

I'm just checking that we've answered all of the questions. Some were put into the chat box versus the Q&A pod. Any other questions that remain unanswered? I believe we did get one question, Xavier, that was related to the ODP. I'm not sure if it was in the Q&A pod but it was in the chat.

XAVIER CALVEZ: Thank you, Becky, and I think it was from Taylor Bentley. I'm reading the question as we speak. So the question is, does the ODP, which is the Operational Design Phase, the mechanism and tool that we are in the process of using, mean that implementation of in progress policy processes will be included earlier in the five-year window?

So to try to address that point a little bit more generally, the ODP is the formalization of a process that always occurs, which is that when the Board has received a report of a PDP or a recommendation, it needs to consider it for adoption. That consideration for adoption requires sometimes a lot of analysis and understanding from the Board before a decision can be made. Why? Simply because the topics can be complex. The implications of the report on the policies, including the recommendations, can be impactful for a very long time and impactful in a broad manner into the community and the public based on ICANN's

mission. Therefore, analyses are necessary for the Board to be able to make a decision on the proposals that are submitted to the Board.

That process has always happened, but we are trying to formalize this process in order to have a clearer path and a more transparent path of analysis for those Board decisions as well as more comprehensive and deep work of preparation for the Board considerations, because some of the topics are really complex, extensive, and again, potentially very impactful in the future, and therefore, the Board needs to have comprehensive, thorough and full analysis of the topics that are involved in the various policies. So that's why the ODP exists.

So from that perspective, while the ODP creates a formalization of an already existing process, it may lead to—because of how thorough the work is expecting to be on some of those topics, it may extend the period by which the Board will receive information in order to make a decision. But it is also expected that the ODP, because of all the information that will have been produced and analyzed, will also facilitate the work of implementation after the Board decision has been made.

And just as a reminder, the ODP is a phase that's expected to happen before the Board decision because it serves to inform the Board decision. But with all that information, we also expect that the implementation post-Board decision will also be facilitated and therefore potentially accelerated because of all the analysis that will have been done up front. So that's the expectation out of the ODP process.

It shouldn't change, however, the prioritization of topics of work of the organization in the sense that because a topic will be subject of ODP, it will then be prioritized earlier in the five-year window of the plan. We simply expect that the ODP will help the Board be able to have a more informed and better informed decision and therefore that the implement of that decision will also be facilitated thanks to all the work that will have occurred during the ODP phase. I'll stop here. I hope that was helpful to Taylor Bentley and everybody else. Thank you.

BECKY NASH: Thank you, Xavier. I'm just checking whether or not we have any other questions that have come in.

XAVIER CALVEZ: Becky, there's a question in the Q&A pod from Lawrence.

BECKY NASH: Would you mind reading it, Xavier? For some reason, that window just disappeared.

XAVIER CALVEZ: No worries. So Lawrence is asking the following question: "Is there any plan to further simplify the report that goes out for public comment but yet accommodate the need for details on how cost components are arrived at? A 2-300-page document isn't easy for community members to review." Thank you, Lawrence, for that question. We're very

conscious of the point that you're making. And for everyone, Lawrence is referring to our planning documents that were under public comment recently. It's nearly 350 pages of information, which is obviously quite overwhelming potentially, and what Lawrence points out is the dilemma or the balance that we are trying to strike between providing a lot of transparency and therefore a lot of information and details with providing so much information that it is overwhelming and impossible for community members to be able to read or understand or grasp because there's just too much of it.

That balance is a delicate topic. It's been challenging in the past. We have in the past years increased the amount of information that we produce with the intent of being more transparent, but yet, of course, as Lawrence is pointing out, it also creates a burden on the community members and a challenge of being able to grasp the entirety of that information to sometimes even find what you're looking for.

So yes, Lawrence, we are working on trying to find a balance that reduces the volume of information while nonetheless being informative, being transparent and being helpful also in the level of details for community members and the public in general in reading our documents.

One point that I want to emphasize is that with the broad interest of community and public in ICANN's plans, we come across of course, very logically, anyone who potentially will be interested with a very specific topic and therefore we want to be able to provide information about all

very specific topics. But when you do that across 2-3-400 different topics, then it creates a volume of information that is very [important.]

So the challenge, the balance is between being comprehensive and sufficiently detailed to be informative on topics that are of interest to the community while being very comprehensive in providing that information on all potential topics, not selecting ourselves and therefore dismissing potentially some topics that would potentially be of interest to the community.

So this is a delicate balance to strike. It's something we look at about every year and the input that you all provide, including Lawrence's question and point here, are very helpful for us to calibrate that information. So we are looking for FY23 to try to rationalize a little bit the information that we produce and possibly being able to reduce the volume of information without reducing the transparency that we want to ensure we provide also with those documents. So thank you for that point. It's a very important one and we continue all the time to try to do a better job at it. Thank you.

BECKY NASH: Thank you very much, and everyone, we are now at the top of the hour, so we're going to go ahead and close this session. We appreciate everyone's attendance today, and thank you very much for the Q&A. Thank you. We can close this session.

[END OF TRANSCRIPTION]