

ICANN FY21-FY25 Operating and Financial Plan

ICANN FY21 Operating Plan and Budget



February 2020

FY21–25 Operating & Financial Plan / FY21 Budget Overview

- **What did ICANN Publish?**
 - Highlights of the Draft FY21-25 Operating & Financial Plan and Draft FY21 Operating Plan & Budget
 - Draft FY21 – 25 Operating & Financial Plan and Draft FY21 Operating Plan
 - Draft FY21 Budget

Draft FY21-25 Operating & Financial Plan and Draft FY21 Operating Plan & Budget

Open Date

20 Dec 2019 23:59 UTC

Close Date

25 Feb 2020 23:59 UTC

Staff Report Due

27 Mar 2020 23:59 UTC



Comments close in **15** Days

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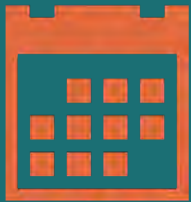


<https://www.icann.org/public-comments/draft-opplan-budget-fy21-25-2019-12-20-en>

Operating Plan and Budget Session at ICANN 67

- Overview of Public Comment Themes & Community Comment Clarification
- FY21-FY25 Operating and Financial Plan
- FY21 Annual Operating Plan and Budget

ICANN Org Operating Plan and Budget



- Wednesday, March 11, 2020
- 15:15 – 16:30 Cancún, Mexico Local Time
- Room: Cozumel 2
- Open Session

Agenda

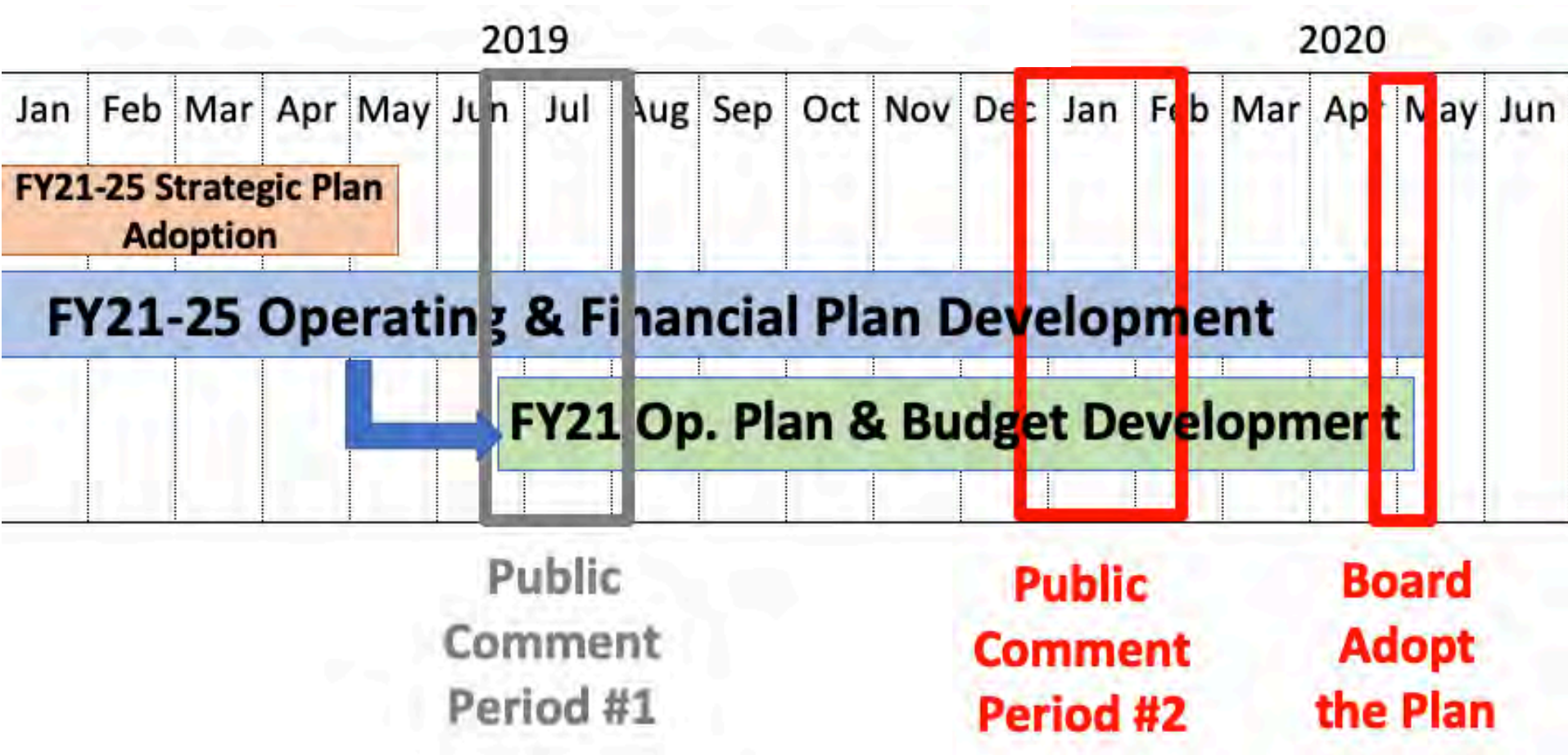
- ⦿ Planning Overview (Process & Structure)
- ⦿ Draft FY21-FY25 Operating and Financial Plan
- ⦿ Draft FY21 Operating Plan and Budget
- ⦿ Process Update – Community and Board Involvement
- ⦿ Appendix

Planning Overview

Planning Process & Documents



Planning Timeline



Draft FY21-25 Operating and Financial Plan

Introduction

FY21-25 Operating & Financial Plan includes descriptions 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)

Activities of the Functions to:

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

or

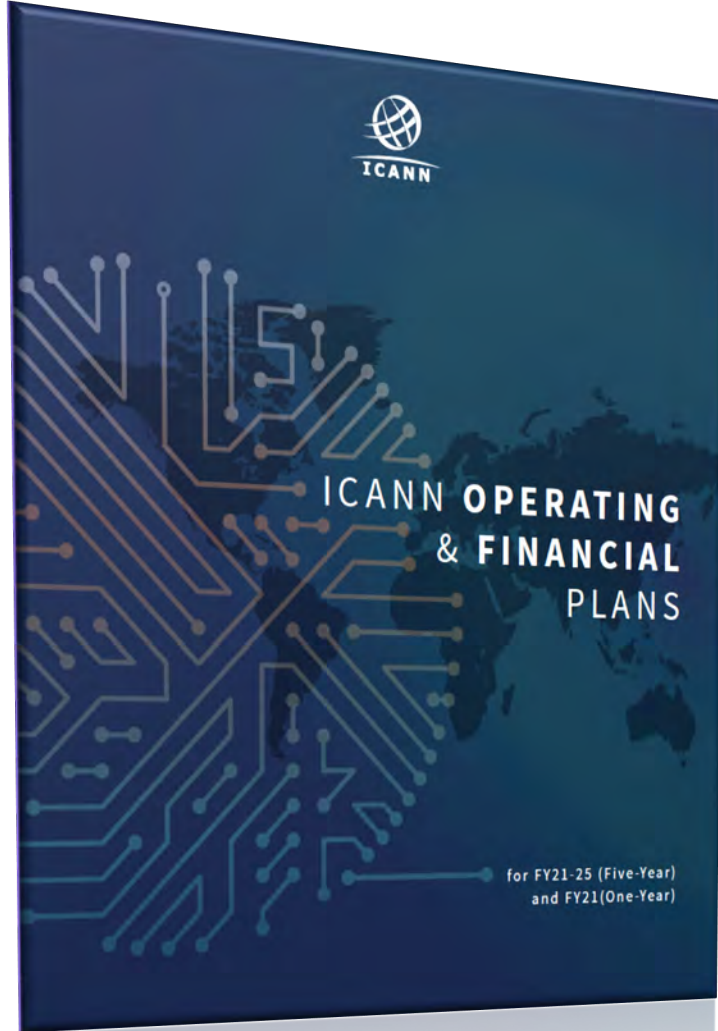
- Implement ICANN's mission and mandate, such as *Contractual Compliance or the IANA*.

Operating Initiatives (15)

The efforts of the Functions that focus directly on achieving the Strategic Plan.

Some are not new but continued efforts toward key strategic directions.

***Please refer to Appendices:
slides 28-29 for the list of Operating Initiatives &
slides 30-31 for the list of Functional Activities***



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Planning Assumptions and Approach

1

Affordability Assumption

The Draft Plan is developed based on the “base” scenario funding projections:
1.5% per year average growth

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 Δ in the draft plan.

Planning Assumptions and Approach

4

Dependency

The Draft Plan includes 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.

Relationship to the Strategic Plan

Strategic Plan

- Each of the 5 Strategic Objectives has a set of Strategic Goals.
- Each Strategic Goal includes a set of Targeted Outcomes.



Operating & Financial Plan

- Each Operating Initiative and Functional Activity is linked to the Targeted Outcomes supported.
- Each Functional Activity includes a list of Operating Initiatives it supports.

Content Structure – 15 Operating Initiatives

Purpose

Describes the reasons of why each of the Operating Initiatives is needed.

Scope

Describes the scope of work need to be done under each Operating Initiative.

Targeted Outcome Supported

Describes the linkage of the Operating Initiatives to the Targeted Outcomes identified in the Strategic plan.

Progression

Describes the key milestones, phases, or stages of progression projection of each Operating Initiative.

Resources

Features the collaboration needed among cross-functional teams in support of the Operating Initiatives.

Considerations

Describes the related dependencies, risks, opportunities of each Operating Initiative, and possible mitigation where applies.

Please refer to Appendix slides # 28-29 for the list of Operating Initiatives

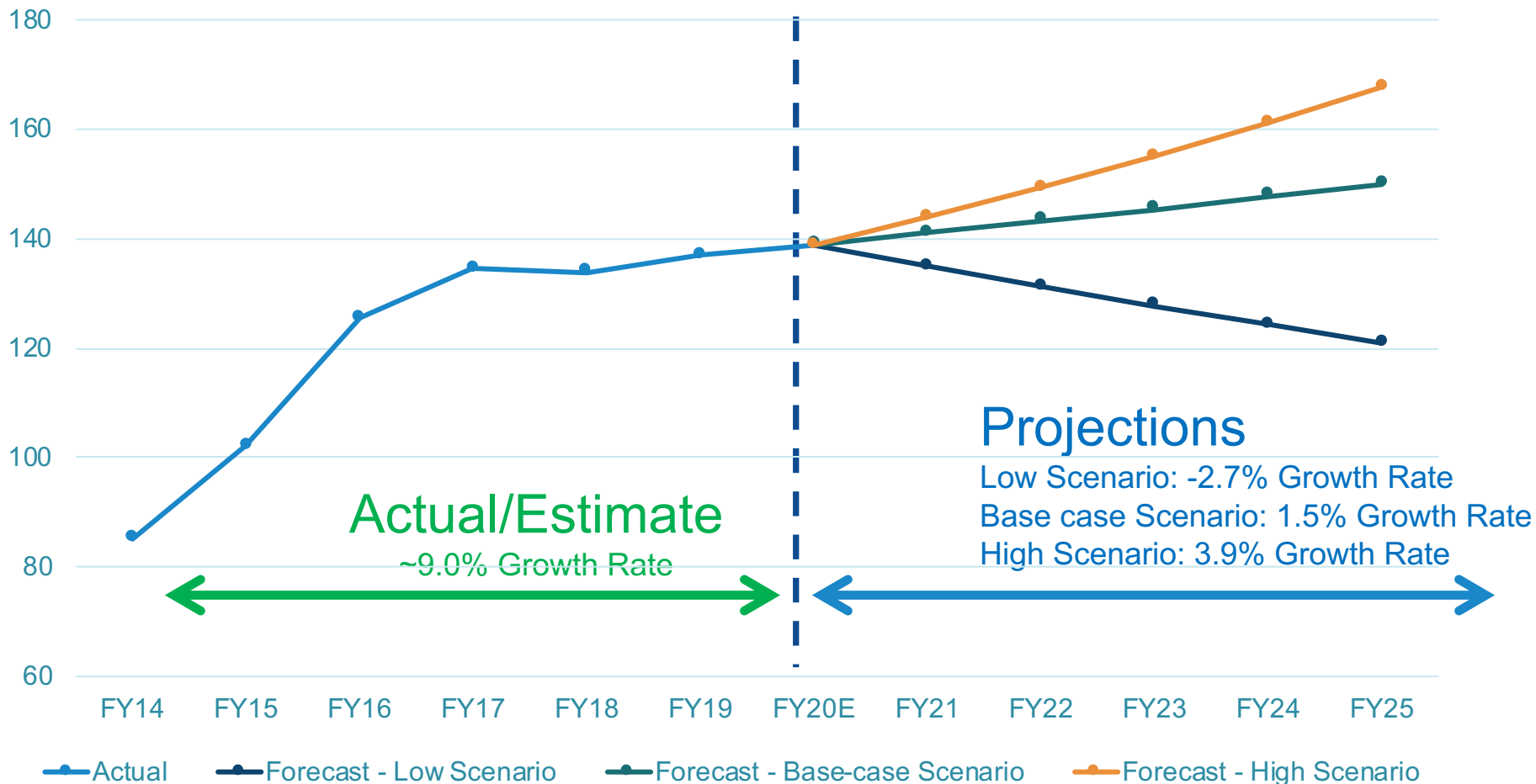
Content Structure – Functional Activities (35 in 5 groups)

Purpose Describes the purpose of the activities of the Functions.	Activity Describes the key activities and strategically-driven changes of each Function. Also lists the Operating Initiatives it leads or supports	<u>Targeted Outcome Supported</u> Describes the linkage of the Functional Activities to the Targeted Outcomes identified in the Strategic plan.
Progression Describes the key milestones, phase, or stages of progression projection of the Functional Activities.	Resources Describes how the resources of the Functional teams would fluctuate during the 5-year period, i.e. stable, increase or decrease.	Considerations Describes the related dependencies, risks, opportunities of the Functional Activities, and possible mitigation where applies.

Please refer to Appendix slides # 30-31 for the list of Functional Activities

Funding: Actual & 5-Year Projections (FY14-FY25)

5-Year Funding Projection includes Low – Base Case – High Scenarios. Across the three scenarios generated, FY25 funding is projected to range between \$120.9M and \$167.7M from the current FY20 projection of \$139.3M.



Note: FY14-FY18 based on audited actuals, FY19 Actual and FY20 Estimate based on FY19Q2 actuals, CAGR values cover FY21-F25, In millions, USD; Arithmetic inconsistencies due to decimal rounding.

5-Year Funding and Expense Assumptions

- The Five-year Plan will use the base scenario funding projections
- The Five-year Plan will include a planned annual contribution to the Reserve Fund
- The Five-year headcount is expected to remain relatively stable
- The Five-year Plan will be a balanced budget where expenses, plus a planned contribution to the reserve fund, will not exceed funding

Potential Implementation Projects and Activities

- ICANN org supports the community-based activities, which leads to reviews recommendations and cross-community working group recommendations, policy drafts, and advice recommendations.
- At any point in time, there are such recommendations and policies that are at any of these stages of progress: initiation, development, finalization, board consideration, implementation planning, implementation.
- As recommendations and policies move forward and reach the stage of Board consideration, ICANN org can then design the expected implementation work.
- The resources supporting the implementation of these activities consist mainly of the ICANN org staff contributing as required based on the nature of implementation work.
- Some additional specific resources may be required on a case by case basis. During the annual planning cycle, the implementation activities expected to be occurring during the year planned for are incorporated into the annual operating plan.

FY21-FY25 Financial Projections

(in Millions USD)

5-Year Projections	FY21 Projections	FY22 Projections	FY23 Projections	FY24 Projections	FY25 Projections	5-Year Total
Funding	\$140.4	\$143.2	\$145.4	\$147.7	\$149.9	\$726.6
Expense						
Personnel	78.3	79.6	81.9	83.3	84.5	407.5
Professional Services	17.9	17.9	18.3	18.3	18.3	90.9
Travel and Meetings	16.4	16.4	16.4	16.4	16.4	81.9
Administrative	18.3	18.3	18.3	18.3	18.3	91.7
Capital	1.8	1.8	1.8	1.8	1.8	9.2
Contingency	5.2	5.4	5.5	5.7	5.9	27.6
Cost Savings Initiatives	(3.1)	(3.1)	(3.1)	(3.5)	(3.5)	(16.2)
Total	134.9	136.4	139.3	140.3	141.7	692.6
Funding Less Expenses	\$ 5.5	\$ 6.8	\$ 6.1	\$ 7.4	\$ 8.2	34.0
Allocation to the Reserve Fund	3.0	2.0	2.0	1.5	1.0	9.5
Operating Initiatives Envelope	2.5	4.8	4.1	5.8	7.2	24.5
Net Excess	\$ 0.0	\$ 0.0	\$ (0.0)	\$ 0.0	\$ (0.0)	0.0
Headcount	410	410	410	410	410	
Reserve Fund Balance	\$ 126.4	\$ 130.9	\$ 135.6	\$ 139.8	\$ 143.6	

Operating Initiatives Financial Estimates – 5-Year Projections

- A high and low scenario envelope was estimated for all Operating Initiatives; for modeling purposes we use the mid-point
- Financials were estimated for initiatives that require incremental efforts; it is assumed that some initiatives are already being worked on with existing budget

(in Millions USD)

Operating Initiatives	5-year Financial Estimate (low)	5-Year Financial Estimate (mid pt)	5-Year Financial Estimate (high)	Assumptions for Mid Pt Scenario
1 Support the evolution of the Root Server system	\$ 3.0	\$ 4.5	\$ 6.0	2 FTE for the 5-year period and meeting facilitation costs
2 Facilitate Improvements of the DNS Ecosystem	4.0	6.0	8.0	1 FTE for the 5-year period along with costs for engagement and research. This excludes outcomes from the policies that will result from EPDP Phase 1 and 2.
3 Evolve and strengthen the multistakeholder model to facilitate diverse and inclusive participation in policy-making	3.0	4.3	5.5	Project Manager role to facilitate and advise, similar to current Multistakeholder Model Initiative. Includes consultant cost and funds for implementation relating to the recommendations and outcomes.
4 Evolve and strengthen the ICANN community's decision-making processes to ensure efficient and effective policy making	1.0	1.5	2.0	1 FTE for the 5-year period
5 Develop internal and external ethics policies	0.5	0.8	1.0	3rd party costs to help administer the tracking and facilitation of the program.
6 Continue the Root Zone Management evolution	3.0	4.5	6.0	Hardware and connectivity costs based on Singapore cluster.
7 Promote and sustain a competitive environment in the Domain Name System	-	-	-	See note below
8 Universal Acceptance	1.5	2.0	2.5	ICANN org is already investing in Universal Acceptance, this assumes we will spend another \$500K/yr.
9 Evaluate, align and improve engagement in the internet ecosystem	-	-	-	See note below
10 Targeted engagement to improve government and IGO engagement and participation in ICANN	-	-	-	See note below
11 Monitor legislation, regulation, norms, principles and initiatives in collaboration with others that may impact the ICANN mission	-	-	-	See note below
12 Formalize the ICANN org funding model and improve understanding of the long-term drivers of the domain name market	0.5	1.0	1.5	1 FTE for the 5-year period and funds for 3rd party research.
13 Implement New gTLD auction proceeds recommendation	-	-	-	See note below
14 ICANN Planning	-	-	-	See note below
15 ICANN Reserves	-	-	-	See note below
Total	\$ 16.5	\$ 24.5	\$ 32.5	\$ -

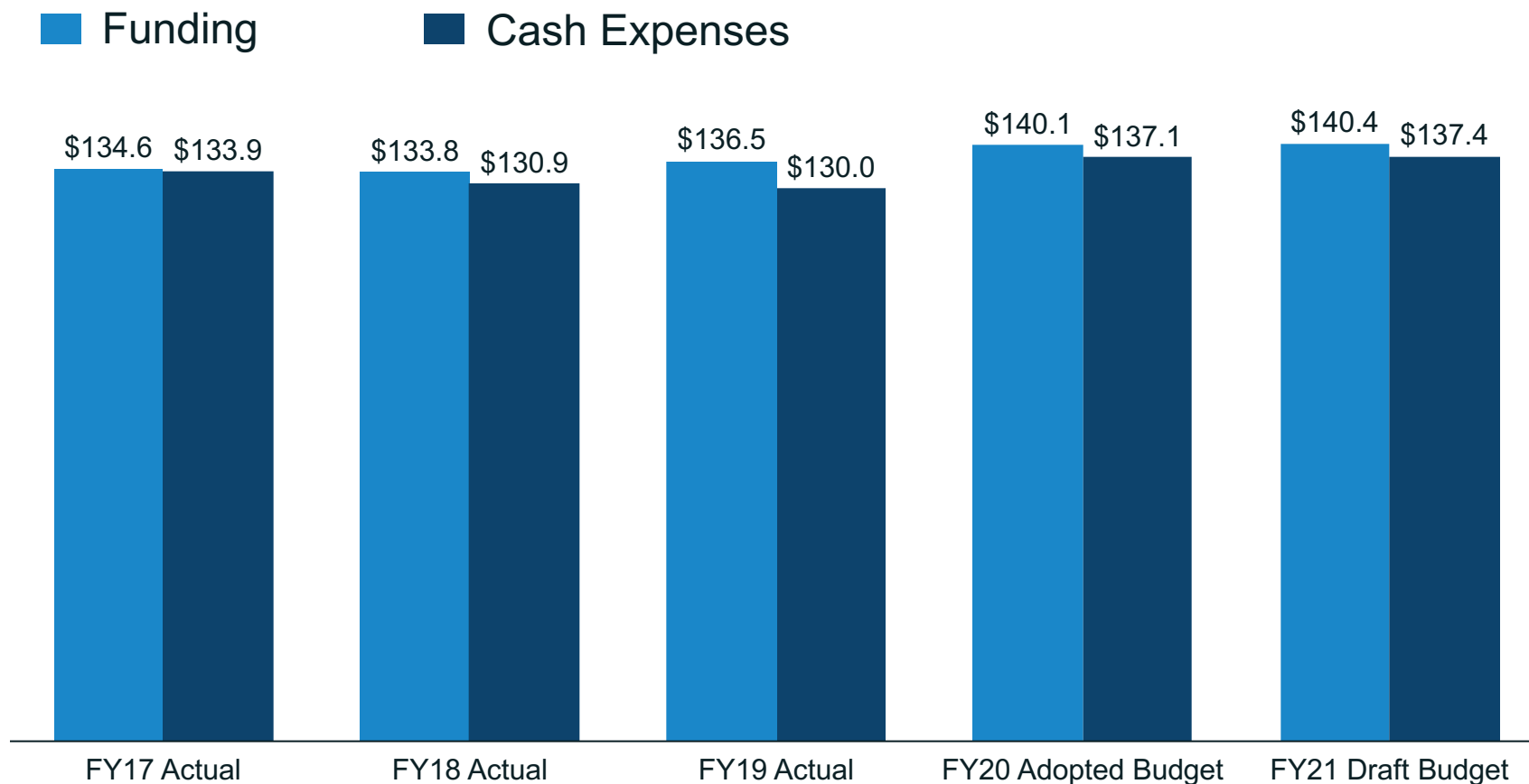
Note: Resources for these initiatives are included within the functional activities of the financial plan core budget and therefore no incremental resources are needed.

Draft FY21 Operating Plan and Budget

Draft FY21 Operating Plan and Budget Assumptions

- ⦿ The Draft FY21 Budget is stable with modest growth for funding and expenses.
- ⦿ FY21 Headcount is aligned with this growth.
- ⦿ FY21 is the second budget that includes a planned contribution into the Reserve Fund (\$3m).
- ⦿ Cost containment across the organization has enabled ICANN org to offset the Reserve Fund contribution, inflation, and other necessary increases.

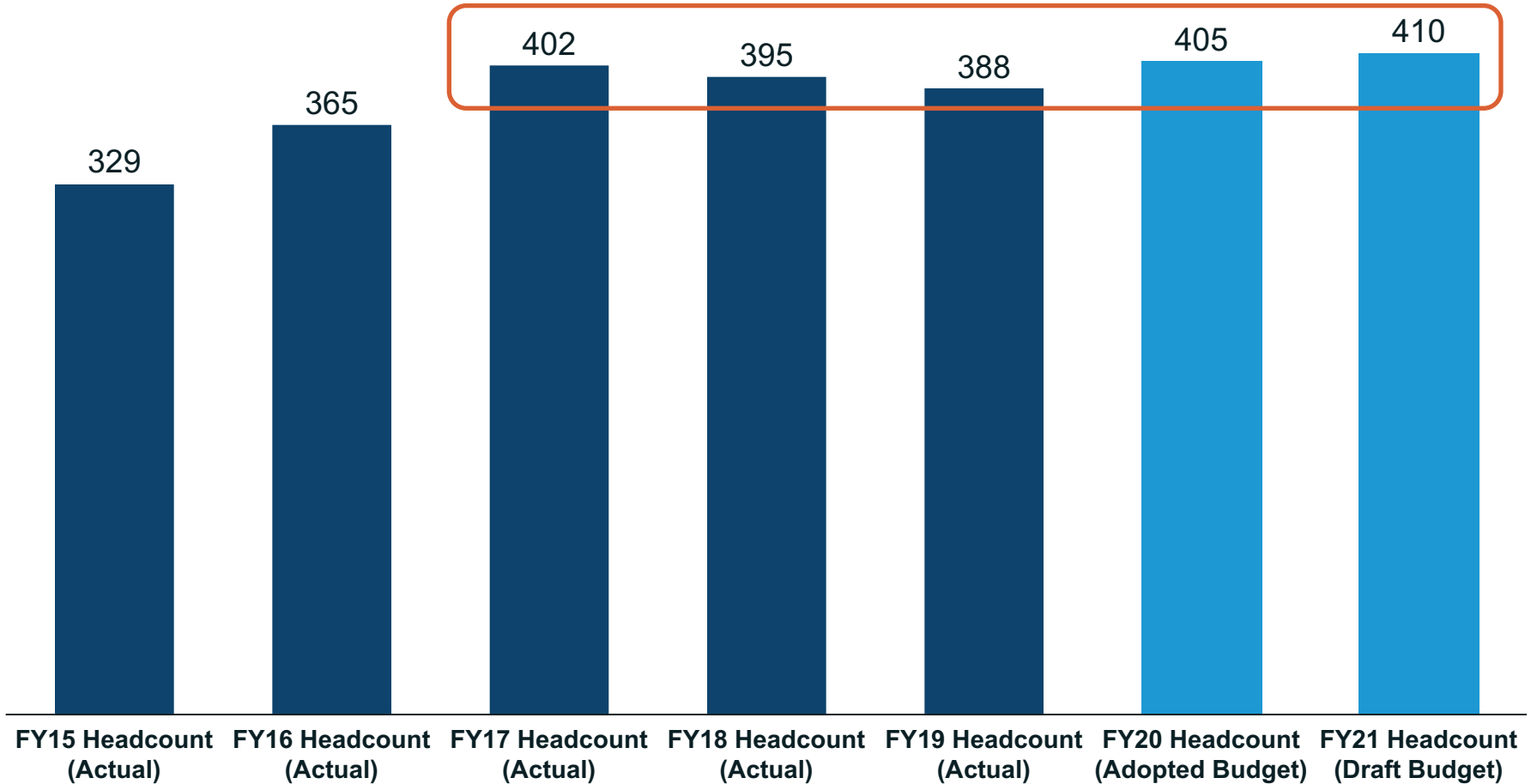
ICANN Operations: Funding and Cash Expense Trends



- ⊙ Funding is stabilizing and expenses are brought in line accordingly
- ⊙ Draft FY21 Budget assumes a \$3M excess that will be used to replenish the Reserve Account

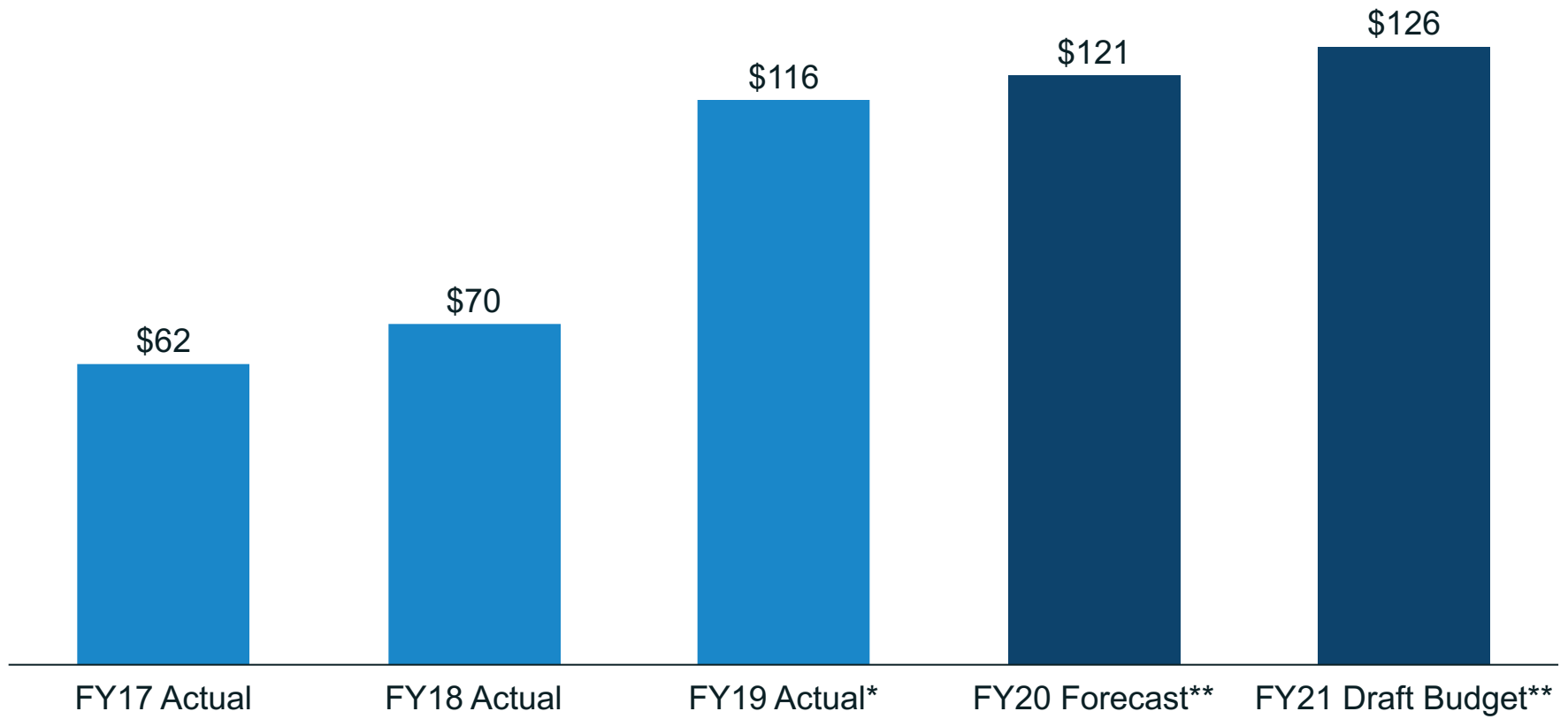
Headcount Trending (End of Period)

ICANN headcount has stabilized in alignment with Funding



Reserve Fund Replenishment Strategy

- In alignment with the Board Approved Reserve Fund Replenishment Strategy, the FY21 Budget will include a planned contribution



*\$36M was transferred from Auction Proceeds to Reserve Fund in FY19 ** Includes contribution and estimated investment gains

Progress Update

Progress Update – Community and Board

What	Who	When
✓ FY21-25 O&FP Public Comment Period #1	Community	14 Jun – 5 Aug 2019
✓ Overview of FY21-25 O&FP development and Public Comment #1 materials	Community	Pre-ICANN65 Webinar on 17 June 2019
✓ Review Public Comment #1 inputs and plan development of both FY21-25 O&FP and FY21 OP&B	Board	Board Workshop Sep 2019
✓ Review draft FY21-25 O&FP and FY21 OP&B for Public Comment	Board	10 Dec 2019
FY21-25 O&FP Public Comment FY21 OP&B Public Comment	Community	Dec 2019 – Feb 2020
✓ Community Webinar	Community	Early / Mid-January
✓ ICANN Org Respond to Community's Clarifying Questions	Community	5 February 2020
Pre ICANN 67 Community Webinar	Community	Pre ICANN67 2020
Review Public Comment inputs/development of both FY21-25 O&FP and FY21 OP&B	Board & Community	ICANN67 Mar 2020
Review for Plan adoption of both plans	Board	Board Workshop May 2020
Empowered Community Period	Community	May – Jun 2020

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 Policy-making

4

Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policy making

5

Develop Internal and External Ethics Policies

6

Root Zone Management Evolution

7

Promote and Sustain a Competitive Environment in the Domain Name System

8

Universal Acceptance

Operating Initiatives

9

Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem

10

Targeted engagement to improve government and IGO 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

14

Planning at ICANN

15

ICANN Reserves

Functional Activities – 35 in 5 groups

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

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