FY21–25 Operating & Financial Plan / FY21 Budget Overview

- **What did ICANN Publish?**
  - Draft FY21 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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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

WHERE ARE WE NOW?

WHERE DO WE WANT TO BE?

HOW DO WE GET THERE?

WHO MUST DO WHAT?

HOW ARE WE DOING?

Achievement & Progress Reporting

Strategic Plan

Operating & Financial Plan and Annual Operating Plan & Budget
Planning Timeline

- FY21-25 Strategic Plan Adoption
- FY21-25 Operating & Financial Plan Development
- FY21 Op. Plan & Budget Development
- Public Comment Period #1
- Public Comment Period #2
- Board Adopt the Plan
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.

<table>
<thead>
<tr>
<th>Functional Activities (35 in 5 groups)</th>
<th>Operating Initiatives (15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities of the Functions to:</td>
<td>The efforts of the Functions that focus directly on achieving the Strategic Plan.</td>
</tr>
<tr>
<td>• operate the organization, such as</td>
<td>Some are not new but continued efforts toward key strategic directions.</td>
</tr>
<tr>
<td>Human Resources or Finance</td>
<td></td>
</tr>
<tr>
<td>or</td>
<td></td>
</tr>
<tr>
<td>• Implement ICANN’s mission and</td>
<td></td>
</tr>
<tr>
<td>mandate, such as Contractual</td>
<td></td>
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<tr>
<td>Compliance or the IANA.</td>
<td></td>
</tr>
</tbody>
</table>

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

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 △ 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.

**Targeted Outcome Supported**
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.

Growth Rate- Compound Annual Growth Rate (CAGR)
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.

These principles and approach apply to the FY21 Budget and Five-Year plan.
## FY21-FY25 Financial Projections

**(in Millions USD)**

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

<table>
<thead>
<tr>
<th>Operating Initiatives</th>
<th>5-Year Financial Estimate (low)</th>
<th>5-Year Financial Estimate (mid pt)</th>
<th>5-Year Financial Estimate (high)</th>
<th>Assumptions for Mid Pt Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support the evolution of the Root Server system</td>
<td>$3.0</td>
<td>$4.5</td>
<td>$6.0</td>
<td>2 FTE for the 5-year period and meeting facilitation costs</td>
</tr>
<tr>
<td>Facilitate Improvements of the DNS Ecosystem</td>
<td>4.0</td>
<td>6.0</td>
<td>8.0</td>
<td>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.</td>
</tr>
<tr>
<td>Evolve and strengthen the multistakeholder model to facilitate diverse and inclusive participation in policy-making</td>
<td>3.0</td>
<td>4.3</td>
<td>5.5</td>
<td>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.</td>
</tr>
<tr>
<td>Evolve and strengthen the ICANN community’s decision-making processes to ensure efficient and effective policy making</td>
<td>1.0</td>
<td>1.5</td>
<td>2.0</td>
<td>1 FTE for the 5-year period</td>
</tr>
<tr>
<td>Develop internal and external ethics policies</td>
<td>0.5</td>
<td>0.8</td>
<td>1.0</td>
<td>3rd party costs to help administer the tracking and facilitation of the program.</td>
</tr>
<tr>
<td>Continue the Root Zone Management evolution</td>
<td>3.0</td>
<td>4.5</td>
<td>6.0</td>
<td>Hardware and connectivity costs based on Singapore cluster</td>
</tr>
<tr>
<td>Promote and sustain a competitive environment in the Domain Name System</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td>Universal Acceptance</td>
<td>1.5</td>
<td>2.0</td>
<td>2.5</td>
<td>ICANN org is already investing in Universal Acceptance, this assumes we will spend another $500K/yr.</td>
</tr>
<tr>
<td>Evaluate, align and improve engagement in the Internet ecosystem</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td>Targeted engagement to improve government and IGO engagement and participation in ICANN</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td>Monitor legislation, regulation, norms, principles and initiatives in collaboration with others that may impact the ICANN mission</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td>Formalize the ICANN org funding model and improve understanding of the long-term drivers of the domain name market</td>
<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
<td>1 FTE for the 5-year period and funds for 3rd party research.</td>
</tr>
<tr>
<td>Implement New gTLD auction proceeds recommendation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td>ICANN Planning</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td>ICANN Reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>See note below</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16.5</strong></td>
<td><strong>$24.5</strong></td>
<td><strong>$32.5</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

*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
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.
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
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

<table>
<thead>
<tr>
<th>What</th>
<th>Who</th>
<th>When</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ FY21-25 O&amp;FP Public Comment Period #1</td>
<td>Community</td>
<td>14 Jun – 5 Aug 2019</td>
</tr>
<tr>
<td>✓ Overview of FY21-25 O&amp;FP development and Public Comment #1 materials</td>
<td>Community</td>
<td>Pre-ICANN65 Webinar on 17 June 2019</td>
</tr>
<tr>
<td>✓ Review Public Comment #1 inputs and plan development of both FY21-25 O&amp;FP and FY21 OP&amp;B</td>
<td>Board</td>
<td>Board Workshop Sep 2019</td>
</tr>
<tr>
<td>✓ Review draft FY21-25 O&amp;FP and FY21 OP&amp;B for Public Comment</td>
<td>Board</td>
<td>10 Dec 2019</td>
</tr>
</tbody>
</table>

| 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

<table>
<thead>
<tr>
<th>#</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem</td>
</tr>
<tr>
<td>10</td>
<td>Targeted engagement to improve government and IGO engagement and participation in ICANN</td>
</tr>
<tr>
<td>11</td>
<td>Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration With Others That May Impact the ICANN Mission</td>
</tr>
<tr>
<td>12</td>
<td>Formalize the ICANN org Funding Model and Improve Understanding of the Long-term Domain Name Market Drivers</td>
</tr>
<tr>
<td>13</td>
<td>Implement New gTLD Auction Proceeds Recommendations</td>
</tr>
<tr>
<td>14</td>
<td>Planning at ICANN</td>
</tr>
<tr>
<td>15</td>
<td>ICANN Reserves</td>
</tr>
</tbody>
</table>
## 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