Community Webinar
ICANN FY21-FY25 Operating and Financial Plan
ICANN FY21 Operating Plan and Budget

28 April 2020

Webinar Information

This session will be recorded

This session is scheduled to last 1.5 hour

Presentation PowerPoint and recording will be published later this week

Q&A will be during the presentation at the end of each topic

Opening Remarks

Göran Marby

ICANN President & CEO

Agenda

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

Introduction

- On 22 December 2019, ICANN org published a draft FY21-25 Operating & Financial Plan and FY21 Operating Plan and Budget for public comment. These drafts were developed based on the approved FY21-25 Strategic Plan.
- Since concluding the public comment process, the COVID-19 pandemic is having a significant and ongoing impact on the world's economy.
- ICANN org expects that its planned activities and financial position for the remainder of fiscal year FY20 (ending 30 June 2020) and FY21 will be impacted.
- ICANN org has developed a new set of financial projections, outlined in a second set of draft planning documents, as "proposed for Board adoption", which have been published on the Public Comment page.
- This webinar is to share the revised plans and to seek participation and feedback from the Community.

Planning Process Overview

Planning Process & Documents

Planning Process

FY21- FY25 Strategic Plan (SP) outlines ICANN's Vision and Mission, sets out five strategic objectives and related goals based on areas of challenge and opportunity for ICANN to shape its future successfully.

FY21-FY25 Operating & Financial Plan (O&FP) includes:

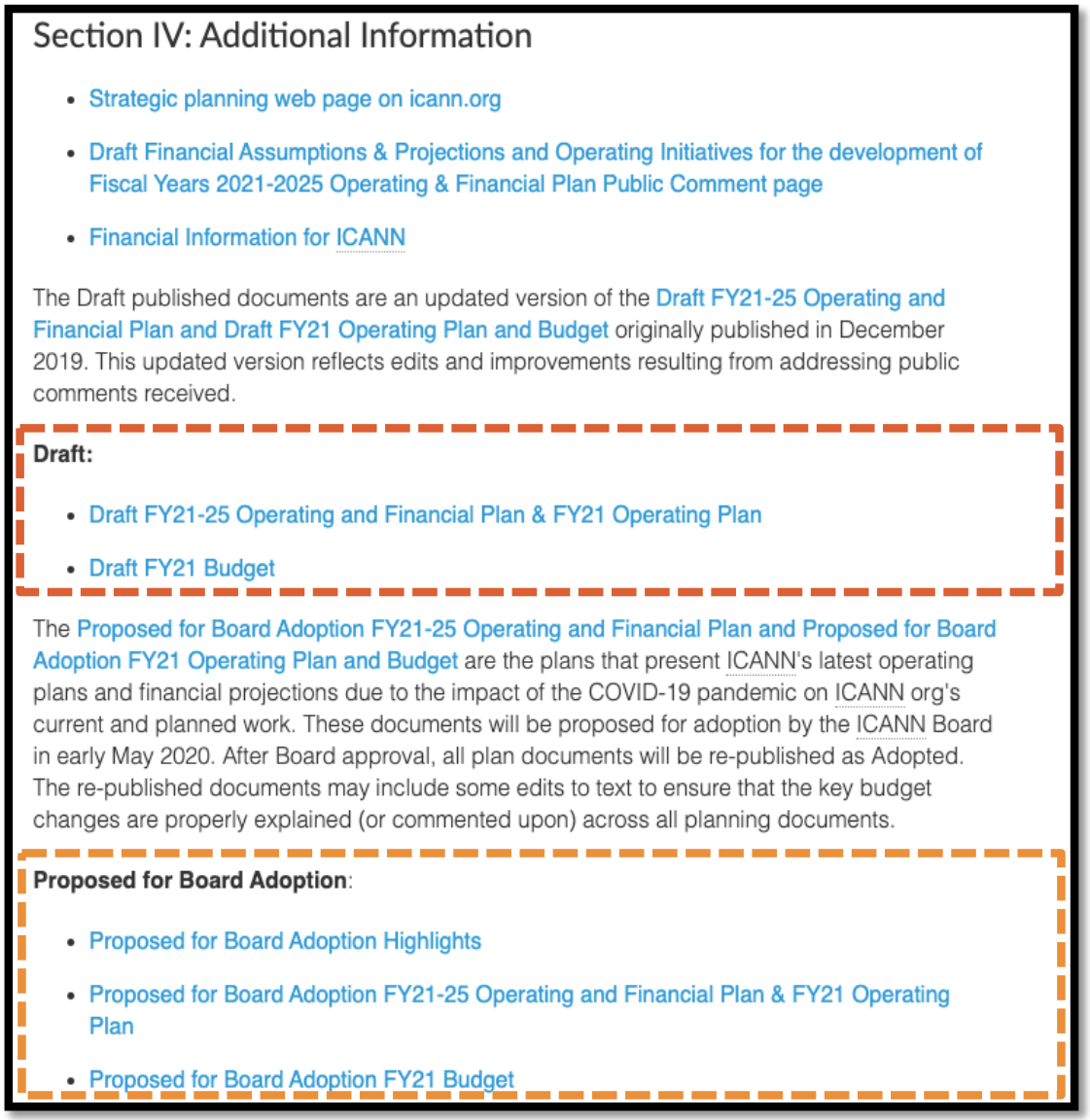
- financial assumptions for funding and expenses in FY21-FY25, and
- new activities to achieve the strategic outcome set out in the FY21-FY25 Strategic Plan.

FY21 Operating Plan & Budget (OP&B) sets forth the focus of efforts and organizational commitments for the current fiscal year.

Documents Published

The **Draft Version** is an updated version of the Draft FY21-25 Operating and Financial Plan and Draft FY21 Operating Plan and Budget which reflects improvements resulting from the public comment proceeding that closed at the end of March.

The **Proposed for Board Adoption Version** present ICANN's latest operating plans and financial projections due to the impact of the Coronavirus pandemic on ICANN org's current and planned work.



Section IV: Additional Information

- Strategic planning web page on icann.org
- Draft Financial Assumptions & Projections and Operating Initiatives for the development of Fiscal Years 2021-2025 Operating & Financial Plan Public Comment page
- Financial Information for ICANN

The Draft published documents are an updated version of the Draft FY21-25 Operating and Financial Plan and Draft FY21 Operating Plan and Budget originally published in December 2019. This updated version reflects edits and improvements resulting from addressing public comments received.

Draft:

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

The Proposed for Board Adoption FY21-25 Operating and Financial Plan and Proposed for Board Adoption FY21 Operating Plan and Budget are the plans that present ICANN's latest operating plans and financial projections due to the impact of the COVID-19 pandemic on ICANN org's current and planned work. These documents will be proposed for adoption by the ICANN Board in early May 2020. After Board approval, all plan documents will be re-published as Adopted. The re-published documents may include some edits to text to ensure that the key budget changes are properly explained (or commented upon) across all planning documents.

Proposed for Board Adoption:

- Proposed for Board Adoption Highlights
- Proposed for Board Adoption FY21-25 Operating and Financial Plan & FY21 Operating Plan
- Proposed for Board Adoption FY21 Budget

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

FY21-25 Operating & Financial Plan
“Proposed for Adoption”

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

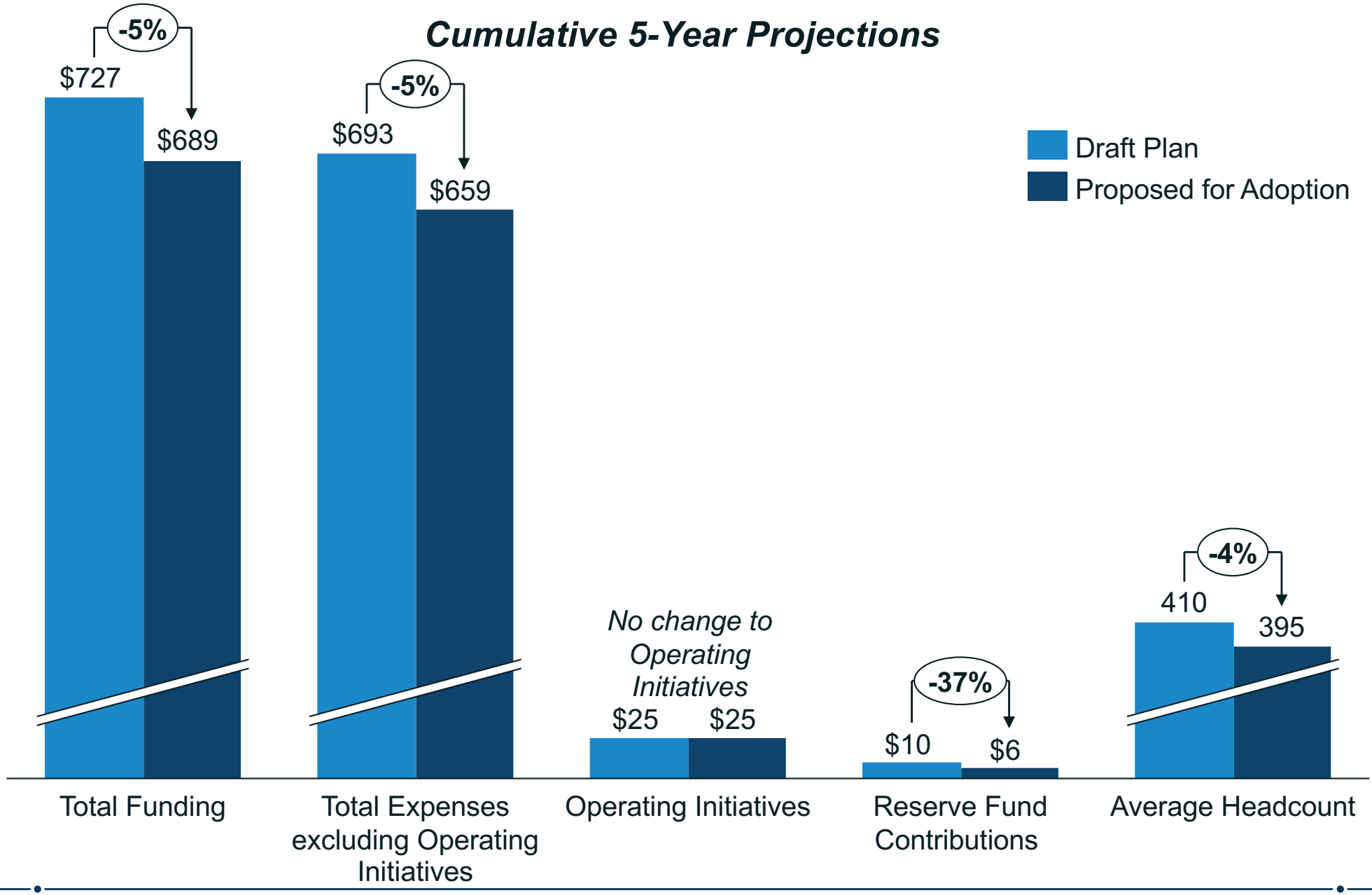
FY21 – 25 Plan: Summary of Changes

- The FY21-25 Draft Operating & Financial Plan, published in December 2019, is still a useful reference point
  - ICANN plans to perform most, if not all, of the work in the plans
  - The Draft plans have been published with updates from the Public comments received
- Reduction in Funding
  - Funding is expected to be -5% lower over the 5-year period
  - This is due to a reduction in domain name registrations and contracted parties in FY21 the first year of the 5-year plan.
  - Modest growth in funding is included in the 5-year plan for FY22 – FY25, however there is much uncertainty
  - The plans include recent development in funding on initiatives related to the security, stability, and resiliency of the DNS over the next five years
  - Updates to the 5-year Funding will take place during FY21

FY21 – 25 Plan: Summary of Changes – cont'd

- ICANN org plans to balance its expenses with its projected reduced funding
- Reduction in Travel Expense
  - ICANN expects no face-to-face meetings to occur before September 2020. Travel to resume slowly through FY21 under new health and safety conditions
- New plan for proposed operations changes of functions supporting the work of the community through capacity-building, education, training, and communication
- Reduction in Personnel Costs
  - Slower hiring of new positions, with an average headcount of 395 versus 410 previously
- Delay of Operating Initiatives requiring incremental resources into FY22 (full amount will still be incurred over the five-year period)
- Recommended delay of the decision to contribute to the Reserve Fund until after FY22

FY21 – 25 Plan: Proposed for Adoption vs Draft



$ in millions, with headcount expressed in "full-time equivalent"

Revised FY21-25 Financial Projections

(in Millions USD)

5-Year Projections	FY21 Projections	FY22 Projections	FY23 Projections	FY24 Projections	FY25 Projections	5-Year Total
Funding	$129.3	$136.5	$138.8	$141.0	$143.2	$688.8
Expense						
Personnel	76.0	76.8	77.5	78.3	79.1	387.7
Professional Services	17.0	17.0	17.0	17.0	17.0	84.8
Travel and Meetings	12.4	16.1	16.1	16.1	16.1	76.9
Administrative	17.1	17.1	17.1	17.1	17.1	85.3
Capital	1.7	1.7	1.7	1.7	1.7	8.3
Contingency	5.2	5.5	5.6	5.7	5.8	27.7
Cost Savings Initiatives	0.0	-3.0	-3.2	-3.3	-2.9	-12.4
Total	129.3	131.1	131.7	132.5	133.7	658.3
Funding Less Expenses	0.0	5.5	7.0	8.5	9.5	30.5
Allocation to the Reserve Fund	0.0	0.0	1.0	2.0	3.0	6.0
Operating Initiatives Envelope	0.0	5.5	6.0	6.5	6.5	24.5
Net Excess	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Average Headcount	395	395	395	395	395	395

Operating Initiatives Financial Projections

- A high and low scenario envelope was estimated for all Operating Initiatives; for modeling purposes the midpoint is used
- 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 (Midpoint)	5-Year Financial Estimate (High)	Assumptions for Midpoint Scenario
1	Support the evolution of the Root Server system	$ 3.0	$ 4.5	$ 6.0	2 headcount for the 5-year period and meeting facilitation costs
2	Facilitate Improvements of the DNS Ecosystem	4.0	6.0	8.0	1 headcount 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 headcount 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	Promote and sustain a competitive environment in the Domain Name System	-	-	-	See note below
7	Universal Acceptance	1.5	2.0	2.5	ICANN org is already investing in Universal Acceptance, this assumes we will spend another $500K/yr.
8	Continue the Root Zone Management evolution	3.0	4.5	6.0	Hardware and connectivy costs based on Singapore cluster.
9	Evaluate, align and improve engagement in the Internet ecosystem	-	-	-	See note below
10	Targeted engagement to improve government and IGO engagement and participation in ICANN	-	-	-	See note below
11	Monitor legislation, regulation, norms, principles and initiatives in collaboration with others that may impact the ICANN mission	-	-	-	See note below
12	Formalize the ICANN org funding model and improve understanding of the long-term drivers of the domain name market	0.5	1.0	1.5	1 headcount for the 5-year period and funds for 3rd party research.
13	Implement New gTLD auction proceeds recommendation	-	-	-	See note below
14	ICANN Planning	-	-	-	See note below
15	ICANN Reserves	-	-	-	See note below
	Total	**$ 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.

FY21 Operating Plan and Budget
“Proposed for Adoption”

FY21 Published Draft vs Proposed for Adoption

- The FY21 Draft Operating Plan and Budget, published in December 2019, has been revised due to the impact of the economic crisis
- ICANN activities will be carried out under a principle of increased prudence, frugality, and with heightened conditions of necessity
- All comments received during the public comment period (from 22 December 2019 to 25 February 2020) on the draft planning documents were addressed and did not require any material changes to such documents
  - The Draft documents subjected to public comment, amended as per above, are referred to in the New plans as they contain valuable information

FY21 Published Draft vs Proposed for Adoption

In Millions, USD	FY21 Proposed for Adoption Budget Total ICANN Operations	FY21 Draft Budget Total ICANN Operations	Under/(Over) vs. FY21 Draft Budget Total ICANN Operations	Under/(Over) vs. FY21 Draft Budget %
Funding	**$129.3**	**$140.4**	**($11.1)**	**-8%**
Personnel	76.0	78.3	2.3	3%
Travel & Meetings	12.4	15.6	3.2	20%
Professional Svcs.	17.0	20.2	3.2	16%
Administration (1) & Capital	18.7	18.1	(0.6)	-3%
Contingency (2)	5.2	5.2	0.0	0%
Cash Expenses	**$129.3**	**$137.4**	**$8.1**	**6%**
Excess/(Deficit) Before Contribution	**($0.0)**	**$3.0**	**($3.0)**	**-100%**
Reserve Fund Contribution	**$0.0**	**$3.0**	**($3.0)**	**-100.0%**
Net Operating Excess/(Deficit)	**($0.0)**	**($0.0)**	**$0.0**	**n/a**
Average Headcount	**395**	**410**	**-15**	**-4%**

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.
(2) The FY21 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. $1.5M earmarked for GDPR legal fees in Contingency.

- Funding $11.1M lower due to fewer domain registrations and lost fixed fees from contracted parties
- Personnel $2.3M lower due to slower hiring of new positions
- Travel & Meetings $3.6M lower due to travel restrictions
- Maintaining same levels of Contingency of $5.2M
- ICANN org recommends to delay contributions to the Reserve Fund until FY22

FY21 Proposed for Adoption Budget vs FY20 Forecast

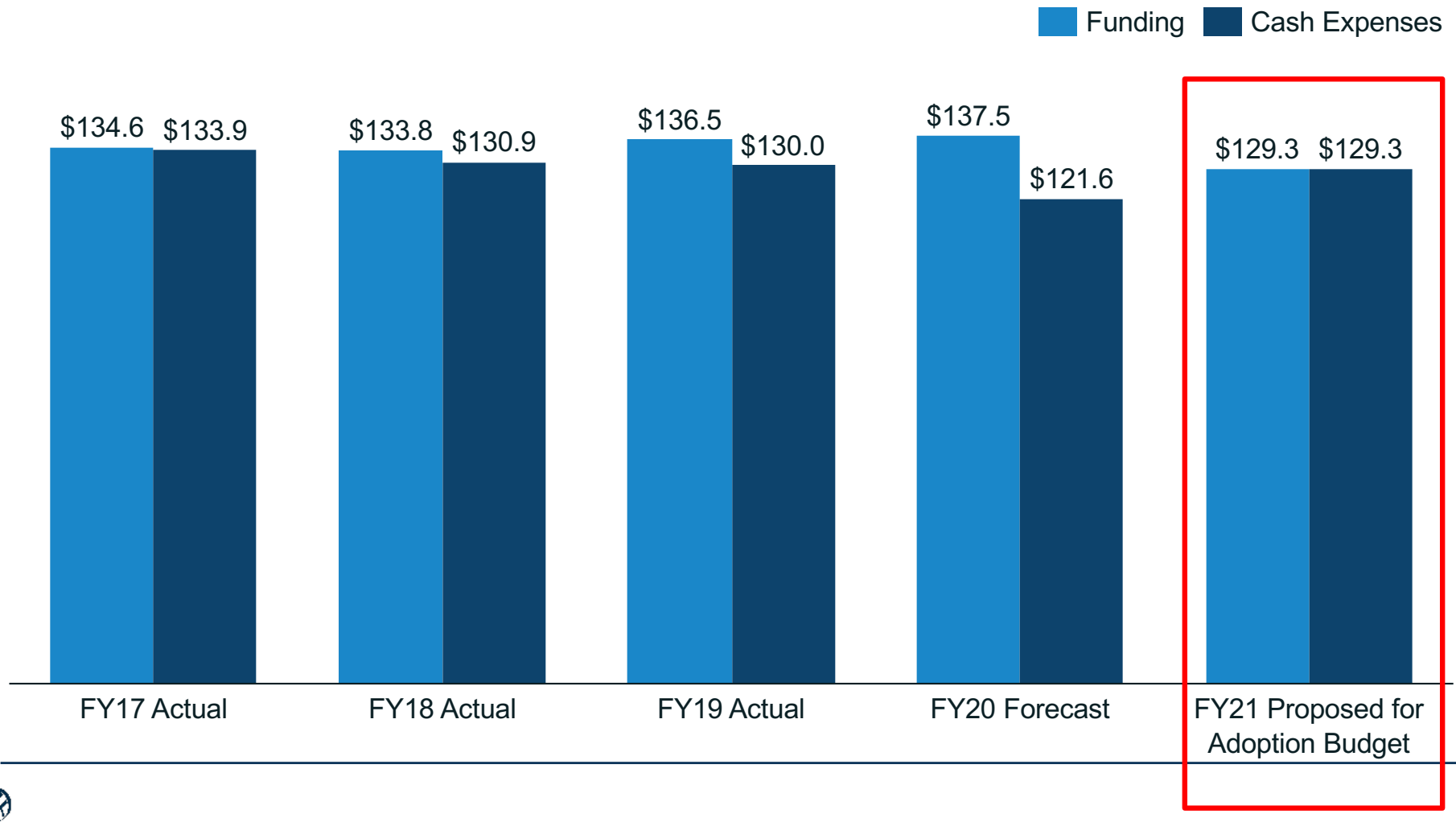
In Millions, USD	FY21 Proposed for Adoption Budget Total ICANN Operations	FY20 Forecast Total ICANN Operations	Under/(Over) vs. FY20 Forecast Total ICANN Operations	%
Funding	**$129.3**	**$137.5**	**($8.2)**	**-6%**
Personnel	76.0	72.4	(3.6)	-5%
Travel & Meetings	12.4	8.0	(4.4)	-54%
Professional Svcs.	17.0	18.8	1.8	10%
Administration [1] & Capital	18.7	18.1	(0.6)	-3%
Contingency [2]	5.2	4.3	(0.9)	-20%
Cash Expenses	**$129.3**	**$121.6**	**($7.7)**	**-6%**
Excess/(Deficit) Before Contribution	**($0.0)**	**$15.9**	**($15.9)**	**-100%**
Reserve Fund Contribution	**$0.0**	**$0.0**	**$0.0**	**n/a**
Net Operating Excess/(Deficit)	**($0.0)**	**$15.9**	**($15.9)**	**-100%**
Average Headcount	**395**	**389**	**6**	**1%**

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.
(2) The FY21 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. $1.5M earmarked for GDPR legal fees in Contingency.

- FY20 is forecasted to end with a net excess of $15.9M due to higher funding (despite an assumption of reduction in Q4) and lower expenses than the FY20 Adopted Budget
- FY21 Funding is projected to be 6% lower than FY20 Forecast as the economic impact is projected to affect ICANN org funding beginning in FY20-Q4
- FY21 Personnel costs are projected to increase due to inflationary increases and a modest increase in headcount
- FY21 Travel is higher as it assumes travel restrictions being relaxed and holding all 3 face-to-face ICANN Meetings whereas FY20 includes 1 face-to-face and 2 virtual meetings

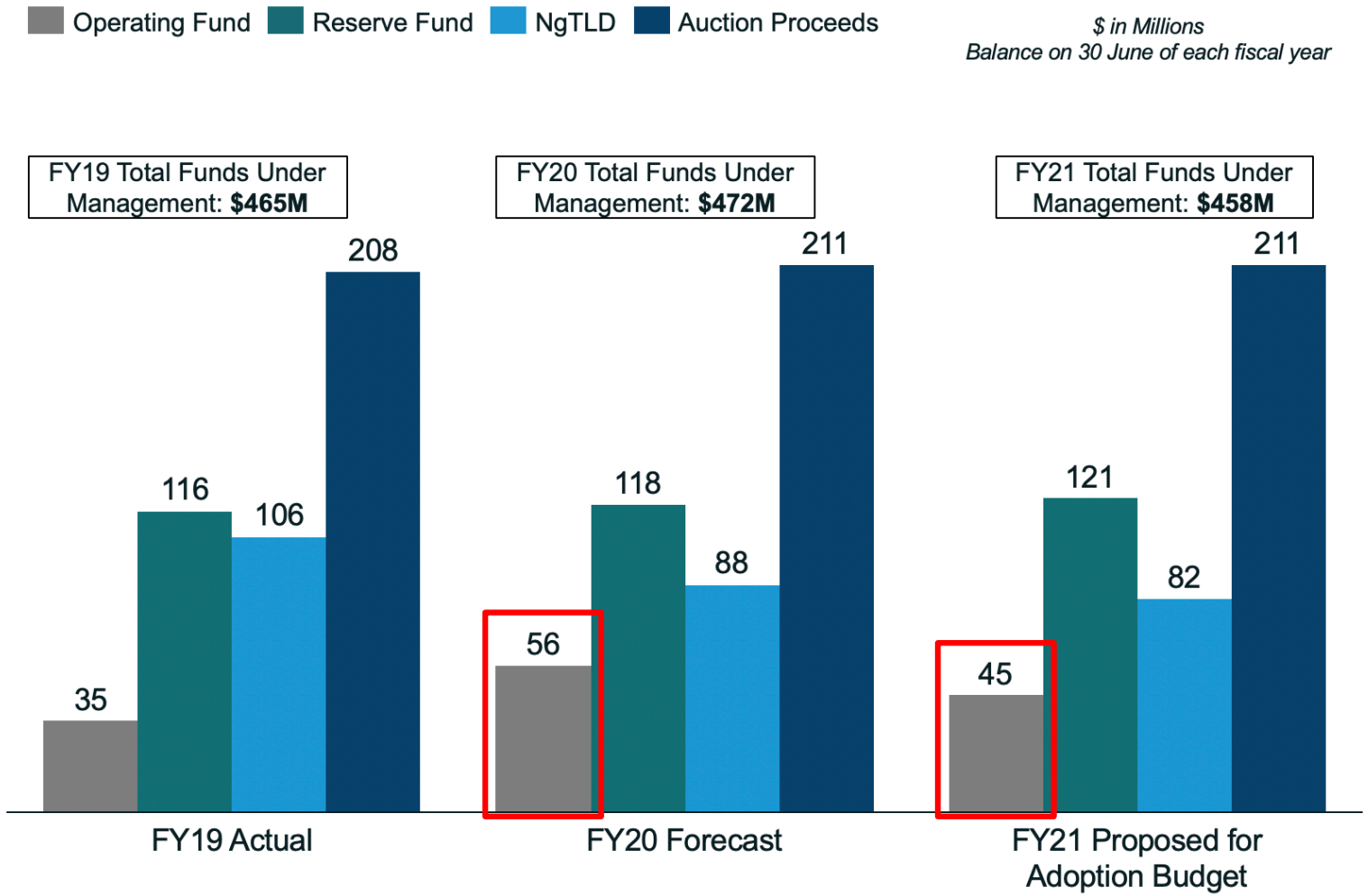
Funding and Cash Expense Trends

- FY21 Funding reflects economic crisis impact resulting from the pandemic
- FY21 Cash Expenses are balanced with Funding and are achievable given the trend of expenses in recent years



Funds Under Management FY21 Proposed for Adoption

- FY21 Operating Fund balance is projected, in the base case scenario, to be above the target balance of $35M despite the economic crisis primarily due to ending FY20 with a surplus



The targeted balance of the Operating fund is 3 months of operating expense, ~$30-$35M

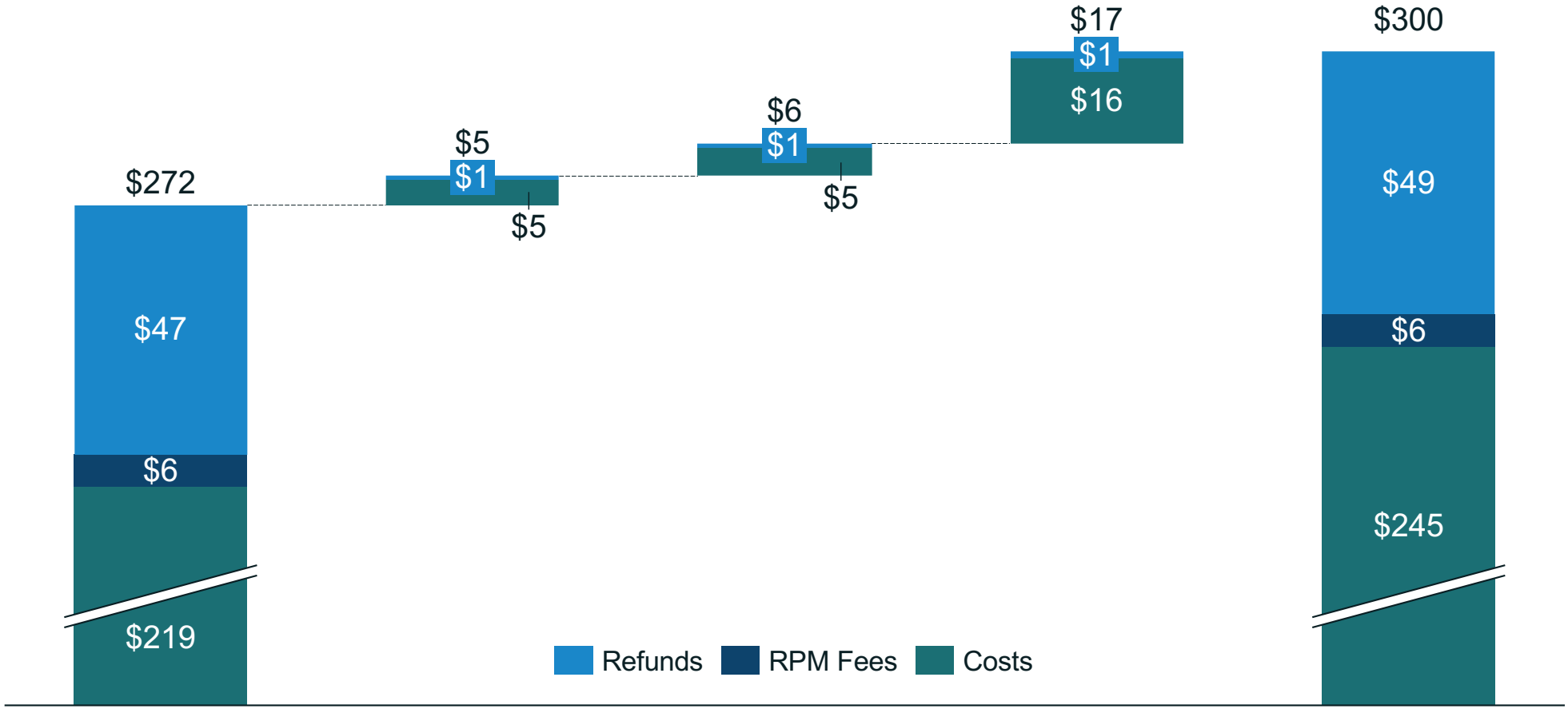
Contingency and Activities in Progress

- Only activities supporting the implementation of Board-approved policies or review recommendations are specifically included in the FY21 Proposed for Adoption Budget
  - Implementation activities for policies or review recommendations not yet approved by the Board will be scheduled, if and when approved by the Board, on the basis of resources reallocated from other activities
- Contingency is an amount of expenses included in the budget, but not allocated to any specific activities
- The progress of the following key projects will be supported by staff and may trigger unbudgeted third-party expenses which would require contingency funding:
  - Operating Initiatives requiring resources incremental to prior years
  - New gTLD Subsequent Procedures policy development process (PDP)
  - Adopted recommendations from Specific and Organizational Reviews
  - Policy development and compliance required by GDPR.
  - The Cross-Community Working Group on Enhancing ICANN Accountability, Work Stream 2
  - Other unanticipated expenses

New gTLD Program – Multiyear Forecast *(as of Dec 2019)*

Remained unchanged vs published draft

- Application Fees Collected: $361M
- Projected Evaluation Costs: $300M
- **Projected Remaining Funds (to cover risks): $61M**



In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

Questions and Answers

- Please raise your hand in zoom if you want to ask a question
- The Remote Participants Manager will manage the queue.
- Unmute your microphone to ask questions when is your turn
- Mute your microphone when not speaking

- Type your questions in the chat
- The Remote Participants Manager will read out your question(s).

Appendix

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 SO/AC Additional Budget Requests

- Background:
  - Separate budget process to allow SO/AC to express funding requests customized to their specific needs
- Process includes the following phases:
  - Application phase (with evaluation criteria)
  - Evaluation phase with 2-step review process: one by the Staff Assessment and one by the Executive team members
  - Presented to the BFC for recommendation for approval as part of the approval of the FY21 OP&B
- A total of 35 Requests were submitted by 14 different organizations and evaluated by ICANN org
  - 16 requests are recommended for approval for a total of $326K
- Additional Budget Requests recommended for approval will be evaluated as part of the FY21 Forecasting process

FY21 SO/AC Additional Budget Requests

- All requests that met the program criteria were approved

Organization	Yes	No	Total	FY21 Recommended Amount
ALAC	2	2	4	38,000
All*	1	-	1	30,000
BC	1	1	2	-
GAC	2	-	2	100,000
GNSO	3	-	3	92,500
IPC	-	1	1	-
NCSG	1	-	1	12,000
NCUC	2	-	2	8,000
Nom Com	-	2	2	-
NPOC	-	2	2	-
RALO	2	5	7	7,000
RrSG	1	1	2	19,135
RySG	1	4	5	19,135
SSAC	-	1	1	-
FY21 Total	**16**	**19**	**35**	**325,770**
FY20 Approved Requests	14	18	32	304,000

*All represents communication materials for multiple SO's and AC's

FY21 SO/AC Additional Budget Requests

Request Type (Internal Use)	Yes	No	Total	FY21 Recommended Amount
Administrative	-	1	1	-
Communications	3	2	5	30,000
Language Services	1	-	1	18,000
Outreach	6	7	13	91,000
Training	1	1	2	4,000
Travel	5	7	12	182,770
Website Dev	-	1	1	-
FY21 Total	**16**	**19**	**35**	**325,770**