Draft FY22 – 26 Operating and Financial Plan
Draft FY22 Operating Plan and Budget

ALAC Operations, Finance and Budget Working Group (OFB-WG) Call

21 December 2020

ICANN

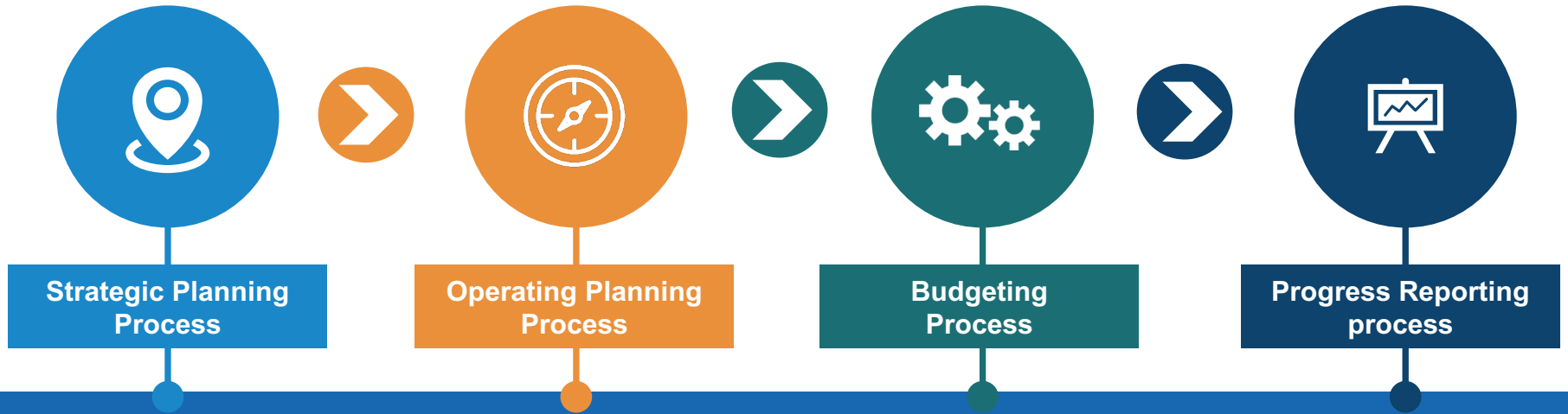# Agenda

1 — Introduction

2 — Operating Plan

3 — Financial Plan and Budget

4 — Next Step and Timeline

Introduction

Planning Processes Overview
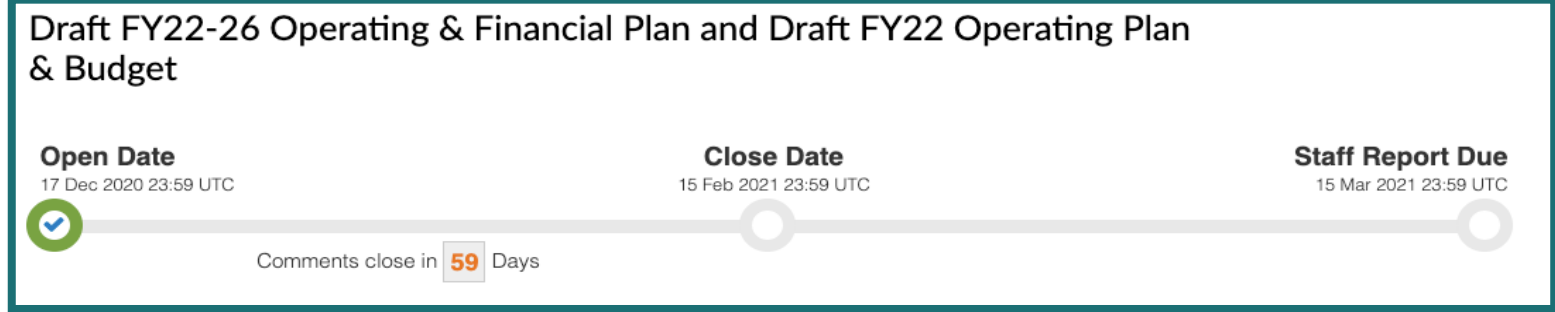
Strategic Planning Process

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

Operating Planning Process

The process of determining key initiatives (Operating Initiatives) and what each functional area plans to do (Functional Activities), to achieve the strategic plan.

Budgeting Process

The process of allocating resources to planned activities, and prioritize activities as needed.

Progress Reporting process

The process of explaining the achievement via a series of mechanisms.

Overview of FY22 Planning Documents

Draft FY22-26 Operating & Financial Plan and Draft FY22 Operating Plan & Budget

Open Date	Close Date	Staff Report Due
17 Dec 2020 23:59 UTC	15 Feb 2021 23:59 UTC	15 Mar 2021 23:59 UTC

Comments close in **59** Days

The following documents are published on 17 Dec 2020 for public comment until 15 February 2021:

◉ Highlights Document

◉ Draft FY22 – 26 Operating and Financial Plan and FY22 Operating Plan Document

◉ Draft FY22 Budget Document

The following documents are published as supporting documents:

◉ ICANN Strategic Outlook: 2020 Trends Report

◉ Funding Forecast Assumptions Report for Fiscal Years 2022 - 2026

Operating Plan Structure

The Operating Plan includes description of the activities ICANN org will undertake to achieve its Strategic Plan, operate the organization and implement its mission and mandate.
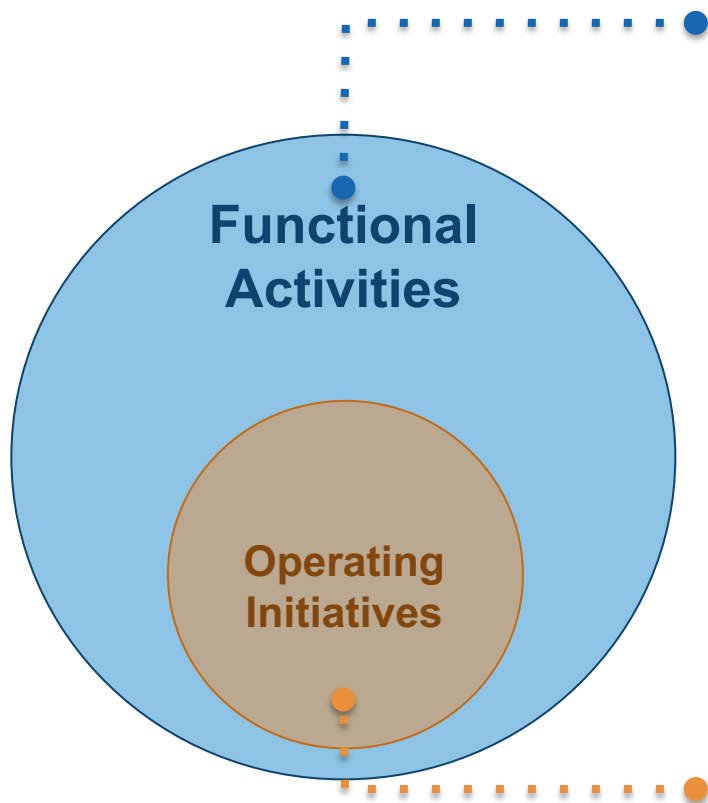
Functional Activities (34 in 5 groups)

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*

Functional Activities

Operating Initiatives

Operating Initiatives (15)

- The 15 operating initiatives represent major areas of work that support the strategic objectives identified in the strategic plan

Please refer to Appendices for the list of all Functional Activities and Operating Initiatives

5-Year vs. 1-Year Operating Plan

All activities and Operating Initiatives are described with their purpose, activities, alignment with the strategic plan, resources, considerations (risks, dependencies, challenges) and progression/ milestones.
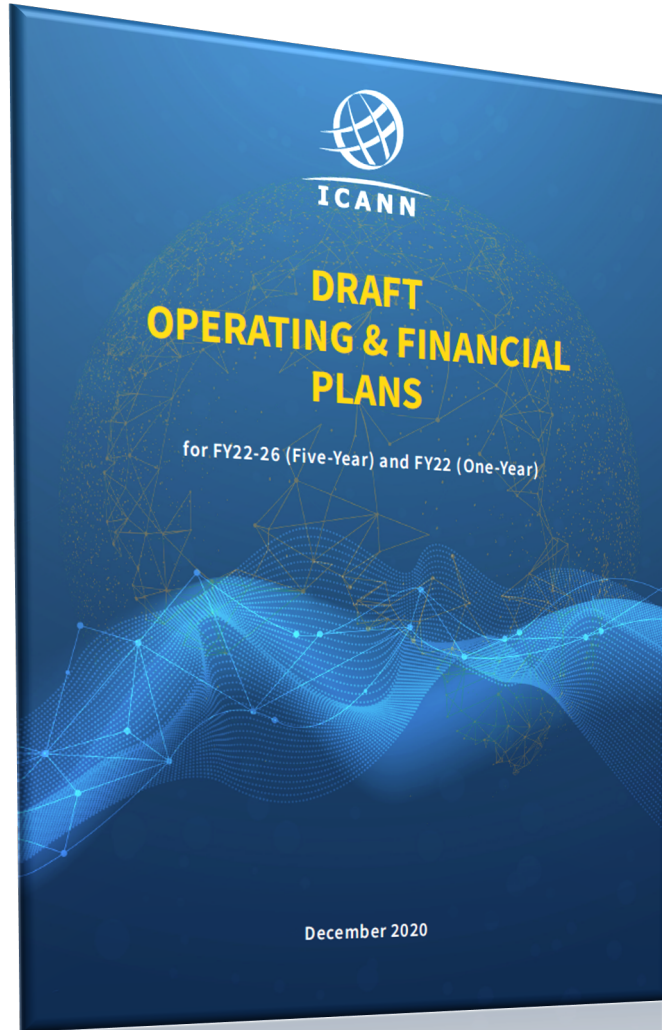
FY22-FY26 Operating Plan

- Content is high-level over the 5-Year horizon.

- Resource planning is high-level – "Stable" "Increase" or "Decrease", with projection of when (Fiscal Year) the changes are expected.

- Progression/ Milestones are high-level roadmaps.

FY22 Operating Plan

- Content is more detailed with focus on FY22.

- Resource planning is at detailed level using budget templates.

- Progression/ Milestones are roadmaps in FY22 with applicable targets and measurement.

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Navigation of FY22 Planning Documents

DRAFT OPERATING & FINANCIAL PLANS

for FY22-26 (Five-Year) and FY22 (One-Year)

December 2020

https://www.icann.org/public-comments/draft-opplan-budget-fy22-26-2020-12-17-en

5Y (FY22-26) and 1Y (FY22) Operating Plan Highlights

Key Planning Assumptions

Strategic Objectives Remain Unchanged	Based on the Strategic Outlook trends assessment, the Strategic Planning Committee has recommended no changes to the Strategic Objectives
Affordability Assumption and Balanced Budget	The Draft plans are based on "base" scenario funding projections. Each fiscal year, the resources for the cost of work planned do not exceed funding available
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
Dependencies and Rolling Plan	The 5-Year Operating Plan and Financial Plan is developed each fiscal year as a rolling plan. The 1-Year Operating Plan and Budget then includes detailed implementation work resulting from Board's decisions of policy and community recommendations

Operating Plan Highlights

Face-to-Face Meetings and Engagement	Although there is still uncertainty, tor planning purposes, the FY22 plans assume business travel and three face-to-face meetings ICANN meetings and other engagement activity will resume
Community Recommended and Board Approved Implementation work	The WS2 Implementation work is prioritized in the FY22 plans. Other Board adopted recommendations will be subject to prioritization process
Operating Initiatives and Key Projects	Progression towards the achievement of the Operating Initiatives is included in FY22 plans
Cost Savings and Efficiencies	Cost savings and efficiencies are assumed over the 5-year period

Activities not included in the Plans

◎ ICANN begins designing the expected implementation work only as recommendations and policies move forward and reach the stage of Board consideration.

   o After the Board adopts these recommendations and policies, the planning, scheduling and delivery implementation work is designed.

◎ Thus, the below activities are not included in the FY22 Draft plans:

   o Operating Initiative: Promote and Sustain a Competitive Environment in the Domain Name System (Sub pro)

   o Operating Initiative: Implement New gTLD Auction Proceeds Recommendations as Approved by Board

   o GDPR / EPDP2 work (post-implementation)

   o RSSAC 37/ 38 recommendations

5-Year (FY22-26) Financial Plan and 1-Year (FY22) Budget

5-Year Funding and Expense Assumptions

- **5-Year Funding**
  - The Five-year Plan will use the "base" scenario funding projections
  - Includes contributions from Verisign to support ICANN's efforts to preserve and enhance the security, stability, and resiliency of the DNS

- **5-Year Expenses**
  - Personnel Expense and Headcount is assumed to remain stable until the impact on resources of pending implementation work to be approved is reflected.
  - At this time, we are not including work from future Board decisions that have yet to be approved and implementation work that is subject to prioritization such as GPDR/EPDP 2, RSSAC 037/38 etc.
  - Expenses related to Auction Proceeds and the subsequent round of New gTLDs are also not included as these will be funded separately
  - The Five-Year Plan will include contingency funding for unplanned work that has yet to be approved

- **Reserve Fund**
  - The Reserve Fund balance reached 1 year of expenses in FY21; The Five-Year Plan will include allocations to ensure ICANN stays at or above this minimum target level

- **Affordability**
  - The Five-year Plan will be a balanced budget where expenses, plus planned contributions to the Reserve Fund, will not exceed funding in each fiscal year

5-Year Financial Projections

(in Millions USD)

5-Year Projections	FY22 Projections	FY23 Projections	FY24 Projections	FY25 Projections	FY26 Projections	5-Year Total
Funding [1]	**$144.4**	**$146.9**	**$149.6**	**$152.1**	**$152.7**	**$745.6**
Expense						
Personnel	$80.1	$81.7	$83.4	$85.0	$86.8	$417.1
Travel and Meetings	$13.8	$14.2	$14.6	$15.0	$15.5	$73.1
Professional Services	$19.6	$19.6	$19.6	$19.6	$19.6	$98.2
Administrative	$17.2	$17.2	$17.2	$17.2	$17.2	$85.9
Capital	$4.0	$4.0	$4.0	$4.0	$4.0	$20.2
Incremental Operating Initiatives [2]	$5.5	$6.0	$6.5	$6.5	-	$24.5
Contingency [3]	$5.2	$5.4	$5.5	$5.7	$5.9	$27.6
Cost Savings Initiatives	($2.2)	($2.7)	($3.3)	($3.5)	-	($11.7)
Total Operating Expenses	**$143.2**	**$145.4**	**$147.6**	**$149.6**	**$148.9**	**$734.8**
Excess/(Deficit) before Contributions	**$1.1**	**$1.5**	**$2.0**	**$2.5**	**$3.7**	**$10.8**
Reserve Fund allocation to maintain minimum level	$1.1	-	-	-	-	$1.1
Additional Reserve Fund allocation	-	$1.5	$2.0	$2.5	$3.7	$9.7
Allocation to the Reserve Fund	$1.1	$1.5	$2.0	$2.5	$3.7	$10.8
Net Operating Excess/(Deficit)	-	-	-	-	-	-
Average Headcount	405	410	410	410	410	

(1) Includes contributions for ICANN Security, Stability, and Resiliency (SSR) activities.

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans.

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions.

FY22 Budget Assumptions

- The ICANN budget will be balanced; projected expenses will not exceed projected funding in the fiscal year

- The condition of the pandemic remains uncertain, including its impacts on ICANN's Funding and Operations

- Only activities supporting the implementation of Board-approved policies or review recommendations are specifically included in the budget
  - At this time, we are not including work from future Board decisions that have yet to be approved and implementation work that is subject to prioritization such as GPDR/EPDP 2, RSSAC 037/38 etc.
  - Expenses related to Auction Proceeds and the subsequent round of New gTLDs are also not included as these will be funded separately

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

FY22 Budget Assumptions (continued)

- **Funding**

  - o Expected to grow modestly from the FY21 Forecast projection

  - o Includes a contribution from Verisign to support ICANN's efforts to preserve and enhance the security, stability, and resiliency of the DNS

- **Expenses**

  - o Average headcount is assumed to be at 405, similar to current staffing levels until the impact on resources of pending implementation work to be approved is reflected

  - o Travel is assumed to be comparable to levels prior to pre-pandemic levels

  - o FY22 Budget assumes 3 face to face ICANN Public Meetings and on-going ICANN staff travel

- The Reserve Fund balance reached 1 year of expenses in FY21; the FY22 Budget includes an allocation to ensure ICANN stays at or above the minimum target level

Financial Overview: FY22 Draft vs FY21 Forecast

- The FY21 Forecast is based on four months of actual data and eight months of estimates

- The FY22 Draft Budget assumes unrestricted travel for the entire fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the first nine months of the fiscal year

In Millions, USD	FY22 Draft Budget ICANN Operations	FY21 Forecast ICANN Operations	Under/(Over) vs. FY21 Forecast	
			$	%
Funding [1]	$144.4	$140.0	$4.4	3%
Personnel	80.1	76.6	(3.5)	-5%
Travel & Meetings	13.8	4.7	(9.1)	-195%
Professional Services	19.6	17.9	(1.7)	-10%
Administration	17.2	16.6	(0.6)	-4%
Capital	4.0	6.3	2.2	36%
Incremental Operating Initiatives [2]	5.5	2.0	(3.5)	-173%
Contingency [3]	5.2	1.2	(4.0)	-333%
Cost Savings Initiatives	(2.2)	(1.4)	0.8	-55%
Total Operating Expenses	$143.2	$123.9	($19.4)	-16%
Excess/(Deficit) before Contributions	$1.1	$16.1	($15.0)	n/a
Reserve Fund Contribution	1.1	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	$0.0	$16.1	($16.1)	n/a
Average Headcount	405	395	(10)	-2%

(1) Includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives
(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans
(3) Contingency represents an amount of budgeted expenses unallocated to specific activities or functions

- The FY22 Draft Budget funding is $4.4 million higher, driven by growth in domain name transactions per historical trends and a full year contribution for SSR initiatives versus half a year in FY21 Forecast

- Expenses in the FY22 Draft Budget are $19.4 million higher, driven by two incremental face to face ICANN Public Meetings, more headcount and inflationary Personnel expenses, and incremental operating initiatives

Next Steps and Timeline

Next Step - Community and Board Involvement

What	Who	When
FY22 Planning Process Kick Off	Community	ICANN69 Prep Week
Review draft FY22-26 O&FP and FY22 OP&B	BFC	9 Dec 2020
FY22-26 O&FP Public Comment FY22 OP&B Public Comment	Community	17 December 2020 – 15 February 2021
Community Webinar	Community	12 January 2020
ICANN BFC recommends IANA Budget Approval	BFC	19 January 2021
ICANN Board Adopts IANA Budget	Board	Board Workshop January 2021
Review Public Comment inputs/development of both FY22-26 O&FP and FY22 OP&B	Board & Community	ICANN 70
Review for Plan adoption of both plans	Board	Board Workshop May 2020
Empowered Community Period	Community	May – June 2020

Community Webinars

⦿ January 2021 at 16:00 UTC, please register at: https://icann.zoom.us/meeting/register/tJUrdOihrT0jE9VPlI04G_OXAV9cbjN-_Mxx

⦿ 13 January 2021 at 01:00 UTC, please register at: https://icann.zoom.us/meeting/register/tJwlduivrzgsEtarmerg4PIPr0G-zootrEbn

Appendix

Functional Activities – 34 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 Development & Advice
- Policy Research and Stakeholder Programs
- Contracted Parties Services Operations
- Technical Services
- Strategic Initiatives
- Constituent & Stakeholder Travel

Community Engagement and Services

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

Functional Activities – 34 in 5 groups

ICANN Org Governance

- Board Management
- Office of the President and CEO
- Governance Support
- Nominating Committee Support
- Complaints Office
- Planning
- Reviews Support and Implementation

ICANN Shared Services

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

Operating Initiatives

1	Support the Evolution of the Root Server System
2	Facilitate DNS Ecosystem Improvements
3	Evolve and Strengthen the Multistakeholder Model to facilitate Diverse and Inclusive Participation in Policymaking
4	Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking
5	Develop Internal and External Ethics Policies
6	Promote and Sustain a Competitive Environment in the Domain Name System
7	Universal Acceptance
8	Root Zone Management Evolution
9	Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem
10	Through Targeted Engagement Improve Governmental and Intergovernmental Organization (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 as Approved by Board
14	Planning at ICANN
15	ICANN Reserves