

ICANN FY21-FY25 Operating and Financial Plan

ICANN FY21 Operating Plan and Budget



18 December 2019

Revised Schedule for Public Comment Period

- The Public Comment period for the Draft FY21-FY25 Operating and Financial Plan and Draft FY21 Operating Plan and Budget has changed. Originally scheduled for Tuesday, 17 December 2019, drafts of the two plans will now be available beginning Friday, 20 December 2019.
- The Public Comment period has been extended by 7 days to 58 days (excluding holidays) to give the community more time to review the documents.
 - Public Comment Period: 20 December 2019- 25 February 2020
- To learn more and ask questions during the Public Comment window, webinars will be held on:
 - 9 January 2020 at 01:00 UTC <https://icann.zoom.us/j/935036343>
 - 9 January 2020 at 16:00 UTC <https://icann.zoom.us/j/506858960>
 - 14 January 2020 at 16:00 UTC <https://icann.zoom.us/j/257109807>

Introduction

- On 20 December 2019, the draft FY21-25 Operating & Financial Plan and draft FY21 Operating Plan & Budget that support the FY21-25 Strategic Plan will be posted for Public Comments.
- An important question that this plan helps answer is “is the strategic plan affordable?”
 - Our view at this stage is: Yes, it is.
 - However, it will take careful planning and strict control of expenses throughout the period.
- This plan takes a different approach than in the past: it provides a lot more narrative about what we do, and it includes financials. We believe this is increasing transparency.
- We are looking forward to community feedback on both content and format.
- Today, we will provide a brief overview on the material that will be posted on 20 December 2019.

Agenda

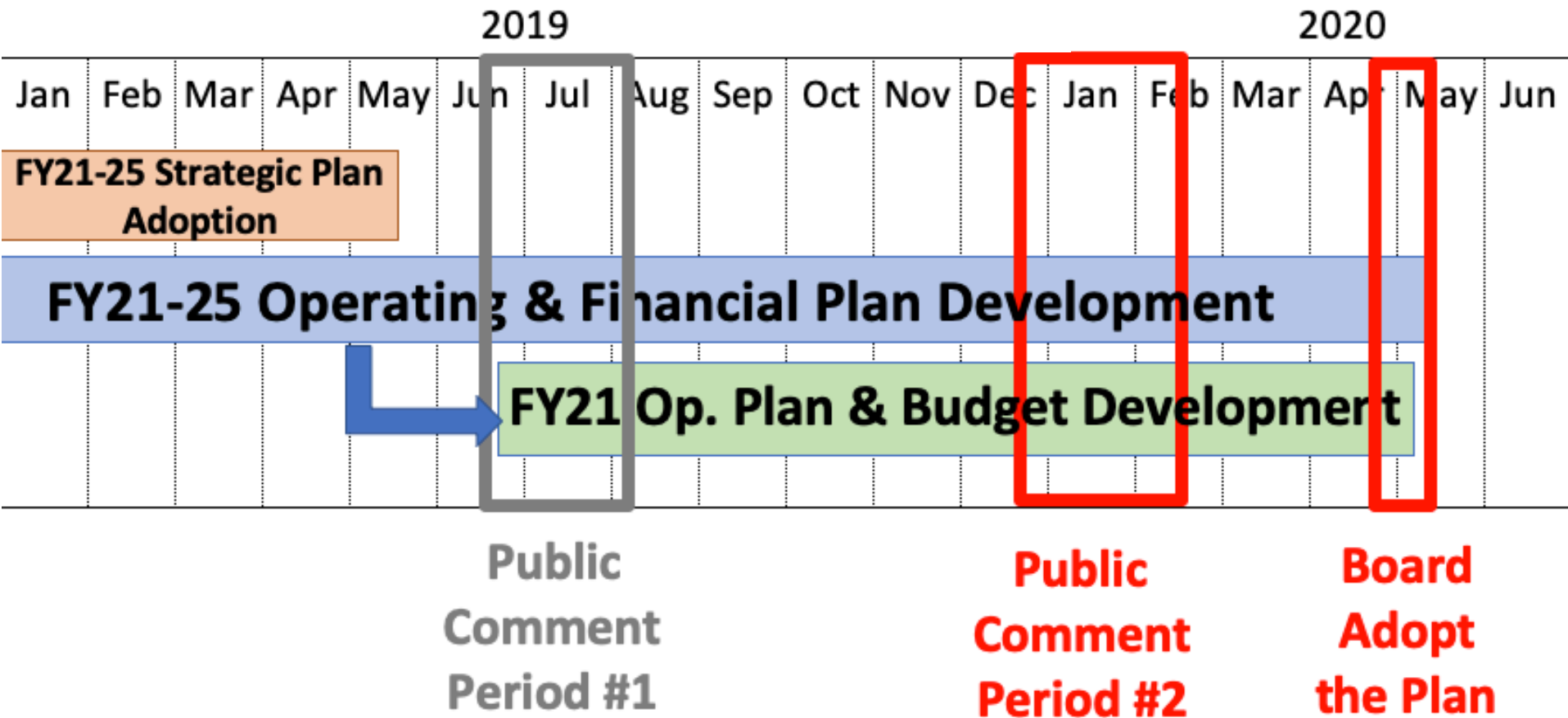
- ⦿ Introduction
- ⦿ Planning Overview (Process & Structure)
- ⦿ Draft FY21-FY25 Operating and Financial Plan
- ⦿ Draft FY21 Operating Plan and Budget
- ⦿ Process Update – Community and Board Involvement
- ⦿ Appendix

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 27-28 for the list of Operating Initiatives &
slides 29-30 for the list of Functional Activities***

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 # 27-28 for the list of Operating Initiatives

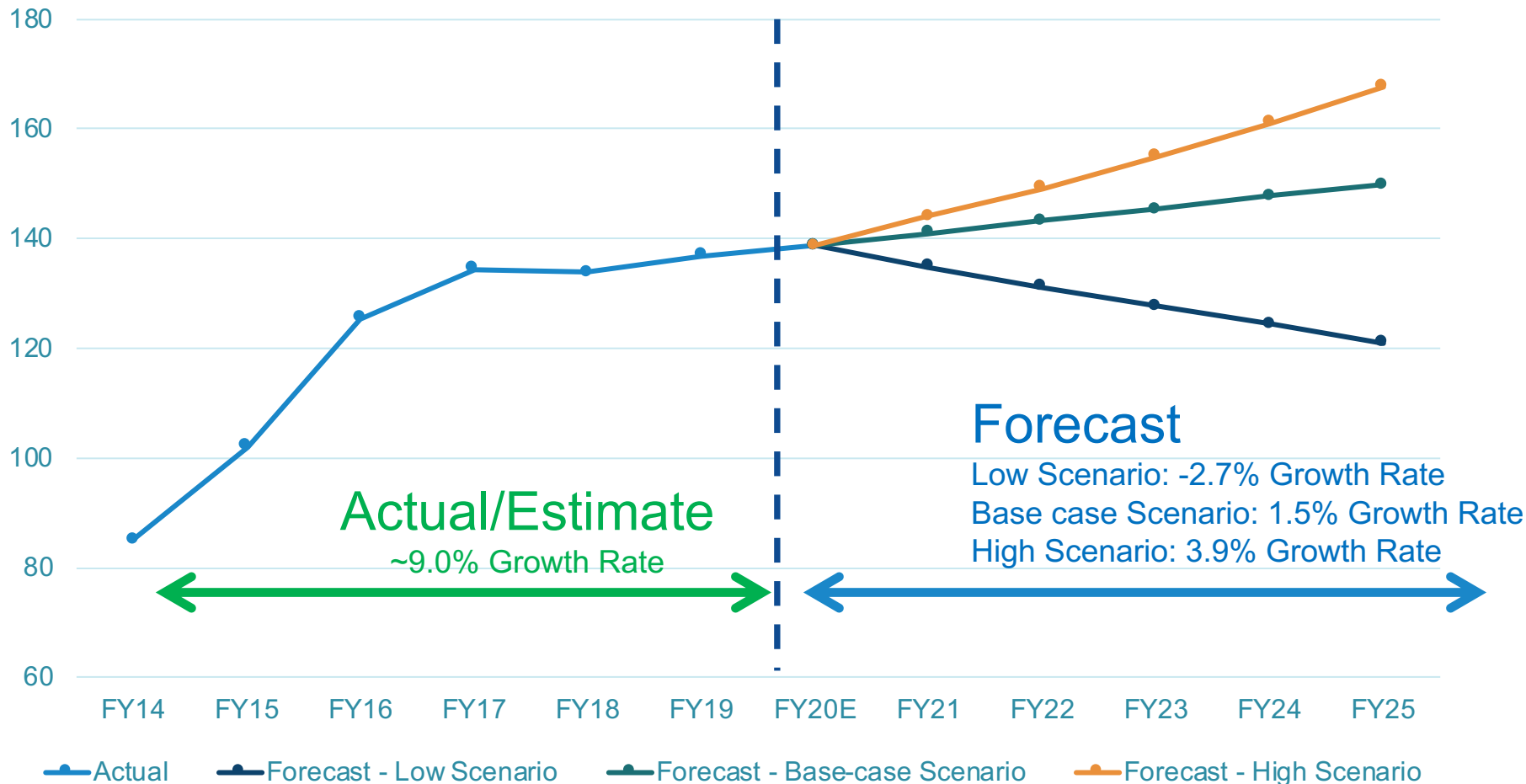
Content Structure – Functional Activities (35 in 5 groups)

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 # 29-30 for the list of Functional Activities

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

5-Year Funding Forecast includes Low – Base Case – High Scenarios. Across the three scenarios generated, FY25 funding is forecast 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

- ICANN organization's activities result directly or indirectly from Bylaws requirements and decisions made by the Board based on community-led policies or recommendations
 - At this time, we are not including implementation work from future Board decisions that have yet to be approved
 - The Five-Year Plan will include contingency funding for unplanned work that has yet to be approved
- 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
- 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

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)

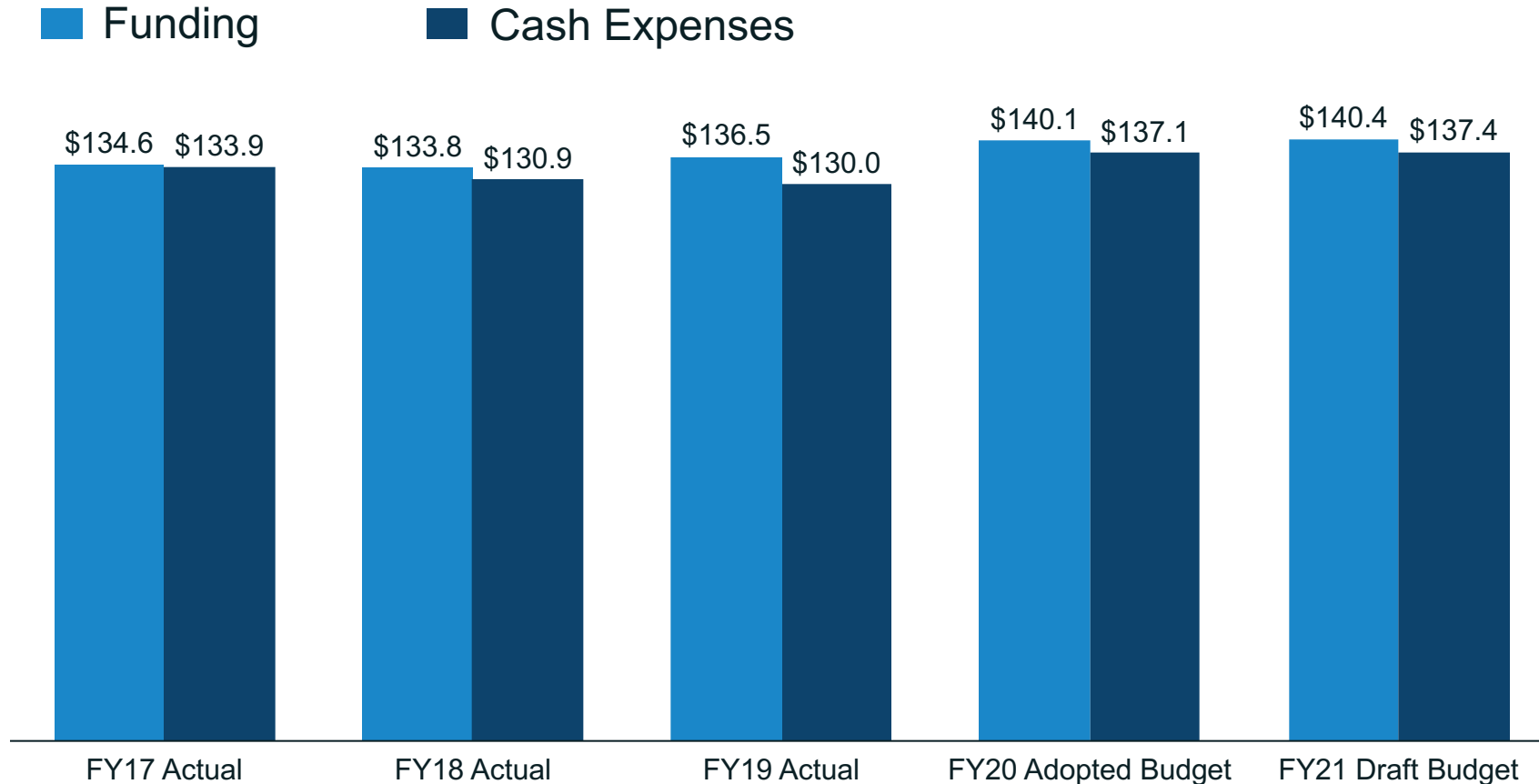
	Operating Initiatives	5-year Financial Estimate (low)	5-Year Financial Estimate (mid pt)	5-Year Financial Estimate (high)	Assumptions for Mid Pt Scenario
1	Support the evolution of the Root Server system				
2	Facilitate Improvements of the DNS Ecosystem				
3	Evolve and strengthen the multistakeholder 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	Continue the Root Zone Management evolution				
7	Promote and sustain a competitive environment in the Domain Name System				
8	Universal Acceptance				
9	Evaluate, align and improve 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 drivers of the domain name market				
13	Implement New gTLD auction proceeds recommendation				
14	ICANN Planning				
15	ICANN Reserves				
	Total				

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.
- ⦿ 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.
- ⦿ The Budget includes recurring work and Board-approved activities as for FY20.

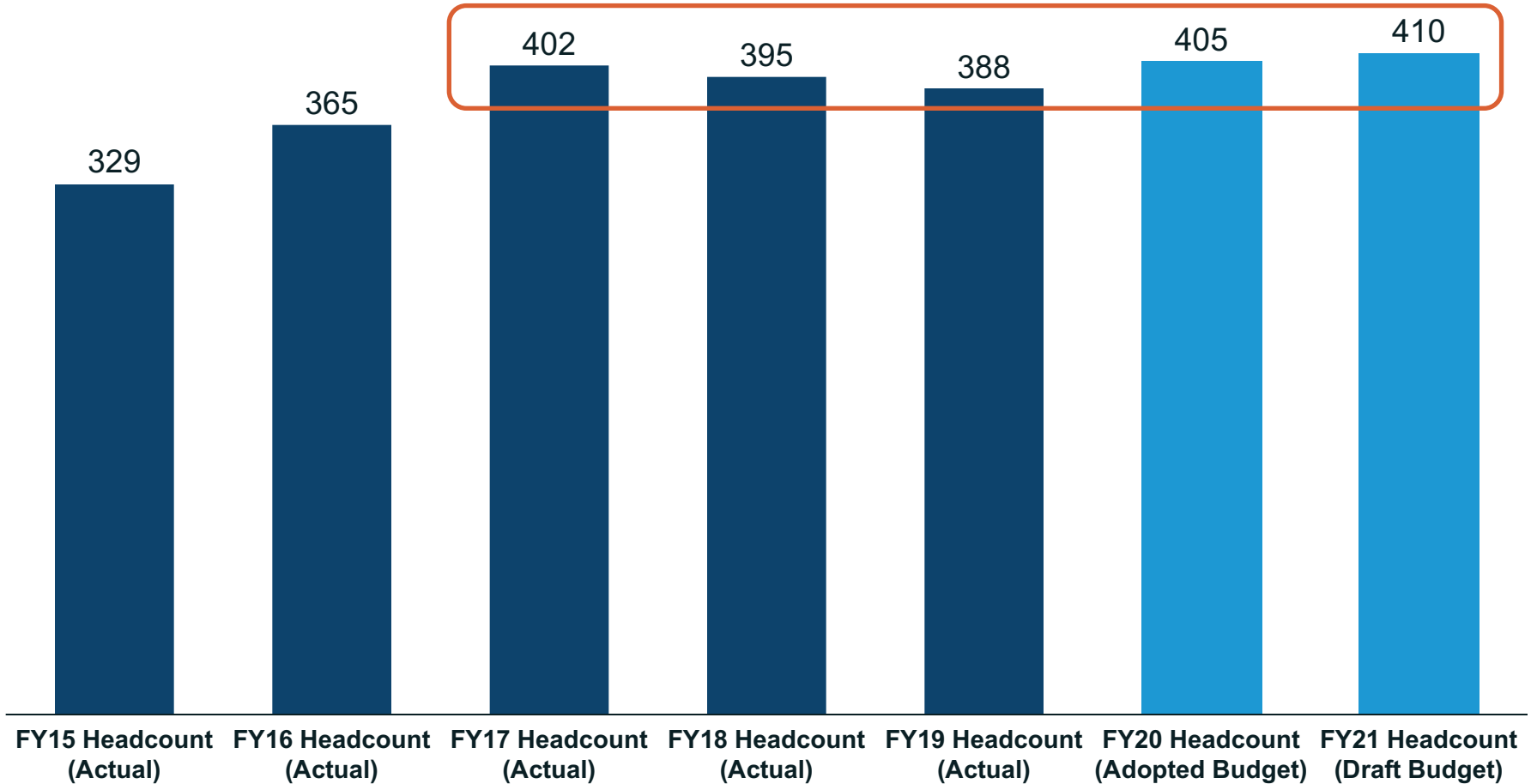
ICANN Operations: Funding and Cash Expense Trends



- ⊙ 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

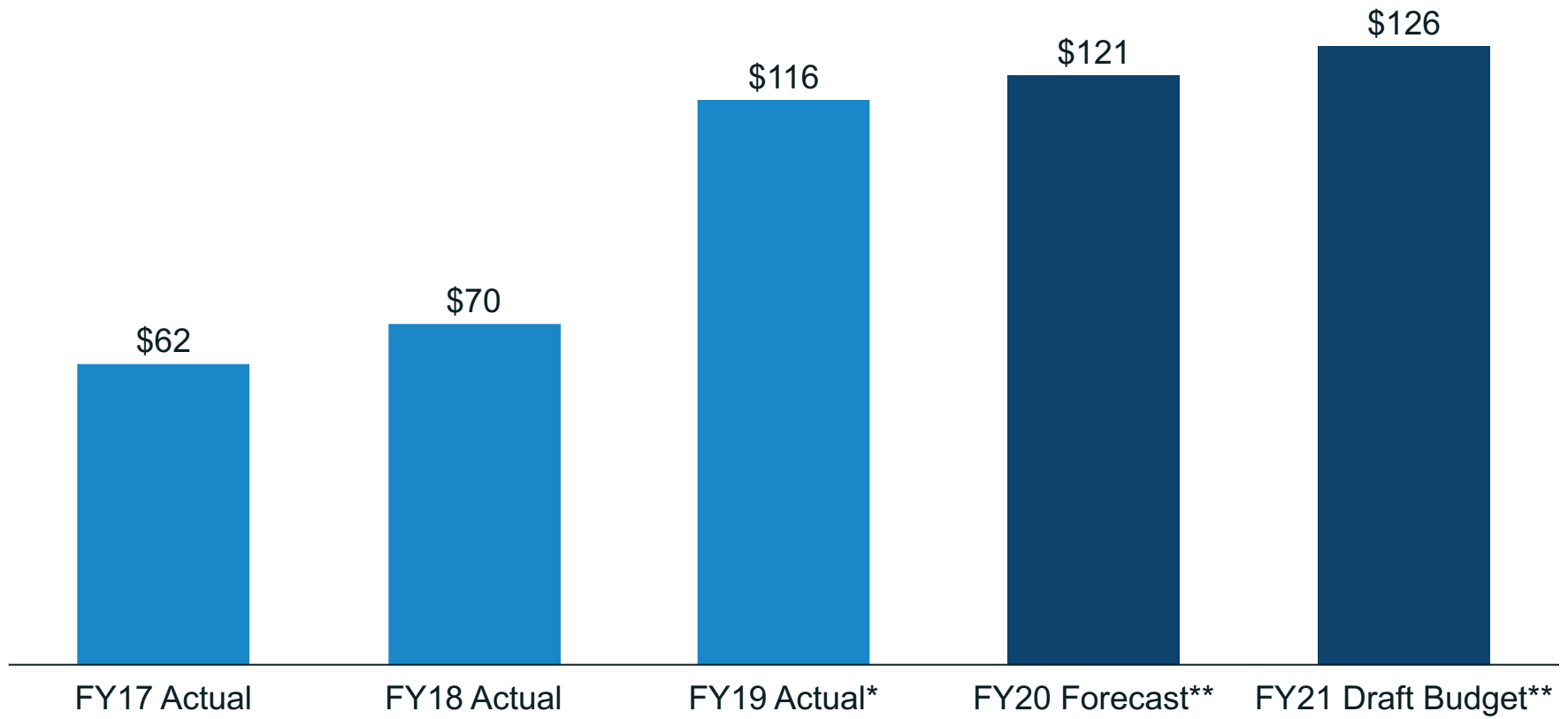


Potential Implementation Projects and Activities

- 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.

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
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