ICANN 68
VIRTUAL POLICY FORUM

ICANN 68 Prep Sessions
ICANN Org Planning Webinar

9 June 2020

Webinar Information

This session will be recorded

This session is scheduled to last 1 hour.

Presentation PowerPoint and recording will be published later this week:
https://community.icann.org/display/projfinadhocws/FY21+Budget+Webinars

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

PLANNING TEAM

Xavier Calvez
Chief Financial Officer

Susanna Bennett
Chief Operating Officer

Becky Nash
VP Finance

Victoria Yang
Senior Operations Program Manager

Shani Quidwai
Director of FP&A

Opening Remarks

Xavier Calvez
Chief Financial Officer

Agenda

- Planning Process Overview and FY21 Planning Current Status
- Overview of Adopted FY21-25 Five Year Operating & Financial Plan
- Overview of Adopted FY21 Budget
- FY22 Planning Process and Next Steps
- Appendix

Planning Process Overview and FY21 Planning Current Status

Victoria Yang

Senior Operations Program Manager

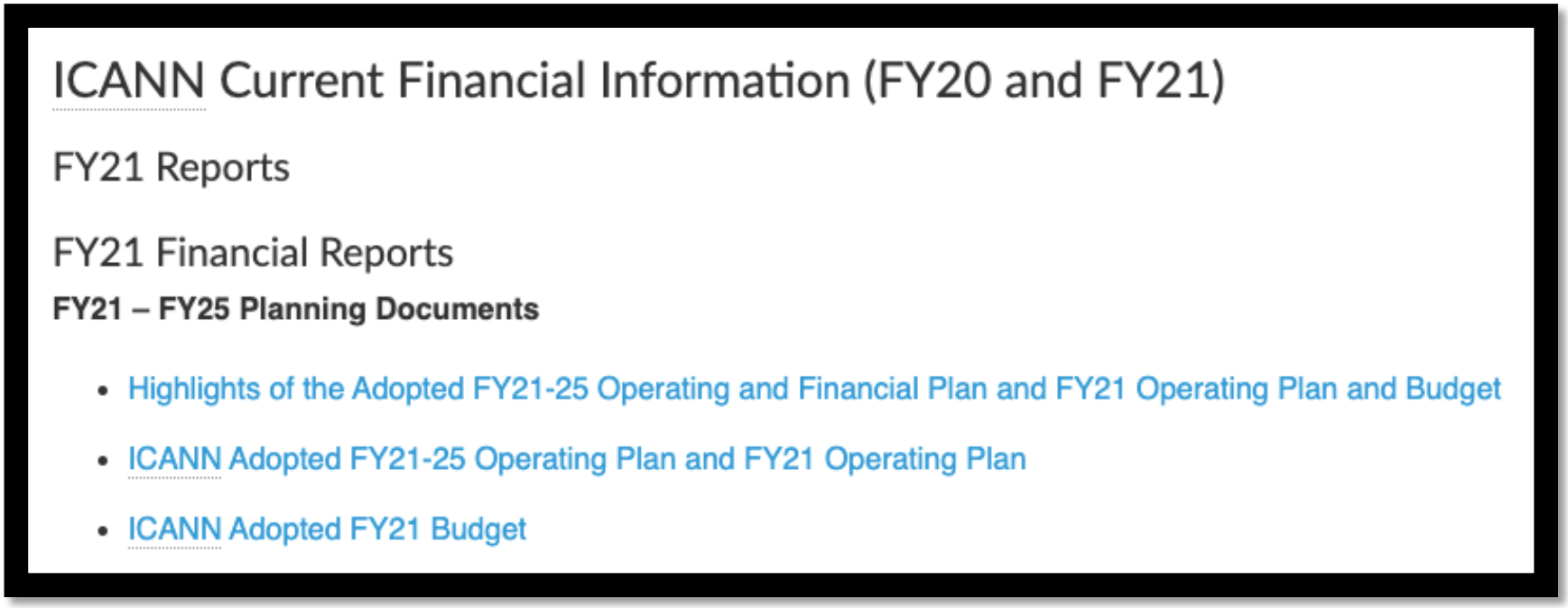
Planning Process & Documents

Current status FY21 Planning

- ICANN org published a draft FY21-25 Operating & Financial Plan and FY21 Operating Plan and Budget for public comment in December 2019. These drafts were developed based on the approved FY21-25 Strategic Plan.
- Since concluding the Public Comment process, the economic impact of the COVID-19 pandemic has had a significant and ongoing impact on the world.
- ICANN org expects that its planned activities and financial position for the remainder of FY20 (ending 30 June 2020) and FY21 will be impacted.
- ICANN org developed a new set of financial projections and presented these to the Board and Community in early May. These plans were adopted by the Board shortly thereafter.
- The Empowered Community (EC) Rejection Action Petition period has terminated regarding the adopted FY21-25 Operating and Financial Plan and FY21 Operation Plan and Budget. The plans will go into effect on 1 July 2020 for FY21.

Adopted Documents Published

https://www.icann.org/resources/pages/governance/current-en



ICANN Current Financial Information (FY20 and FY21)

FY21 Reports

FY21 Financial Reports

FY21 – FY25 Planning Documents

- Highlights of the Adopted FY21-25 Operating and Financial Plan and FY21 Operating Plan and Budget
- ICANN Adopted FY21-25 Operating Plan and FY21 Operating Plan
- ICANN Adopted FY21 Budget

The **Adoption Version** are the documents adopted by the Board in May 2020 reflecting the operating plans and financial projections detailed in the Proposed for Board Adoption version.

Overview Adopted FY21-25 Five Year Operating & Financial Plan

Victoria Yang

Senior Operations Program Manager

Shani Quidwai

Director of FP&A

Adopted FY21 – FY25 Five Year Operating Plan

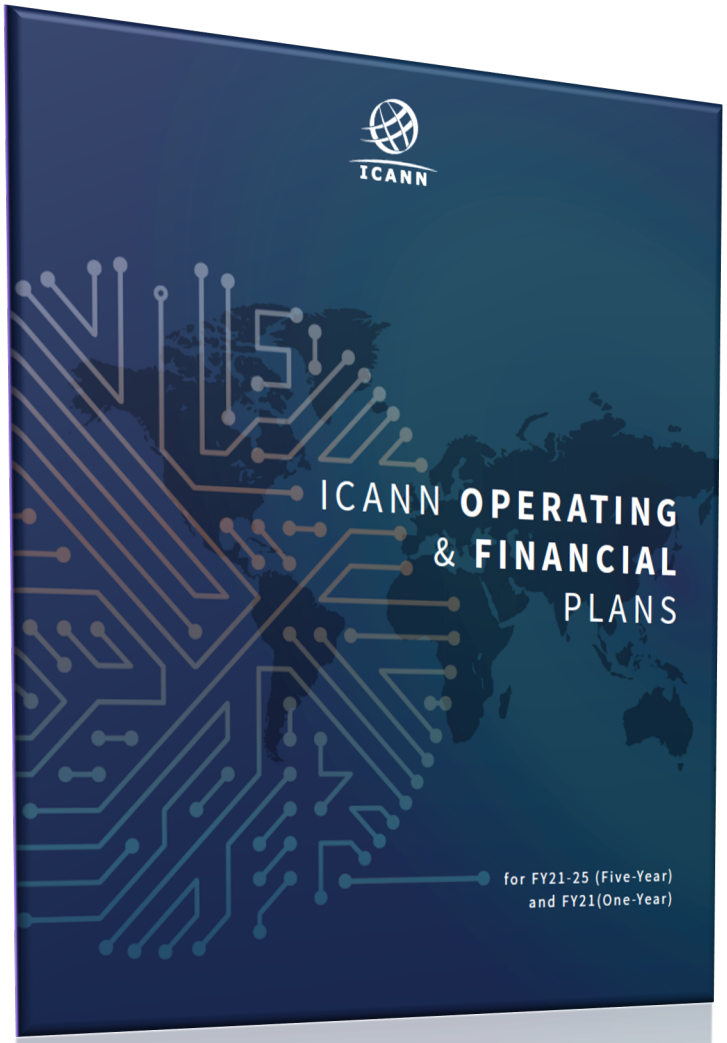
FY21-25 Operating & Financial Plan includes descriptions of the major work ICANN org will undertake to achieve its Strategic Plan, operate the organization and implement its mission and mandate.

FY21 as 1st year of the 5-year plan follows the same structure, but with greater details.

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.

Please refer to Appendix for more details of Functional Activities and Operating Initiatives

Review of the Operating & Financial Plan



https://www.icann.org/resources/pages/governance/current-en

Adopted FY21-25 Financial Plan

(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 Plan

- 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.

Overview of Adopted FY21 Budget

Shani Quidwai

Director of FP&A

FY21 Adopted Budget Highlights

In Millions, USD	FY21 Adopted Budget Total ICANN Operations
Funding	**$129.3**
Personnel	76.0
Travel & Meetings	12.4
Professional Svcs.	17.0
Administration (1) & Capital	18.7
Contingency (2)	5.2
Cash Expenses	**$129.3**
Excess/(Deficit) Before Contribution	**($0.0)**
Reserve Fund Contribution	**$0.0**
Net Operating Excess/(Deficit)	**($0.0)**
Average Headcount	**395**

(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 functions.

- FY21 Funding reflects economic crisis impact resulting from the pandemic
- Cash Expenses are balanced with Funding and are achievable given the trend of expenses in recent years
  - Travel & Meetings reflects travel restrictions and budget for three face-to-face ICANN Meetings
  - Contingency in line with previous years
  - Additional Budget Requests are $20k higher than in previous years
- Recommended delay in FY21 Reserve Fund contribution but still on track to achieve Board approved replenishment strategy by FY25

FY21 Adopted Budget vs FY20 Forecast

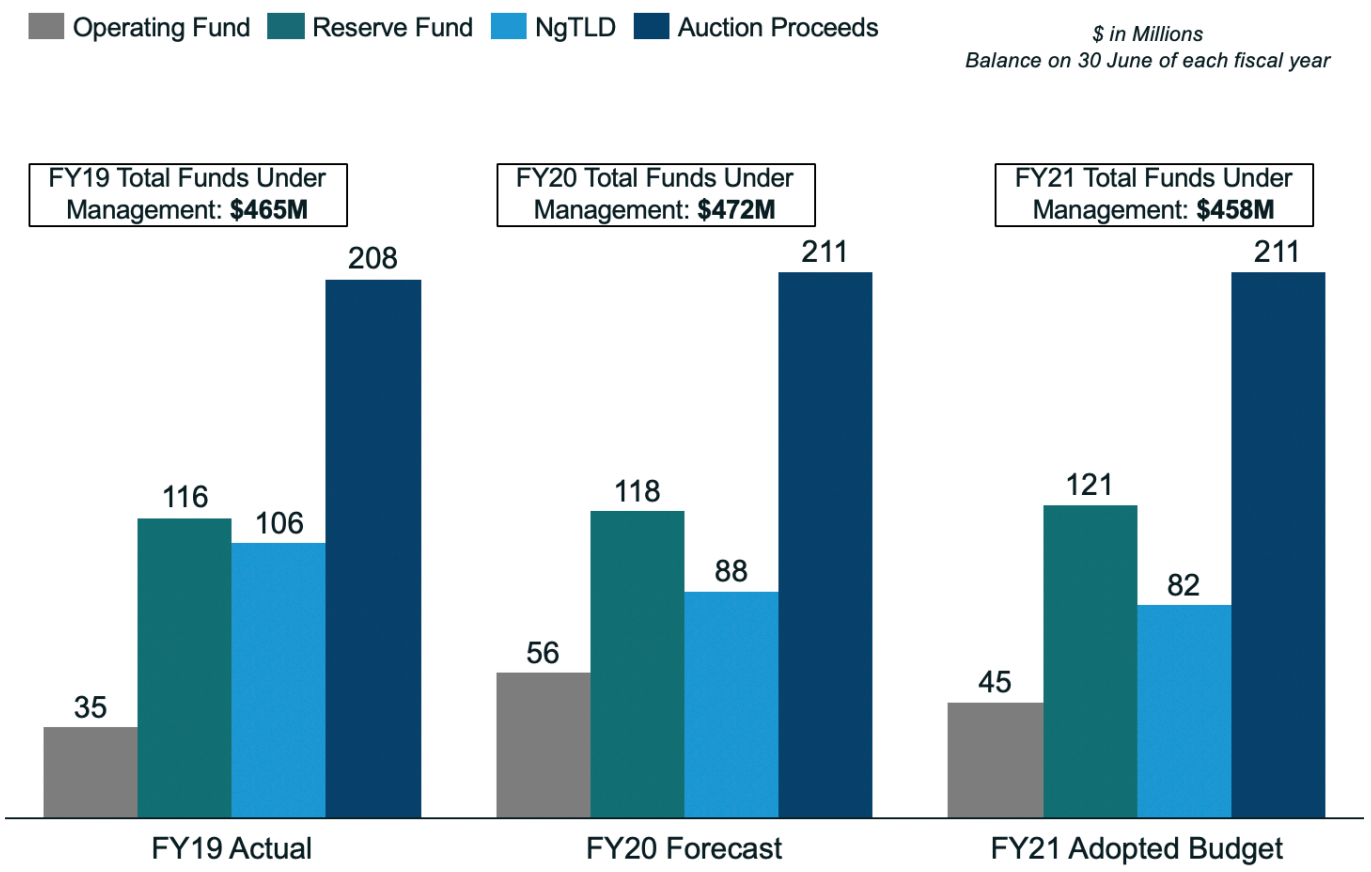
In Millions, USD	FY21 Adopted Budget Total ICANN Operations	FY20 Forecast Total ICANN Operations	Under/(Over) vs. FY20 Forecast Total ICANN Operations	%
Funding	**$129.3**	**$137.5**	**($8.2)**	**-6%**
Personnel	76.0	72.4	(3.6)	-5%
Travel & Meetings	12.4	8.0	(4.4)	-54%
Professional Svcs.	17.0	18.8	1.8	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 functions.

- 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

Funds Under Management FY21 Adopted Budget

- FY21 Operating Fund balance is projected, in the base case scenario, to be above the target balance of $32.5M* despite the economic crisis primarily due to ending FY20 with a surplus



**The targeted balance of the Operating fund is 3 months of operating expenses (~$32.5M based on FY21 Adopted Budget)*

FY22 Planning Process and Next Steps

Becky Nash
VP Finance

Preparing for FY22 planning

- FY21 will be a year where the consequences on ICANN of the global pandemic will be monitored carefully.
- The lesson's learned from the FY21 plan development process is that the ICANN community, the ICANN Board and ICANN org have much work to accomplish and this work needs to be planned for and prioritized given limited resources.
  - Work to be prioritized include:
    - Operating Initiatives in the new Five-Year Plan
    - Implementation work: Adopted policies, review recommendations, advice, WS2
  - In addition to the on-going policy development community work.
- The Operating Initiative in the FY21-25 Operating Plan provides a framework to improve the overall ICANN planning process.

Operating Initiative Planning at ICANN

- The FY21-FY25 Operating Plan contains an Operating Initiative Planning at ICANN with the following Strategic Goals and Targeted Outcomes:
  - ICANN org prioritizes its activities to deliver its mission in the global public interest in the most cost-effective way.
  - ICANN org has processes and tools in place to effectively manage and control costs.
  - Financial accountability and responsibility guide how decisions are made prior to committing ICANN's resources and how expenses are managed once approved in order to stay within those commitments.
  - Key cost drivers are clearly defined and understood.
  - Risk assessments are periodically reviewed to determine the adequacy of ICANN's Reserve Fund level to address potential mitigation needs.

Operating Initiative Planning at ICANN

	Quantification of resources	Evaluation of needs	Prioritization	Flexibility	Transparency
Increase narrative description of activities and projects		✓			✓
Cross-community planning of policy development activities			✓	✓	✓
Financial planning of PDPs, CCWG, Advice, Reviews and their recommendation implementation	✓	✓			✓
Evolving project planning and reporting	✓	✓			✓
Reassess performance evaluation and metrics		✓	✓	✓	✓

Planning at ICANN Next Steps

- ICANN is initiating the Operating Initiative “Planning at ICANN” during the planning cycle of FY22 (happening during FY21).
- This involves updates on a rolling basis to the five-year plans (strategic, operating and financial)
  - Strategic Outlook Trends Identification is the input to the strategic planning process.
- Collaborating to prioritize ICANN’s community and org work is a key objective driving the design of the FY22 planning process.
- Next step: ICANN org to propose an FY22 planning process during the month of August 2020.

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

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

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

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.

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

FY21 SO/AC Additional Budget Requests

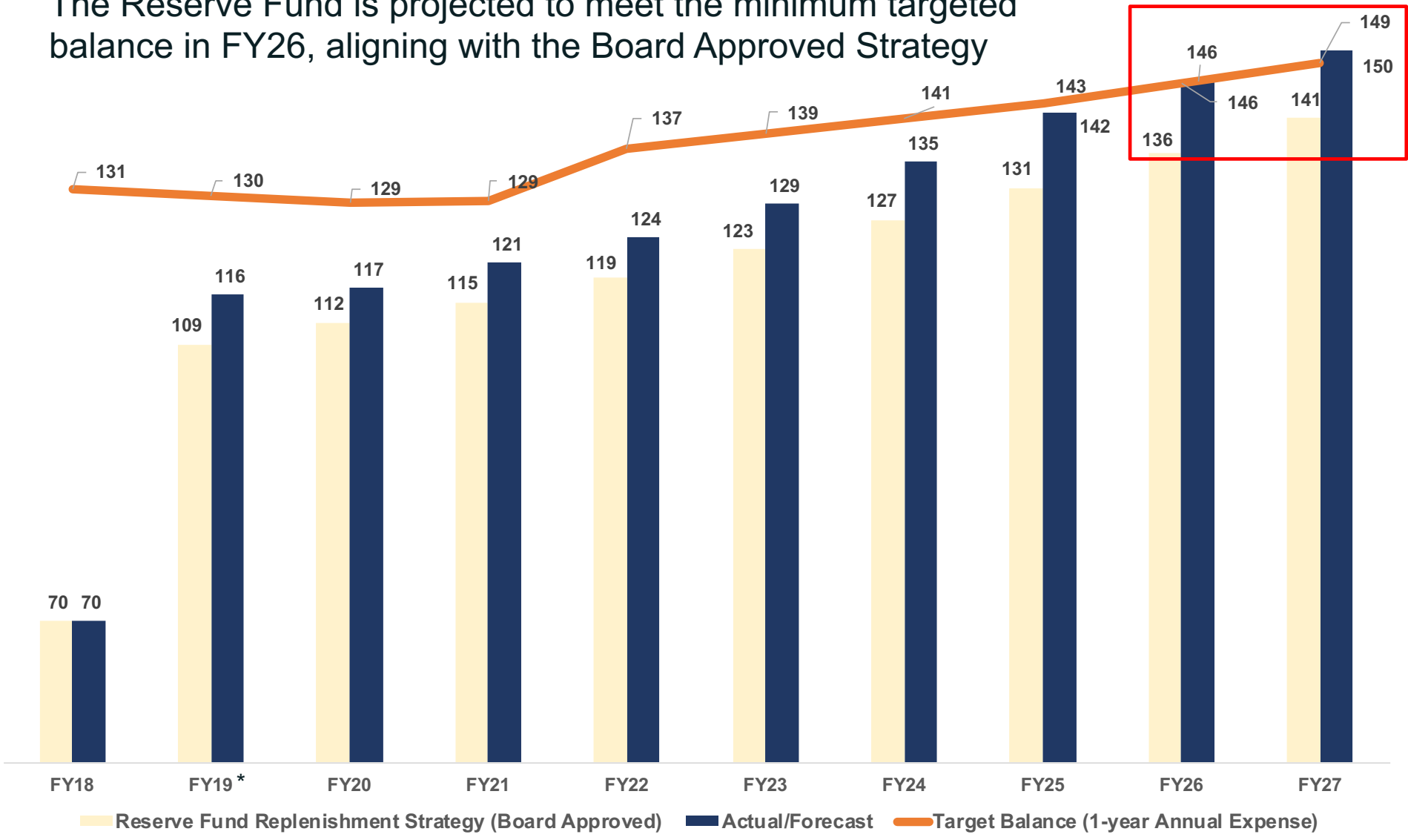
- Background: separate budget process to allow SO/ACs to express funding requests customized to their specific needs
- Process includes the following phases:
  - Application phase (with evaluation criteria)
  - Evaluation phase with 2-step review process (Staff and Executive)
  - Presented to the BFC for recommendation for approval
- A total of 35 Requests were submitted by 14 different organizations
- 16 requests are recommended for approval for a total of $326K, to be evaluated as part of the FY21 Forecasting process

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**

Link to ABR Report: https://community.icann.org/pages/viewpage.action?pageId=134513539

Reserve Fund Replenishment Strategy

The Reserve Fund is projected to meet the minimum targeted balance in FY26, aligning with the Board Approved Strategy



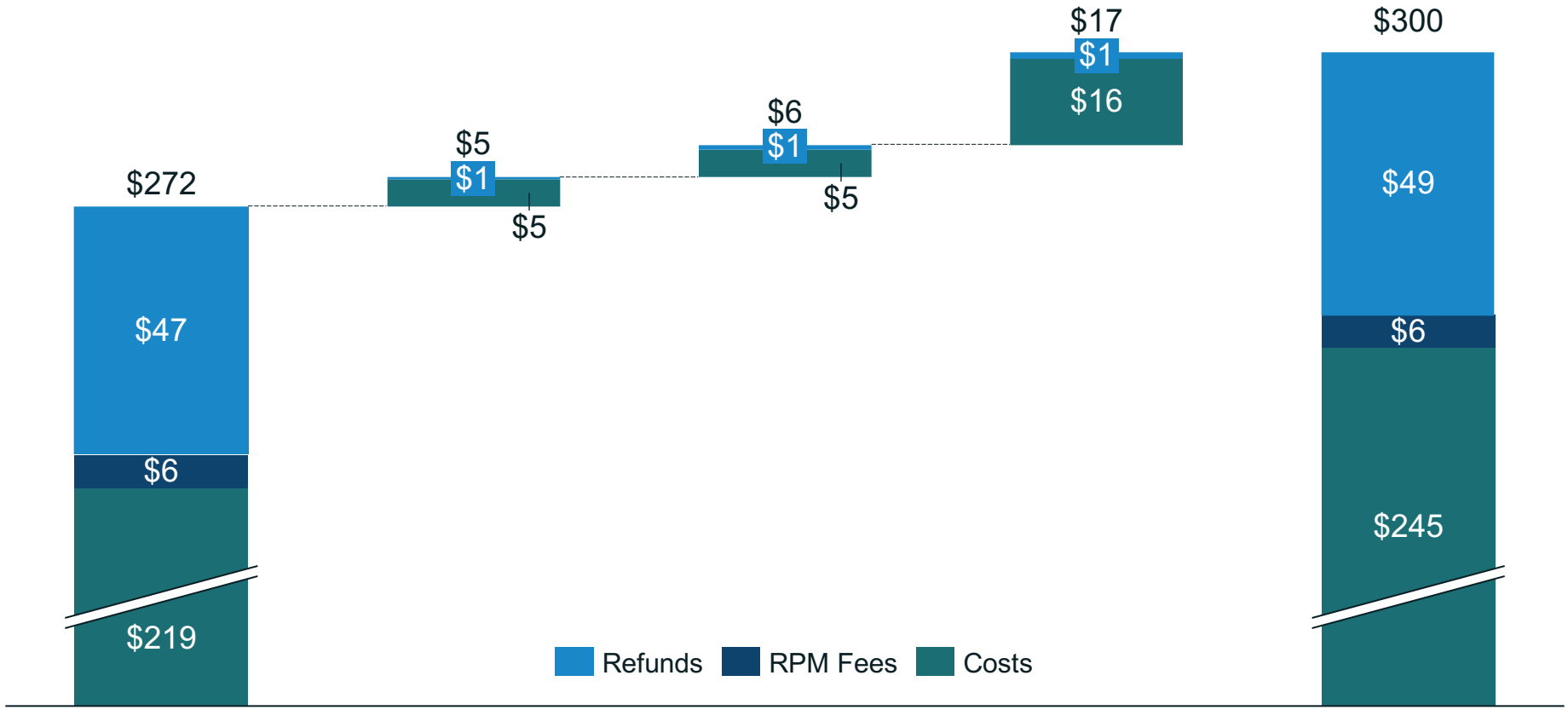
* $36M was transferred from Auction Proceeds to the Reserve Fund in FY19

USD $ in millions
Projections assume annual investment gains of 3%

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.

FY20 Adopted Budget vs FY20 Forecast

In Millions, USD	FY20 Forecast Total ICANN Operations	FY20 Adopted Budget Total ICANN Operations	Increase/(Decrease) vs. FY20 Budget Total ICANN Operations	 %
Funding	**$137.5**	**$140.1**	**($2.6)**	**-2%**
Personnel	72.4	76.3	(3.9)	-5%
Travel & Meetings	8.0	15.7	(7.6)	-49%
Professional Svcs.	18.8	21.5	(2.8)	-13%
Administration (1) & Capital	18.1	18.4	(0.3)	-2%
Contingency (2)	4.3	5.2	(0.9)	-17%
Cash Expenses	**$121.6**	**$137.1**	**($15.5)**	**-11%**
Excess/(Deficit) Before Contribution	**$15.9**	**$3.0**	**$12.9**	**429%**
Reserve Fund Contribution	**$0.0**	**$3.0**	**($3.0)**	**-100.0%**
Net Operating Excess/(Deficit)	**$15.9**	**($0.0)**	**$15.9**	**n/a**
Average Headcount	**389**	**405**	**-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 functions.