

Highlights of the FY21-25 Operating & Financial Plan and FY21 Budget

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Table of Contents

Table of Contents	2
INTRODUCTION	3
FY21–25 Financials	7
FY21 Budget Highlights.....	14

INTRODUCTION

Purpose of the Highlights File

The purpose of the highlights document is to provide an overview of ICANN's FY21–25 Operating & Financial Plan and its FY21 Budget.

It accompanies two other documents:

- Five-Year Operating and Financial Plan and One-Year Operating Plan (FY21-25 and FY21)
- FY21 Budget

In accordance with ICANN's bylaws and the Empowered Community process, documents are divided into a five-year operating and financial plan, a one-year operating plan, and a one-year budget.

How to navigate the FY21–25 Operating & Financial Plan and FY21 Budget

Due to the diverse nature of ICANN's work, we recommend reading the sections that interest you the most. There are navigation links to help you jump to sections quickly. For example, click on an Operating Initiative in the **FY21–25**

Operating & Financial Plan to view the five-year and/or one-year details such as: purpose, scope, key milestones, considerations, and resources. To increase transparency, major work is described through Operating initiatives and Functional Activities. Financials are also provided to demonstrate the affordability of planned work.

Purpose

The FY21–25 Operating & Financial Plan is a comprehensive roadmap to achieve ICANN's FY21–25 Strategic Plan. The plan identifies the work to be performed and the resources needed to achieve the Strategic Plan, fulfill ICANN's mission, and meet new and continuously evolving challenges and opportunities.

Five-Year Operating Assumptions

The FY21–25 Operating Plan is forward-looking and based on "base" scenario funding projections. In an effort to present a comprehensive view of projected ICANN org operations over the five-year period, the FY21–25 Operating Plan includes areas of work still under discussion within the community, such as the New gTLD Subsequent Procedures Policy Development Process, New gTLD Auction Proceeds, Organizational and Specific Reviews, and the work on Evolving ICANN's Multistakeholder Model.

ICANN org supports the community-based activities that lead to reviews recommendations, cross-community working group recommendations, policy drafts, and advice recommendations. At any point in time, there are recommendations and policies that are at any of these stages of progress: initiation, development, finalization, board consideration, implementation planning, and implementation. As recommendations and policies 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 ICANN org staff contributing as required based on the nature of the implementation work. Some additional specific resources may be required on a case-by-case basis. During the annual planning cycle, the implementation activities expected during the year are incorporated into the annual operating plan.

[See Appendix A in FY21–25 Operating & Financial Plan](#) for more detailed information on the implementation activities expected to occur during the five-year period.

Relationship to the Strategic Plan

The FY21–25 Operating and Financial Plan is linked to the FY21–25 Strategic Plan through targeted outcomes that result from the achievement of strategic objectives. Each functional activity and operating initiative includes a description of its targeted outcomes. Thus, the FY21–25 Operating and Financial Plan serves as an overarching, holistic view of the activities ICANN org is undertaking, or will undertake, in support of its FY21–25 Strategic Plan.

Operating Initiatives

Operating initiatives describe how ICANN org will achieve the objectives and goals set out in the ICANN Strategic Plan. The 15 operating initiatives listed below represent major areas of work that support the strategic objectives and targeted outcomes identified in the Strategic Plan.

The 15 operating initiatives are:

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 Governments and Intergovernmental Organizations (IGOs) 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

Functional Activities

Functional activities are those necessary to operate the organization, such as Human Resources or Finance, or implement ICANN's mission, such as Contractual Compliance or the IANA functions.

The 35 functional activities have been placed into five service groups which represent the broad categories of work that ICANN org conducts. These are technical and DNS security; policy development and implementation support; community engagement and services; ICANN org governance; and ICANN shared services.

The functional activities are:

- 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 and Advice
 - Policy Research
 - Contracted Parties Services Operations
 - Technical Services
 - Global Domains Division Strategic Programs
 - Constituent and Stakeholder Travel
- Community Engagement and Services:
 - Global Stakeholder Engagement
 - Regional Offices
 - Public Responsibility Support
 - Government and Intergovernmental Organization Engagement
 - gTLD Accounts and Services
 - Consumer Safeguards
- Global Communications and Language Services
 - Global Meetings Operations
 - Ombudsman
- ICANN org Governance:
 - Board Activities
 - Office of the President and CEO
 - Governance Support
 - Nominating Committee Support
 - Complaints Office
 - Strategic Planning and Strategic Initiatives
 - Accountability Reviews
- ICANN Shared Services:
 - Operations Planning
 - Finance and Procurement
 - Risk Management
 - Engineering and Information Technology
 - Global Human Resources and Administrative Services
 - Global Support Center
 - Board Operations
 - Security Operations
 - ICANN Office

FY21–25 Financials

The FY21–25 Financials provide forward-looking information that represents ICANN’s attempt at conservatively estimating its future funding and expenses. The intent is to allow ICANN to plan for a level of activity and expenses that minimize the risk that funding would be lower than expenses in the future.

By necessity, flexibility needs to be factored in over the five years. We have made every attempt to consider all factors based on current information, understanding, market trends, and circumstances at the time of the FY21–25 Operating and Financial Plan’s publication. However, the risk of new or changing conditions and requirements adds risk and variability. As a result, it is expected that actual funding could differ materially from the projections in this document, in any given year.

A Rolling Five-Year Plan

The FY21–25 Financials will be a rolling five-year plan. ICANN org will update it annually to accommodate operational changes or unforeseen events. Tracking of the status and progress of budgeted items and projects outlined in the plan will take place on an ongoing basis.

The financials are intended to be flexible, and we anticipate that these numbers will shift as we learn and adjust accordingly. This also allows for activities to be reprioritized based on the current environment, which will undoubtedly evolve over the course of the five-year period.

FY21–25 Financial Projections

The FY21–25 financial projections forecast expenditures and revenues over the five-year period. Revenues and expenditures are balanced and headcount remains stable at 410 over the period. A flat, unchanged fee structure is assumed.

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

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Estimating Costs for Operating Initiatives

High and low scenarios were estimated for each operating initiative. Our projections refer to the mid-point of these estimates since the high and low estimates are deemed to be less likely. Financials were only estimated for initiatives that required incremental efforts. In other words, if no costs are shown, then the resources for that initiative are included within the functional activities of the financial plan core budget. Funding for initiatives 7 and 13 are specifically funded by new gTLD application fees and auction proceeds.

Operating Initiatives <i>(in Millions USD)</i>		(low)	(mid-point)	(high)	Assumptions for Mid Pt Scenario
1	Support the evolution of the Root Server system	\$3.0	\$4.5	\$6.0	2 FTE for the 5-year period and meeting facilitation costs
2	Facilitate Improvements of the DNS Ecosystem	4.0	6.0	8.0	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.
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 FTE 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	Continue the Root Zone Management evolution	3.0	4.5	6.0	Hardware and connectivity costs based on Singapore cluster.
7	Promote and sustain a competitive environment in the Domain Name System	-	-	-	See note below

Operating Initiatives <i>(in Millions USD)</i>		(low)	(mid-point)	(high)	Assumptions for Mid Pt Scenario
8	Universal Acceptance	1.5	2.0	52.5	ICANN org is already investing in Universal Acceptance, this assumes we will spend another \$500K/yr.
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 FTE 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.

Funding Assumptions and Projections

ICANN org used a three-step process to project its funding levels for the next five years. This process is described more fully in the FY21–25 Financials section of the FY21–25 Operating & Financial Plan. In summary, ICANN’s funding projections include three scenarios: low, mid-point, and high. The mid-point scenario is considered the most likely and therefore the Base scenario for the expense projections during this period.

At this point, considering the uncertainty on the timing of the release into the root of new top-level domain names resulting from a new round of applications, it is assumed, to be conservative, that no funding from such new top-level domains would be generated over the five-year period.

5-Year Projections	FY21 Projections	FY22 Projections	FY23 Projections	FY24 Projections	FY25 Projections
ICANN Ops Funding <i>(in Millions USD)</i>					
Base	\$141.4	\$143.2	\$145.4	\$147.7	\$149.9
Low	\$135.0	\$131.5	\$128.2	\$124.9	\$121.6
High	\$145.5	\$152.6	\$160.2	\$168.3	\$177.2
Transaction Volume <i>(in Millions)</i>					
Base	203.7	209.1	214.4	219.7	225.1
Low	193.1	187.9	182.7	177.5	172.4
High	212.2	227.4	243.9	261.6	281.2
Contracted Parties					
Base	3,656	3,676	3,697	3,717	3,738
Low	3,412	3,331	3,251	3,171	3,091
High	3,791	3,846	3,901	3,956	4,012

Reserve Fund

Over the FY21–25 period, ICANN’s expenses will be funded from the annual funding available once an allocation to the Reserve Fund has been set aside. This reflects the application of two key principles of ICANN’s long-term financial sustainability:

- Expenses do not exceed funding.
- Sufficient reserves are reached and maintained at all times.

The ICANN Board approved a replenishment strategy aiming to reach the minimum target level of 12 months of operating expenses by the end of an eight-year period, starting in FY18. This plan proposes to achieve replenishment of the Reserve Fund to the minimum target level by the end of the plan period in FY25.

The replenishment strategy suggests that approximately \$32 million be allocated to the Reserve Fund over eight years. On average, the Reserve Fund must increase by a minimum of \$4 million every year. Future increases in operating expenses may trigger an increase to the Reserve Fund target level, meaning that more funds would need to be added. The level of the Reserve Fund is expected to be approximately \$121 million at the beginning of FY21, and \$148 million by FY25.

FY21 Budget Highlights

Overview

The FY21 Budget contains a detailed overview of ICANN's financial plan for FY21. It includes:

- Highlights of ICANN Operations, excluding the New gTLD Program, which is covered separately.
- Highlights from the New gTLD Program.
- Activities that have already been submitted for public comment and as a part of the PTI FY21 Operating Plan and Budget.
- Overview of ICANN's FY21 Budget, combining ICANN Operations and the New gTLD Program.
- Its Appendix includes data on FY21 expenses planned for each functional activity. Each functional activity is also mapped to one of the five objectives of the ICANN Strategic Plan for FY21–FY25.
- Where relevant, comparative information for FY20 is provided, using budget and forecast figures. Any arithmetic inconsistencies are due to rounding.

PTI Operations are also included as part of ICANN's total operations. Public Technical Identifiers (PTI) is a nonprofit organization and affiliate of ICANN that was created in 2016. ICANN org has delegated the performance of most of the Internet Assigned Numbers Authority (IANA) functions to PTI. The IANA functions include management of Internet number resources, management of the DNS root zone, and other operational aspects of coordinating the Internet's unique identifiers.

Financial Overview

This overview of ICANN Operations funding and cash expenses includes a comparison of the FY21 Draft Budget to the FY20 Adopted Budget (the last budget previously submitted for public comment). Compared to the FY20 Adopted Budget, the FY21 Draft Budget funding is \$0.3 million higher, and expenses are \$0.3 million higher. The FY21 Draft Budget plans for a \$3.0 million contribution to the Reserve Fund.

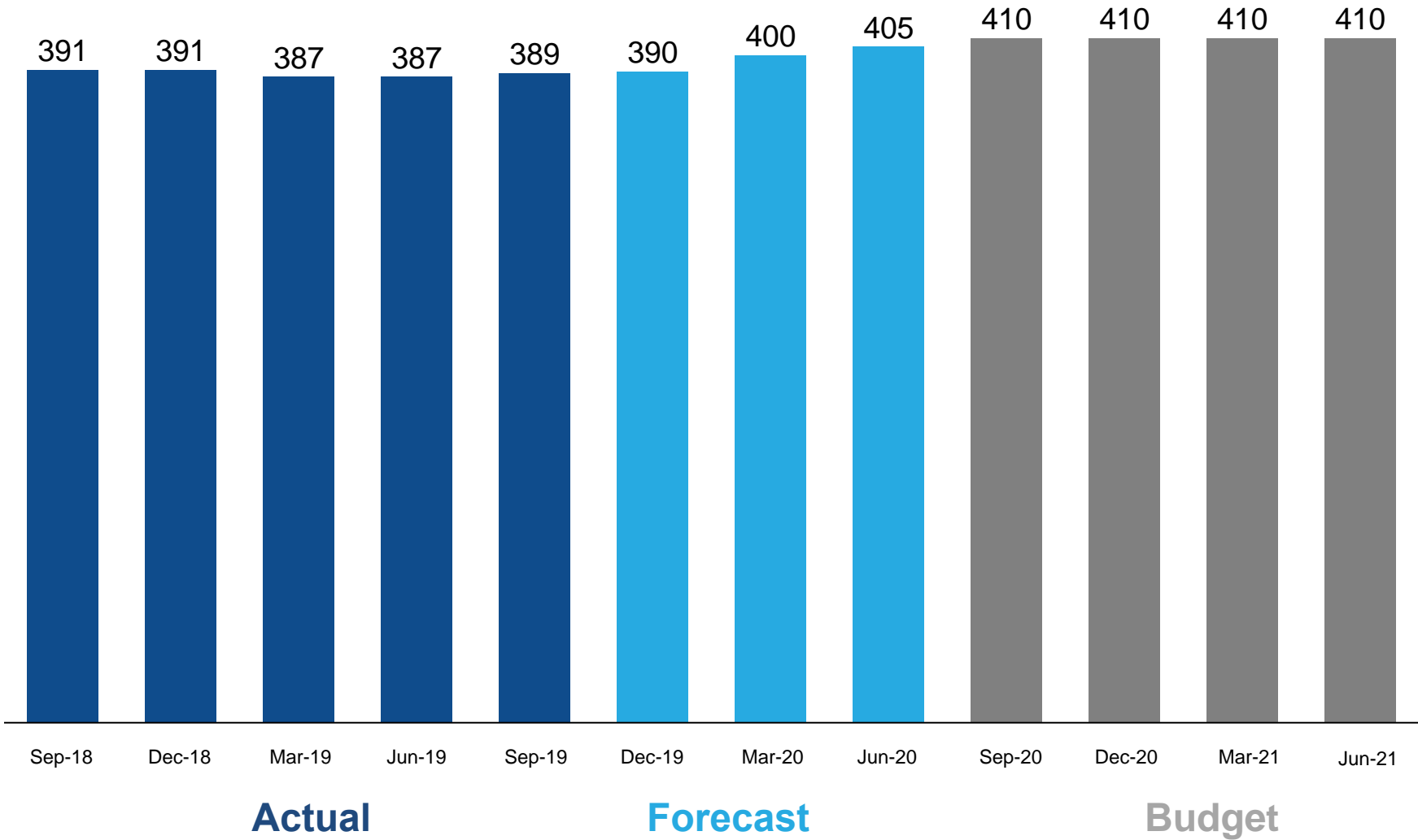
in Millions, USD	FY21 Draft Budget			FY20 Adopted Budget			Increase/(Decrease) vs. FY19 Forecast			
	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	New gTLD	Total ICANN	%
Funding	\$140.4	\$5.1	\$145.5	\$140.1	\$11.7	\$151.8	\$0.3	(\$6.7)	(\$6.4)	-4.2%
Personnel	78.3	1.0	79.3	76.3	2.0	78.2	2.0	(\$1.0)	1.0	1%
Travel & Meetings	15.6	0.1	15.7	15.7	0.4	16.0	(0.1)	(0.3)	(0.3)	-2%
Professional Services	20.2	4.1	24.3	21.5	4.7	26.2	(1.3)	(0.6)	(1.9)	-7%
Administration ⁽¹⁾ & Capital	18.1	0.1	18.2	18.4	0.3	18.7	(0.3)	(0.2)	(0.5)	-3%
Contingency ⁽²⁾	5.2	0.0	5.2	5.2	0.0	5.2	(0.0)	(0.0)	(0.0)	-1%
Cash Expenses	\$137.4	\$5.4	\$142.8	\$137.1	\$7.4	\$144.5	\$0.3	(\$2.0)	(\$1.7)	-1%
Increase/(Decrease) to Net Assets	\$3.0	(\$0.3)	\$2.7	\$3.0	\$4.4	\$7.4	(\$0.0)	(\$4.7)	(\$4.7)	-63%
Reserve Fund	\$3.0	\$0.0	\$3.0	\$3.0	\$0.0	\$3.0	\$0.0	\$0.0	\$0.0	0.0%
Increase/(Decrease) to Net Assets	(\$0.0)	(\$0.3)	(\$0.3)	(\$0.0)	\$4.4	\$4.4	(\$0.0)	(\$4.7)	(\$4.7)	-107%
Average Headcount	410	-	410	405	-	405	5	-	5	0.0%

(1) ICANN Operations cash expenses excludes depreciation expense and bad debt expense.

(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 expense.

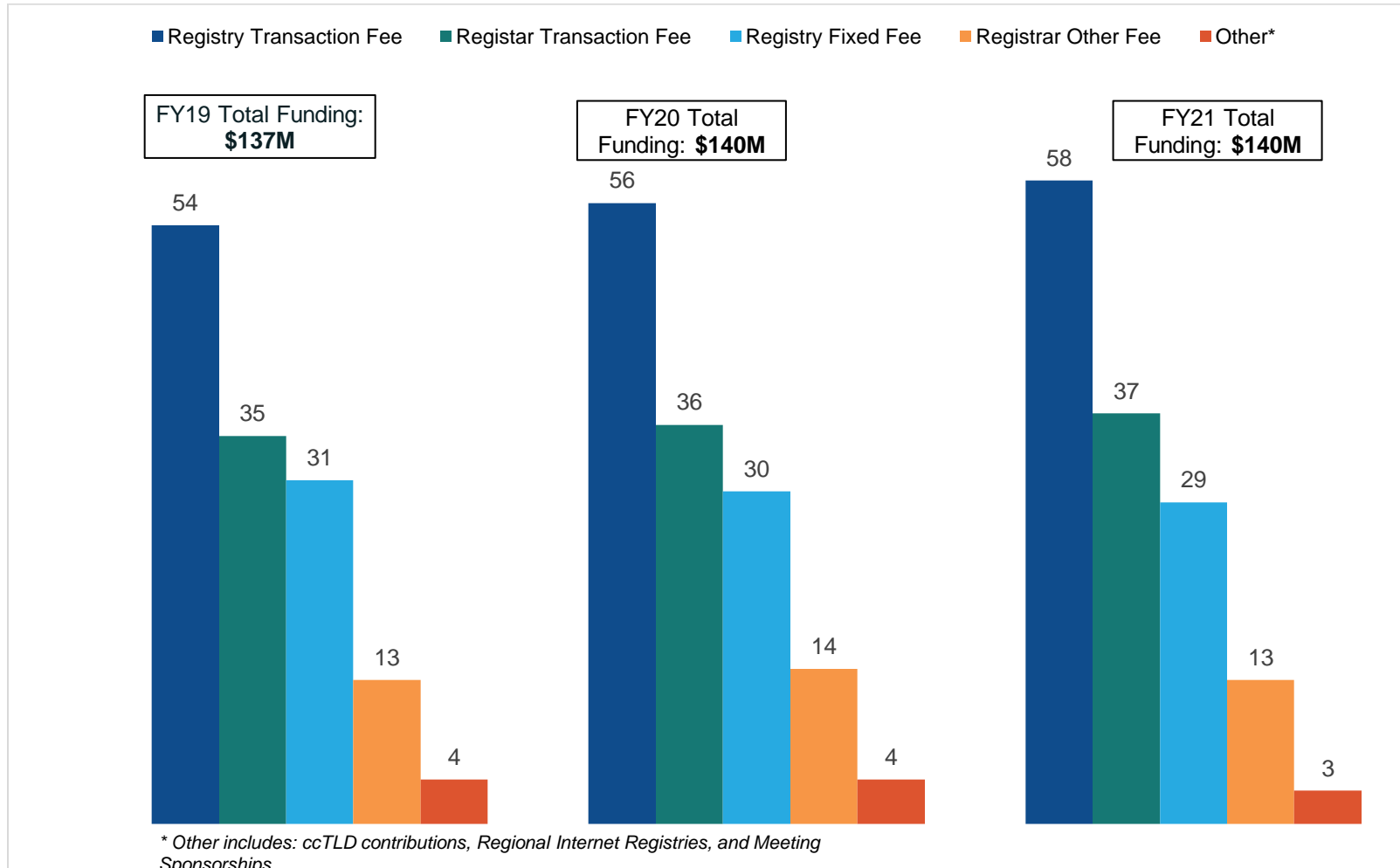
Headcount

The following headcount chart shows the average number of ICANN org personnel working in each period. New gTLD Program personnel who previously reported under the program are now in ICANN Operations and will continue to support the program as required.



ICANN Operations Funding

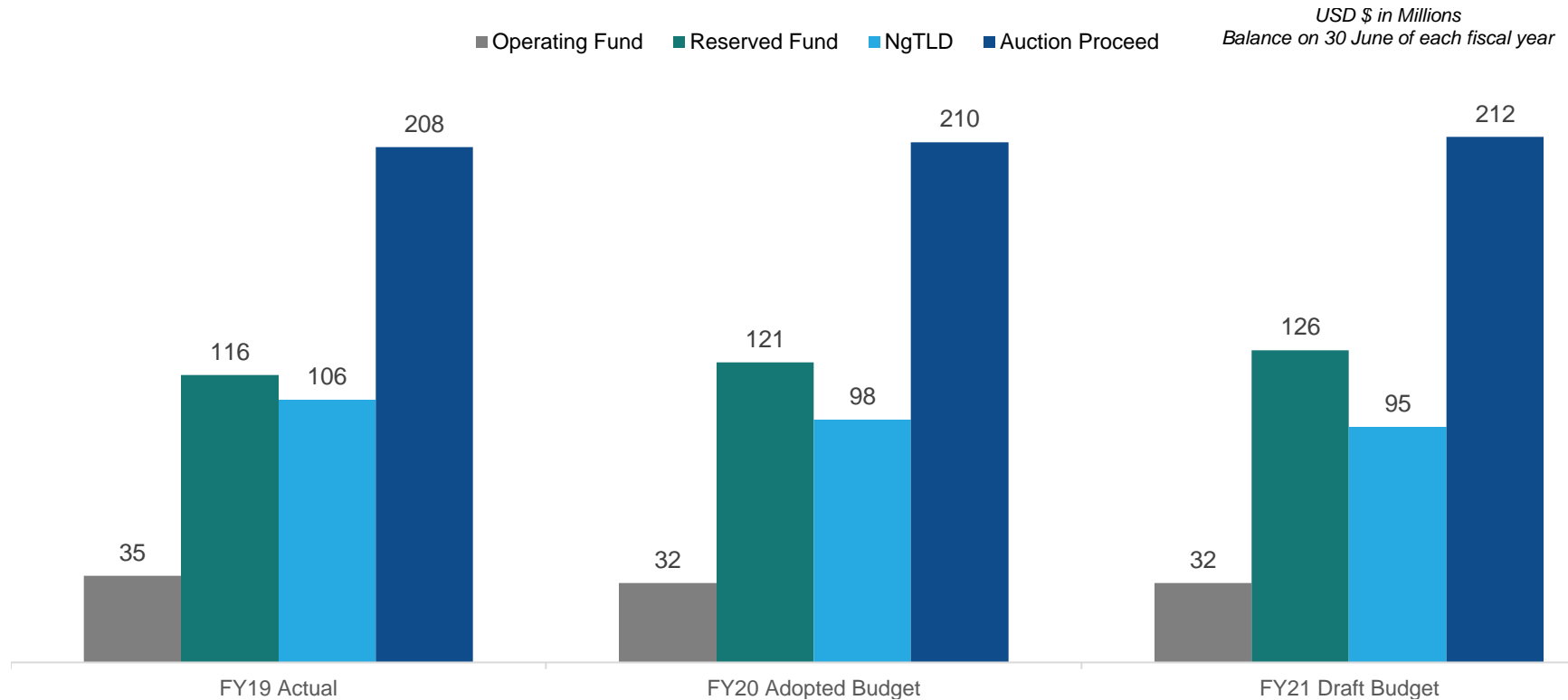
The chart below shows ICANN Operations funding trends by source category. The figures incorporate the best estimate information in the previous chart. The FY21 Draft Budget funding is \$140.4 million, reflecting a modest growth from the FY20 Adopted Budget of \$140.1 million.



Funds Under Management

ICANN manages four funds. The Operating Fund covers day-to-day operations and the Reserve Fund is ICANN’s funding of last resort to cover large expenses from unavoidable, unpredictable, or unplanned events. Both are governed in accordance with the ICANN investment policy.

The New gTLD Program funds correspond to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover “hard-to-predict” costs, including risks. Auction proceeds come from auctions held to resolve string contention in the New gTLD Program. These are reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community. Both are governed in accordance with the New gTLD and Auction Proceeds Investment Policy.



Unfunded Activities

Contingency includes budgeted expenses that were not allocated to specific activities or departments. Contingency in the FY21 draft budget is \$5.2M, which is approximately four percent of total expenses.

The following key projects potentially have unforeseen expenses that may require contingency:

- New gTLD Subsequent Procedures policy development process
- Specific and Organizational Reviews
- Policy development and compliance required by the European Union's General Data Protection Regulation
- Cross Community Working Group on Enhancing ICANN Accountability Work Stream 2
- Other unanticipated expenses