Highlights of the FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget

ICANN

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1 Overview

The purpose of the Highlights document is to provide an overview of ICANN's FY22–26 Operating & Financial Plan and its FY22 Budget.

It accompanies two other documents:
- Five-Year Operating and Financial Plan and One-Year Operating Plan (FY22-26 and FY22)
- FY22 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.

2 Adopted Plans Compared to the Draft Plans

According to ICANN's Bylaws, Article 22, sections 22.4 (a) and 22.5 (a), prior to approval of the Operating Plan and the Budget, a draft shall be posted on the Website and shall be subject to a Public Comment process. After reviewing the comments submitted during the public comment period, the Board may direct ICANN org to post a revised draft of the Operating Plan and revised draft of the budget.

Following the Public Comment period, all received comments were taken into consideration, and where appropriate and feasible, incorporated into the Proposed for Adoption plans. The staff report of Public Comment was published in March 2021. The table below summarizes the updates made to the revised draft plans:

Plan Reference	Type of change	Description of the Change	Comments and Rationale
FY22-26 Operating and Financial Plan	Update reference link	Update reference from draft IANA and PTI Operating Plan & Budget to Adopted IANA and PTI Operating Plan & Budget.	Due to the completion of the process.
FY22-26 Operating and Financial Plan	Update Operating Initiative: Universal Acceptance	The title of this initiative changed from "Universal Acceptance" to "Promote the Universal Acceptance of Domain Names and Email Addresses".	In response to Public Comments received.

FY22-26 Operating and Financial Plan	Update Operating Initiative: Universal Acceptance	Added scope to this initiative: Update ICANN org's relevant technical systems to be UA ready.	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Operating Initiative: Universal Acceptance	Added specifics to "how progress is tracked".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Operating Initiative: Support the Evolution of the Root Server System	Wording update under "Resources".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Functional Activity: Risk Management	Wording update under "Considerations".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Functional Activity: Policy Research and Stakeholder Programs	Wording update under "Activities".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Functional Activity: Internationalized Domain Names and Universal Acceptance	Wording update under "Activities".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Functional Activity: Global Stakeholder Engagement - Regional Offices	Add specifics "ICANN has engagement centers in Nairobi, Washington DC and Beijing."	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Functional Activities: Government and Intergovernmental Organization Engagement	Wording update under "Activities".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Update Operating Initiative: Evaluate, align, and facilitate improved engagement in the internet ecosystem	Wording update under "Considerations".	In response to Public Comments received.
FY22-26 Operating and Financial Plan	Operating Initiative Resources estimate	Added Operating Initiatives financial estimate by fiscal year.	In response to Public Comments received.

FY22-26 Budget	Update constituent travel	Removed 34 GAC seats from Constituent Travel by SO/AC table and reflected them in Other SO/AC Events table (no net change)	In response to Clarifying questions and Public Comments received.
FY22-26 Budget	Update additional budget request	Update approved ABR chart to include the $15K each for Business Constituency and Non Commercial Users Constituency approved items	In response to Public Comments received.

3 Operating Plan Highlights

3.1 Operating Plan Assumptions

ICANN's Five-Year Strategic Plan for FY21-25 came to effect in July 2020. Throughout its life cycle, the Five-Year Strategic Plan is periodically reviewed and adapted as needed to account for significant shifts in existing or new trends. ICANN tracks and monitors trends that impact the Internet ecosystem to update and inform its plans as needed. On 17 December 2020, the Board resolved that the ICANN Strategic Plan for FY2125 shall remain in force and unchanged, with no restatement of the Strategic Plan needed at this time.

The FY22–26 Operating and Financial Plan is forward-looking and uses "base" scenario funding projections. However, the financials used beyond FY22 are intended to be flexible to allow ICANN to adjust the level of activity and expenses should future funding change. Each fiscal year, the resources for the cost of work planned do not exceed funding available.

The COVID-19 pandemic has changed how the ICANN community has worked and interacted since late FY20. Resulting safety protocols shifted nearly all face-to-face work and engagement activities online in FY21. While the future is unknown, our planning and budgeting forecast for the next five years anticipates a return to face-to-face meetings and engagement at pre-pandemic levels in FY22. This is a practical assumption, intended to ensure that ICANN is prepared to resume travel based on historical levels, while leaving room for adjustment resulting from permanent or ongoing challenges related to pandemic health concerns. As needs arise, ICANN org will adapt, and update operations as required in close collaboration with the Board and community.

The plans include the implementation of Board-approved recommendations of the Cross-Community Working Group on ICANN Accountability Work Stream 2 as a priority, as well as facilitation and implementation of the Enhancing the Multistakeholder Model work plan, which is critical to ensuring that the multistakeholder model is able to evolve and meet the ever-changing needs of ICANN's global community. All other Board-approved recommendations, including the five recommendations from the third Accountability and Transparency Review, are subject to prioritization efforts with the exception of one recommendation which itself calls for a prioritization process. In an effort to present a comprehensive view of projected ICANN org operations over the five year period, the FY22–26 Operating and Financial Plan includes areas of

work still under discussion within the community or under Board consideration (please see Appendix A for more details of ICANN Five-Year Rolling Roadmap).

3.2 Operating Initiatives

Operating initiatives describe how ICANN org will achieve the objectives and goals set out in the ICANN Five-Year 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. Promote the Universal Acceptance of Domain Names and Email Addresses
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

Each Operating Initiative within this document includes background on the purpose, scope and activities, as well as a description of needed resources and considerations or risks that may impact the work. Below are the high-level financial estimates of possible expenses, with less likely "low" and "high" estimates offered as a range. The midpoints between the "low" and "high" estimates were used for financial modeling.

(in Millions USD)

	Operating Initiatives (in Millions USD)	5-Year Financial Estimate (Low)	5-Year Financial Estimate (Midpoint)	5-Year Financial Estimate (High)	Financial 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 and funds for 3rd party consulting expense for meeting facilitation and research
2	Facilitate DNS Ecosystem Improvements	$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 Policymaking	$3.0	$4.3	$5.5	1 headcount for a Project Manager to facilitate and advise 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 Policymaking	$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 consulting costs to help administer the tracking and facilitation of the program
6	Promote and Sustain a Competitive Environment in the Domain Name System	-	-	-	Separately funded and therefore no incremental resources are included in the projections
7	Promote the Universal Acceptance of Domain Names and Email Addresses	$1.5	$2.0	$2.5	3rd party consulting expense
8	Root Zone Management Evolution	$3.0	$4.5	$6.0	1.5 FTEs from Engineering and IT and 1 FTE from the IANA team and and funds for 3rd party consulting expense for research
9	Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem	-	-	-	Resources for this initiative are included within the functional activities of the financial plan
10	Through Targeted Engagement Improve Governments and Intergovernmental Organizations (IGOs) Engagement and Participation in ICANN	-	-	-	Resources for this initiative are included within the functional activities of the financial plan
11	Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration With Others That May Impact the ICANN Mission	-	-	-	Resources for this initiative are included within the functional activities of the financial plan
12	Formalize the ICANN Org Funding Model and Improve Understanding of the Long-term Domain Name Market Drivers	$0.5	$1.0	$1.5	1 headcount for the 5-year period and funds for 3rd party consulting expense for research
13	Implement New gTLD Auction Proceeds Recommendations As Approved by Board	-	-	-	Separately funded and therefore no incremental resources are included in the projections
14	Planning at ICANN	-	-	-	Resources for this initiative are included within the functional activities of the financial plan
15	ICANN Reserves	-	-	-	Resources for this initiative are included within the functional activities of the financial plan
	Total	**$16.5**	**$24.5**	**$32.5**	

3.3 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 34 functional activities have been placed into five service groups which represent the broad categories of work that ICANN org conducts.

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
  - Strategic Initiatives
  - Constituent and Stakeholder Travel
- Community Engagement and Services:
  - Global Stakeholder Engagement
    - Regional Offices
  - Public Responsibility Support
  - Government and Intergovernmental Organization Engagement
  - GDD 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
  - Planning
  - Reviews Support and Implementation
- ICANN Shared Services:
  - Finance and Procurement
  - Risk Management
  - Engineering and Information Technology
  - Global Human Resources and Administrative Services
  - Global Support Center
  - Board Operations
  - Security Operations
  - ICANN Offices

Each Functional Activity within the Operating Plan includes background on the purpose, activities, progress measurement, as well as description of considerations or risks that may impact the work. While the anticipated resources needed by each functional activity for the period of FY22-26 is at a high-level, the planned resources for FY22 is more detailed (please click here to review).

4 Financial Plan and Budget Highlights

4.1 FY22-26 Funding Approach and Assumptions

The FY22–26 financials provide forward-looking information that represents ICANN's attempt at conservatively estimating its future funding and expenses. The information contained within this document is derived from what ICANN org believes to be a reasonable assumption based on current information, understanding, market trends, and circumstances at the time of the FY22–26 Operating and Financial Plan's publication. However, this information involves risks, variables, and uncertainties. As a result, it is expected that actual funding could differ from what is projected in this document in any given year.

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 conversative, that no funding from such new top-level domains would be generated over the five-year period.

In the table below, 'base-case' funding assumptions for each period, along with 'high' and 'low' funding estimates are included, as well as related, potential impacts to funding. This is consistent with ICANN's approach to developing funding forecast assumptions, which are regularly evaluated and recalibrated as additional data becomes available.

5-Year Projections	FY22	FY23	FY24	FY25	FY26
ICANN Ops Funding (in Millions USD)					
Base	$144.4	$146.9	$149.6	$152.1	$152.7
Low	$128.4	$125.1	$123.3	$122.2	$119.5
High	$149.9	$157.4	$165.4	$173.7	$180.7
Transaction Volumes (in Millions)					
Base	208.9	215.7	222.1	228.3	234.6
Low	179.6	175.0	172.6	171.6	170.9
High	219.4	236.0	253.2	271.2	290.3
Contracted Parties					
Base	3,497	3,482	3,471	3,461	3,452
Low	2,967	2,931	2,902	2,878	2,860
High	3,536	3,590	3,646	3,703	3,760

4.2 FY22-26 Financial Projections

Over the FY22–26 period, ICANN's expenses will be funded from the annual funding available. 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 table below reflects financial projections for the five-year period FY22–26. The projections define the maximum amount of operational expenses to be incurred on an annual basis, considering the available funding net of an approved allocation to the Reserve Fund and the funding allocated to the Operating Initiatives. The Reserve Fund allocation is designed to enable the Reserve Fund balance to reach the minimum target level of 12 months of operating expenses by the end of the Board-approved Reserve Fund Replenishment Strategy.

Updates to the Draft FY22 Budget will be subject to updates from a forecast during FY22 as part of the FY22–26 Operating and Financial Plan and FY22 Operating Plan and Budget process, and no later than in time for the publication of the FY23 annual planning documents, estimated to be in December 2021. ICANN's activities will be carried out under a principle of increased prudence, frugality, and with heightened attention to necessity. It is important to understand that all activities previously planned will be reevaluated with this new perspective and mindset. These considerations apply to all ICANN activities and expenses.

(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.

4.3 FY22 Adopted Budget versus FY21 Forecast

This table compares ICANN org funding and expenses in the FY22 Adopted Budget to the FY21 Forecast. The FY21 Forecast is based on eight months of actual data and four months of estimates. The FY22 Adopted Budget assumes unrestricted travel for the entire fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the entire fiscal year.

Compared to the FY21 Forecast, the FY22 Adopted Budget funding is $4.4 million higher, driven by growth in domain name transactions per historical trends and a full year of contributions for SSR initiatives versus half a year of contributions for the SSR initiatives in the FY21 Forecast. Expenses in the FY22 Adopted Budget are $23.4 million higher than the FY21 Forecast, driven by three incremental face-to-face ICANN Public Meetings, more headcount and inflationary personnel expenses, and incremental operating initiatives. Due to the uncertain economic environment from the global pandemic, the Reserve Fund contribution in FY21 Forecast will be reviewed and assessed at the end of the FY21. FY22 Adopted Budget plans for a $1 million contribution to the Reserve Fund.

In Millions, USD	FY22 Proposed for Adoption ICANN Operations	FY21 Forecast ICANN Operations	Under/(Over) vs. FY21 Forecast $	%
Funding [1]	**$144.4**	**$140.0**	**$4.4**	**3%**
Personnel	80.1	76.5	(3.6)	-5%
Travel & Meetings	13.9	1.5	(12.4)	-810%
Professional Services	22.1	19.2	(2.9)	-15%
Administration	16.9	14.8	(2.1)	-15%
Capital	1.7	4.0	2.3	57%
Incremental Operating Initiatives [2]	5.5	2.0	(3.5)	-173%
Contingency [3]	5.2	1.9	(3.3)	-175%
Cost Savings Initiatives	(2.2)	0.0	2.2	n/a
Total Operating Expenses	**$143.3**	**$119.9**	**($23.4)**	**-20%**
Excess/(Deficit) before Contributions	**$1.1**	**$20.1**	**($19.0)**	**n/a**
Reserve Fund Contribution	1.1	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	**$0.0**	**$20.1**	**($20.1)**	**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

4.4 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 ICANN 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.

ICANN org projects to have sufficient cash on hand in the Operating Fund through FY22 despite the uncertainty from the impact of COVID-19. In FY20, $20 million of New gTLD Program funds were transferred to the Operating Fund as a reimbursement for expenses paid by ICANN in FY18-20. The Funds Under Management listed in the FY22 Adopted Budget assume the following:
- Subject to Board approval, $10 million planned contribution to the reserve fund in FY21 from net excess generated from FY20.
- Due to the uncertain economic environment from the COVID-19 pandemic, the FY21 Forecast Reserve Fund contribution will be reviewed and assessed at the end of the FY21.
- $1 million planned contribution to the Reserve Fund in FY22, and a two percent interest increase from the FY21 balance to the FY22 balance.
- No significant market gains or losses in any other fund; only operating expenses reducing the New gTLD and Operating Fund.
- Keeping a FY21 surplus in the Operating Fund to mitigate potentially late or uncollectable funding.

The chart below shows the balance of each fund on 30 June of each fiscal year listed.
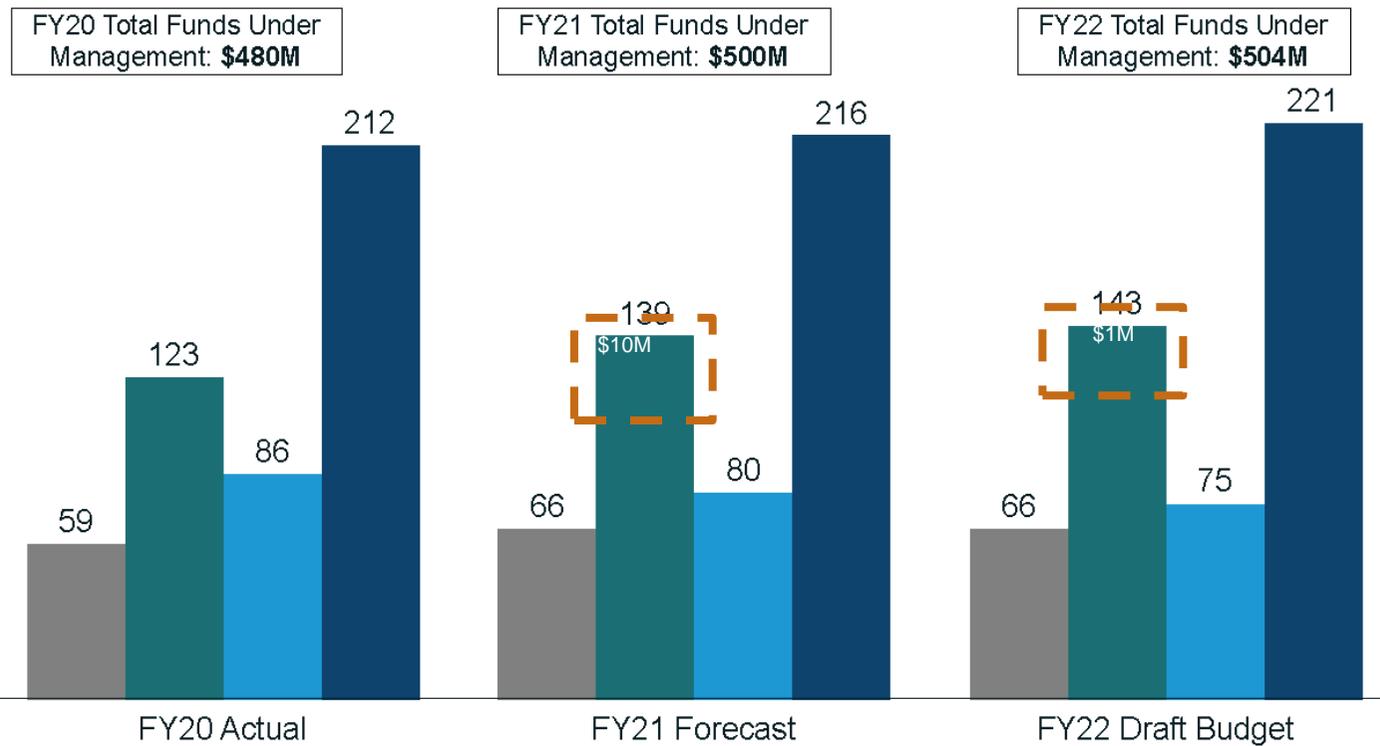
4.5 Average Headcount Trends

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 included in ICANN Operations expenses. These org personnel will continue to support the program as required.
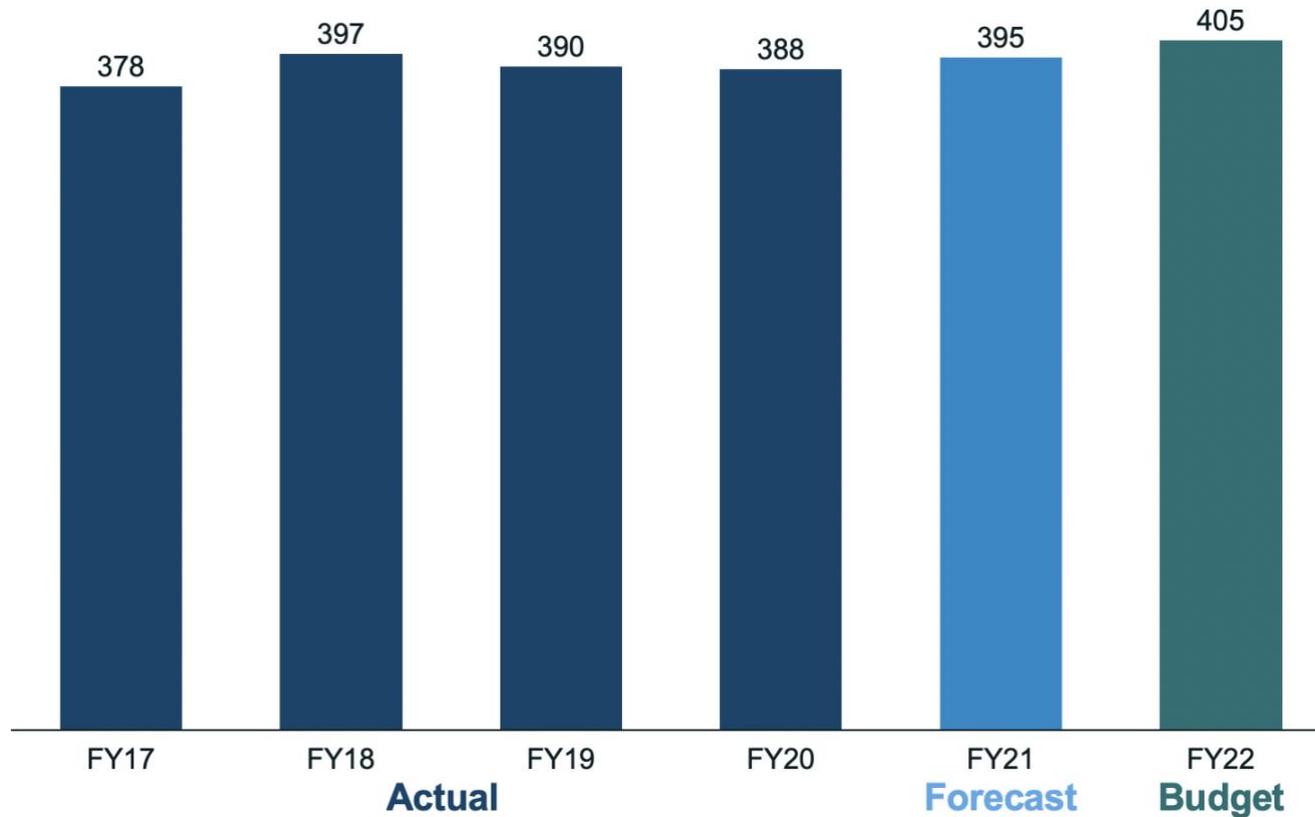
4.6 FY22 Contingency

The contingency is an amount included in the budget, but not allocated to any 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.

ICANN org supports the community-led activities that result in review recommendations, cross-community working group recommendations, policy development processes, and advisory recommendations. Policies and recommendations progress through various stages such as initiation, development, finalization, Board consideration, implementation planning, and implementation. ICANN begins designing the expected implementation work only as recommendations and policies move forward and reach the stage of Board consideration. After the Board adopts these recommendations and policies, the implementation work of design, planning, scheduling and delivery starts.

In an effort to present a comprehensive view of projected ICANN org operations over the five-year period, the FY22–26 Operating and Financial Plan includes areas of work still under discussion within the community or under Board consideration (please see Appendix A for more details of ICANN Five-Year Rolling Roadmap).

The contingency in the FY22 Adopted Budget is $5.2 million (approximately 4% of total expenses).