FY09 Operating Plan and Budget

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Chief Financial Officer
Purpose of this presentation:

-- How we arrived here

-- Highlights of the FY09 Operating Plan

-- Highlights of the FY09 Budget

-- Community consultation

-- Next Steps
ICANN’s Planning Cycle

- Three year Strategic Plan approved in December
- Now, operating plan and budget with both to be finalized in June
The Process

How we arrived here:

– Strategic Plan posted December 2007
– Initial Framework Presented in New Delhi
– Community consultation
– High Level Framework matched with detailed cost estimates from project/department managers.
– Draft FY09 Operating Plan and Budget posted (17 May)
– Additional community consultation
FY09 Operating Plan and Budget Community Consultation

- Strategic Plan Posted: 2007
- Initial Framework Posted; Community Consultations: New Delhi
- Extended community consultation period
- First community feedback four months earlier
- BFC Review
- Draft Budget Posted
- Budget Approved

Timeline:
- Dec 2007: Lisbon
- Jan 2008: Draft Budget Posted
- Feb 2008: Budget Approved
- Mar 2008: Paris
- Apr 2008: Draft Budget Posted
- May 2008: Budget Approved
- Jun 2008: San Juan

Draft. For discussions purposes.
Highlights of Planned Activities for FY09

• Complete new gTLD implementation, then launch
• Progress on IDN activities
• Invest in IANA function to improve services and functions
• Strengthen security and systems infrastructure
• Enhance contractual compliance on behalf of registrants
• Strengthen the multi-stakeholder model

In short: By necessity, execute one of ICANN’s most demanding operational plans
Key Initiatives Drive the Increased Expense Budget in FY09

FY08
- Daily Operations: $21.7
- Key Initiatives: $13.5
- IDN and new gTLD: $3.8
- Contingency and forecast variance: $2.7

FY09
- Daily Operations: $22.6
- Key Initiatives: $23.3
- IDN and new gTLD: $8.6
- Contingency and forecast variance: $4.0

(in $ millions)
Revenue and Expense Summary

Highlights of the FY09 Budget:

• Revenue of $60.7MM ($50.4MM in FY08)
  – Planning for AGP fee changes
• Operating expenses of $51.8MM ($39.8MM in FY08)
• Total expenses including contingency, bad debt, and depreciation of $58.5MM ($42.6MM in FY08)
• Capital expenditures of $3.7MM ($1.6MM in FY08)
• Increase in Reserve Fund of $2.2MM ($6.1MM in FY08 and compared to $10MM suggested by Strategic Plan)
# Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>FY09 Budget</th>
<th>FY08 Budget</th>
<th>Variance</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage</td>
<td>Amount</td>
<td>Percentage</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>60,674,000</td>
<td></td>
<td>50,352,653</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses w/ Contingency</td>
<td>(58,479,353)</td>
<td>(42,620,820)</td>
<td>(15,858,533)</td>
<td>37.2%</td>
<td></td>
</tr>
<tr>
<td>Increase in Reserve Fund</td>
<td>2,194,647</td>
<td></td>
<td>7,731,833</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(5,537,186)</td>
<td>-71.6%</td>
<td></td>
</tr>
<tr>
<td>Suggested addition to Reserve Fund</td>
<td>(10,000,000)</td>
<td>(6,141,833)</td>
<td>(3,858,167)</td>
<td>62.8%</td>
<td></td>
</tr>
<tr>
<td>Addition / (Shortfall)</td>
<td>$ (7,805,353)</td>
<td>$ 1,590,000</td>
<td>(9,395,353)</td>
<td>-590.9%</td>
<td></td>
</tr>
<tr>
<td>Estimated Reserve Fund Balance</td>
<td>$ 34,926,480</td>
<td>$ 32,731,833</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,194,647</td>
<td>6.7%</td>
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</tbody>
</table>
Key Initiatives Drive the Increased Expense Budget in FY09

<table>
<thead>
<tr>
<th>Organizational Initiatives Categories (in US dollars)</th>
<th>FY09 Budget</th>
<th>FY08 Budget</th>
<th>Change from FY08</th>
<th>% Change from FY08</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 - Complete new gTLD Policy implementation</td>
<td>7,083,813</td>
<td>2,805,000</td>
<td>4,278,813</td>
<td>153%</td>
</tr>
<tr>
<td>02 - Progress on IDN Activities</td>
<td>1,543,060</td>
<td>968,000</td>
<td>575,060</td>
<td>59%</td>
</tr>
<tr>
<td></td>
<td>8,626,873</td>
<td>3,773,000</td>
<td>4,853,873</td>
<td>129%</td>
</tr>
<tr>
<td>03 - Strengthen IANA and Infrastructure</td>
<td>2,488,679</td>
<td>781,000</td>
<td>1,707,679</td>
<td>219%</td>
</tr>
<tr>
<td>04 - Broaden Participation</td>
<td>5,876,193</td>
<td>3,647,000</td>
<td>2,229,193</td>
<td>61%</td>
</tr>
<tr>
<td>05 - Expand Contractual Compliance activities</td>
<td>2,000,640</td>
<td>795,000</td>
<td>1,205,640</td>
<td>152%</td>
</tr>
<tr>
<td>06 - Build out registry/registrar support</td>
<td>2,305,380</td>
<td>1,265,000</td>
<td>1,040,380</td>
<td>82%</td>
</tr>
<tr>
<td>07 - Further develop Policy Processes</td>
<td>3,283,136</td>
<td>1,760,000</td>
<td>1,523,136</td>
<td>87%</td>
</tr>
<tr>
<td>08 - Carry out Security Initiatives</td>
<td>2,897,990</td>
<td>1,247,000</td>
<td>1,650,990</td>
<td>132%</td>
</tr>
<tr>
<td>09 - Administrative improvement</td>
<td>273,000</td>
<td>352,000</td>
<td>(79,000)</td>
<td>-22%</td>
</tr>
<tr>
<td>10 - Meetings and events</td>
<td>4,150,279</td>
<td>3,630,000</td>
<td>520,279</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>23,275,296</td>
<td>13,477,000</td>
<td>9,798,296</td>
<td>73%</td>
</tr>
<tr>
<td>00 - Baseline with bad debt and depreciation</td>
<td>22,577,184</td>
<td>22,746,103</td>
<td>(168,919)</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 54,479,353</strong></td>
<td><strong>$ 39,996,103</strong></td>
<td><strong>14,483,250</strong></td>
<td><strong>36%</strong></td>
</tr>
<tr>
<td><strong>Less bad debt/depreciation</strong></td>
<td><strong>$ 2,665,000</strong></td>
<td><strong>$ 1,076,103</strong></td>
<td><strong>1,588,897</strong></td>
<td><strong>148%</strong></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td><strong>$ 51,814,353</strong></td>
<td><strong>$ 38,920,000</strong></td>
<td><strong>12,894,353</strong></td>
<td><strong>33%</strong></td>
</tr>
</tbody>
</table>
Financial Approach to new gTLDs

- Draft FY09 Plan accommodates expenses necessary to complete implementation work, and essential staffing to prepare for scaling (e.g. IANA)
  - Revenue from applications, or registry fees is not included
  - Application and other ongoing operational expenses are not included

- After gTLD policy is approved, and after draft RFP is posted for comment, a separate budget will be submitted
  - This budget will cover relevant revenue and expense for applications and operations
  - As indicated by GNSO policy, application fees for new gTLD’s will offset costs of the program (e.g. launch, application processing, risks)
New gTLD Program Activities and Budget

- New gTLD implementation activities are significant budget driver:
  - Complete implementation of new gTLD policy
  - Dispute resolution processes
  - Develop RFP
  - Global communication
  - Investment in IT support
  - Scaling base TLD processes in IANA
  - Resourced from across the organization and with some new staff
Other Areas of Growth in Expenses

• Other significant efforts that drive expense include
  – Launch IDN’s in the root, “fast track” for ccTLD’s.
  – Broaden participation including more translation, more remote access services, and outreach to more parts of the globe (e.g. Asia)
  – Implement GNSO improvements and provide new support for organizational reviews
  – Augment compliance capabilities
  – Carry out security initiatives including training
## FY09 Operating Plan and Budget Community Consultation

- Comparison of Initial FY09 Framework vs draft FY09 Budget

### Draft Business Initiatives Categories

<table>
<thead>
<tr>
<th>Initiative Description</th>
<th>FY09 Framework (New Delhi)</th>
<th>FY09 Budget Draft (17 May)</th>
</tr>
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<tr>
<td>01 - Complete new gTLD Policy implementation</td>
<td>12,217,000</td>
<td>7,083,813</td>
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<td>02 - Progress on IDN Activities</td>
<td>2,111,000</td>
<td>1,543,060</td>
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<td>03 - Strengthen the IANA function and infrastructure</td>
<td>1,709,000</td>
<td>2,488,679</td>
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<td>04 - Broaden Participation</td>
<td>5,979,000</td>
<td>5,876,193</td>
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<td>1,397,000</td>
<td>2,000,640</td>
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<td>06 - Build out registry/registrar support</td>
<td>1,963,000</td>
<td>2,305,380</td>
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<td>2,311,000</td>
<td>3,283,136</td>
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<td>08 - Carry out Security Initiatives</td>
<td>2,015,000</td>
<td>2,897,990</td>
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<td>09 - Administrative improvement</td>
<td>856,000</td>
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<td>10 - Meetings and events</td>
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<td>4,150,279</td>
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<tr>
<td>00 - Baseline</td>
<td>22,910,000</td>
<td>22,577,184</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td><strong>57,131,000</strong></td>
<td><strong>54,479,353</strong></td>
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</table>
Numerous Opportunities for feedback from Community

Constituency Meetings in New Delhi and follow up calls
  Registrar Constituency, Registry Constituency, ALAC, GNSO

Constituency Calls after posting draft FY09 Operating Plan and Budget
  IPC, ccNSO, ALAC, SSAC, Registrar Constituency, Registry Constituency, GNSO,

Planned for Paris
  ISP Constituency

Others presentations included:
  APTLD  Theresa Swinehart
  ccTLD meeting in Greece: Kim Davies
  Registrars/Registries in New Orleans: Tim Cole
  LACTLD: Raimundo Beca
Highlights of Constituency Comments

• **Process feedback**: Most appreciated extra time and cycles for feedback; some still learning about the process
• **Questions about specific expense items**: Bad debt expense, contingency, travel expenses (high and low)
• **Allocation of costs and benefits among constituencies**
• **Travel support**: some see this as too high, some too low
• **Improved reporting**: Additional clarity on baseline, large spend increases, category analysis, more clarity on currency in charts, spend/revenue by constituency
II. Constituency Feedback

Highlights of Constituency Comments

- **Transaction fees**: Budget for registrar fee reduction to incent RAA adoption
- **Compliance**: Positive comments about increased resource allocation
- **Security**: SSAC comments (not yet posted); while there may be broader Board discussion about security priorities, core priorities covered in budget
- **new gTLD separate budget**: Lots of questions and interests as to details
- **Budget development process**: Need for FAQ/primer
- **Reserve Fund**: Magnitude and possible use for funding projects today
- **Better accounting for .net funds**
Next Steps

• Staff will synthesize feedback and consider any proposed amendments to Paris
• Further constituency meetings during Paris meeting
• Board will vote to adopt FY09 Operating Plan and Budget on 26 June
FY09 Operating Plan and Budget
Community Consultation

References:

- See the strategic plan:
  - [http://www.icann.org/strategic-plan/](http://www.icann.org/strategic-plan/)

- See the initial FY09 Framework presented in New Delhi:
  - [http://www.icann.org/planning/ops-budget-framework-09.pdf](http://www.icann.org/planning/ops-budget-framework-09.pdf)

- See the draft FY09 Operating Plan and Budget:
  - [http://www.icann.org/financials/fiscal-30jun09.htm](http://www.icann.org/financials/fiscal-30jun09.htm)

- View public comments:
  - [http://www.icann.org/public_comment/](http://www.icann.org/public_comment/)
Thank You