



# FY10 Operating Plan and Budget

June 2009

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# Purpose of this discussion

- Update on the status of the development of the FY10 Operating Plan and Budget
- Provide highlights of the draft FY10 Operating Plan and Budget
- Further engage the community in refining key assumptions, spending priorities and other choices
- Ensure that the Board, after community feedback, is prepared to adopt the budget at the Sydney ICANN meeting



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# Overview of the FY10 Budget

- Community feedback confirmed plan to keep growth under 5%
- Draft posted 17 May follows framework posted prior to Mexico City
- Process allowed for more extensive/deeper community consultation
- Community feedback on Framework synthesized from comments
  - In meetings in Mexico City
  - On conference calls with community groups
  - Via online public fora, twitter
- Draft FY10 Operating Plan and Budget posted 17 May
  - More comprehensive analysis
  - More views of budget (functional and EAG)
- Further community feedback encouraged
  - conference calls before Sydney
  - Online public fora
  - In meetings in Sydney



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## Overview of the FY10 Budget (cont)

- Revenue of \$63.6 million, reflects a registrar fee reduction to \$0.18 to accelerate universal adoption of the new RAA
  - Operating expenses of \$54.4 million, 4.9% growth over FY09 (vs. 30.1% growth in FY09 over FY08)
  - Total expenses of \$58.7 million with bad debt, depreciation and contingency
  - Contribution to reserve of \$4.9million, less than strategic plan
  - Revenues and most expenses from new gTLD launch covered in separate amendment, not in this budget.
- FY10 Operating Plan/Budget voted on by Board in Sydney, 26 June



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## Community Feedback – Who participated?

- Meetings held in person in Mexico City
- Conference calls completed for Framework and for Draft
- Conference calls completed for draft FY10 Operating Plan and Budget
- Other community members encouraged to provide feedback
- Twitter -- 23 downloaded (15 human, 11 from the US)
- On line public forums
  - 19 Comments (75 pages) on FY10 Operating Plan and Budget
  - 11 Comments (20 pages) on Travel Support
  - 3 Comments on Functional Reporting
  - No comments on Expense Area Group (EAG) reporting (closing 29 June)
  - 2 Comments on draft Travel Support Guidelines (closing 6 July)

## Community Feedback – What was said?

- ✓ Want more details and in different views
- ✓ Lower transaction fees as part of RAA discussion
- ✓ Reduce contingency
- More resources for constituency support
- Questions about investment policy, too risky?
- ✓ ALAC appears to be slashed
- Concern that contracted parties pay more than fair % of total
- ✓ Why is cc revenue forecast as high as it is?
- Change meetings venues and remote participations
- ✓ More Travel Support
- ✓ More reporting on Board travel support
- Outreach for At Large

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- ✓ Directly addressed
  - Indirectly addressed

# ICANN's Planning Cycle

- Three year Strategic Plan approved
- FY10 Operating Plan and Budget to be adopted in June

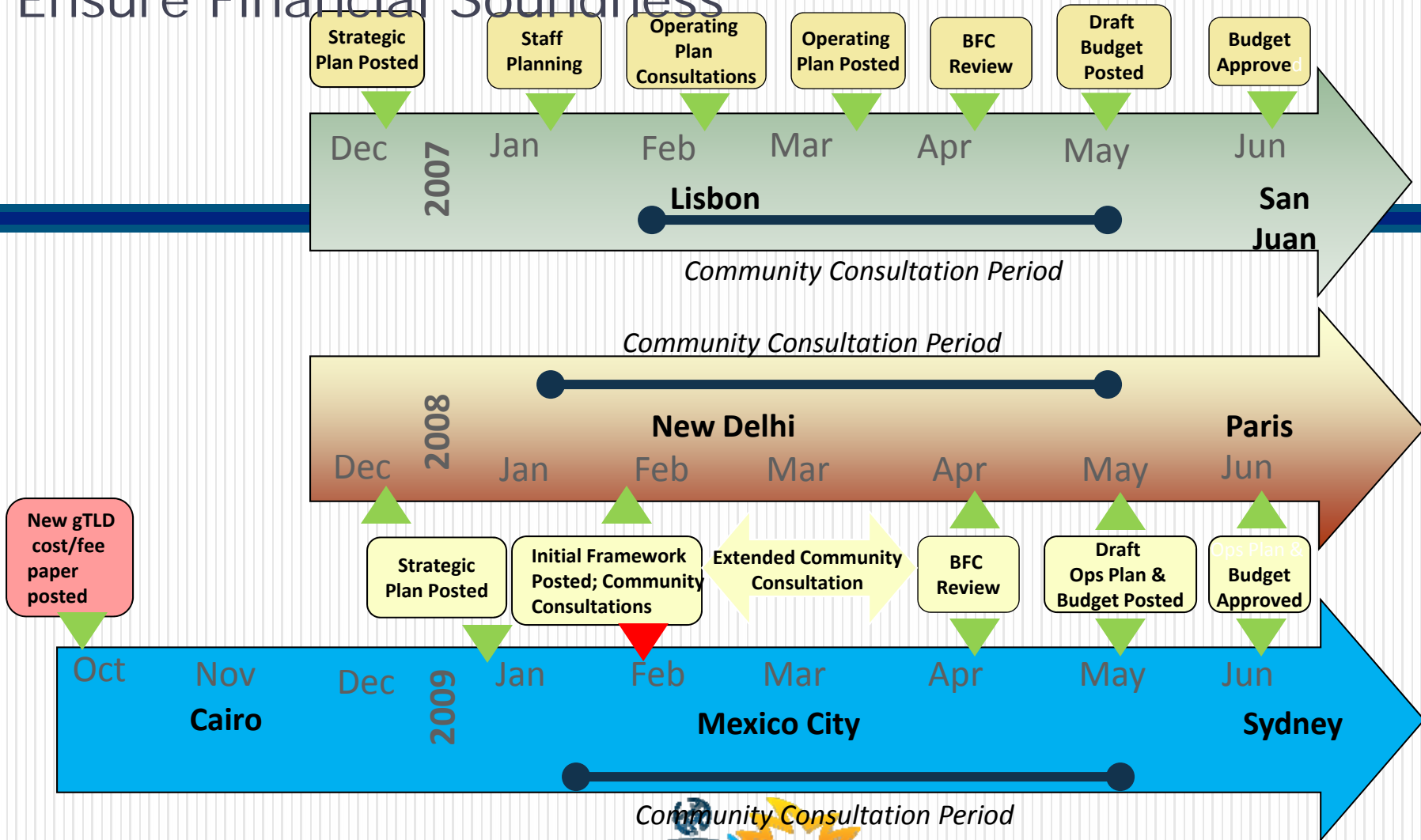
Strategic Planning  
(Jul – Jan)

Operating Planning  
(Jan – Jun)



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# The Goal: Maximize Participation, Ensure Financial Soundness



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# The Strategic Plan

ICANN's strategic plan describes priorities and deliverables over a 3 year planning horizon. The 2009-2012 approved Strategic Plan prioritizes activities as follows:

1. Implement IDNs and new gTLDs
2. Enhance security, stability and resiliency in the allocation and assignment of the Internet's unique identifiers
3. Monitor the depletion of IPv4 address space and provide leadership towards IPv6 adoption
4. Improve confidence in the gTLD marketplace
5. Strive for excellence in core operations
6. Strengthen processes for developing policy
7. Strengthen ICANN's multi-stakeholder model to manage increasing demands and changing needs
8. Globalize ICANN's operations
9. Ensure financial accountability, stability and responsibility



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# Snapshot of the Operating Plan

- New gTLD implementation complete and launch
- Some growth in compliance, technology operations, and security
- Little or no growth in most ICANN operations

Organizational Activities	Draft FY10 Budget
New gTLD Implementation and Delegation	7,605
IDN Implementation	1,257
<b>New gTLD / IDN efforts</b>	<b>8,862</b>
IANA and Technology Operations Improvements	5,040
Security, Stability and Resiliency Operations(SSR)	5,755
Contractual Compliance	3,155
Core Meeting Logistics	5,190
Constituency Support	6,041
Policy Development Support	5,339
Global Engagement and Increasing International Participation	6,619
DNS Operations	1,199
Administrative improvement and other operations such as Board Support, NomCom support, Ombudsman and Community travel support	7,168
<b>ICANN Core (w/o New gTLD)</b>	<b>45,506</b>
	<b>54,368</b>



Operating Expenses

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# Snapshot of the FY10 Budget (\$000)

	FY10 Budget	FY09 Budget	Change from FY09	
			Amount	Percentage
<b>REVENUE</b>	<b>\$ 63,642</b>	<b>\$ 60,674</b>	<b>2,968</b>	<b>4.89%</b>
<b>EXPENSES</b>				
Core ICANN	45,505	41,768	3,737	8.95%
New gTLD	8,862	10,046	(1,184)	-11.79%
<b>Operating Expenses</b>	<b>\$ 54,367</b>	<b>\$ 51,815</b>	<b>2,552</b>	<b>4.93%</b>
<b>Non Cash Expenses</b>	<b>2,900</b>	<b>2,065</b>	<b>835</b>	<b>40.44%</b>
<b>Total Expenses</b>	<b>\$ 57,267</b>	<b>\$ 53,880</b>	<b>3,387</b>	<b>6.3%</b>
<b>Contingency</b>	<b>\$ 1,500</b>	<b>\$ 3,250</b>		
<b>Total Expenses w/ Contingency</b>	<b>\$ 58,767</b>	<b>\$ 57,130</b>	<b>1,637</b>	<b>2.9%</b>
<b>Change in Net Assets</b>	<b>\$ 4,875</b>	<b>\$ 3,544</b>	<b>1,331</b>	<b>37.56%</b>
<b>Capital</b>	<b>\$ 3,285</b>	<b>\$ 3,660</b>	<b>(375)</b>	<b>-10.25%</b>



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# Revenue Highlights

	FY10 Budget	FY09 Budget	Change from FY09	
<b>Registrar</b>	27,268	30,947	(3,679)	-11.9%
<b>Registry</b>	32,451	25,104	7,347	29.3%
<b>RIR</b>	823	823	-	0.0%
<b>ccTLD</b>	1,600	2,300	(700)	-30.4%
<b>Other</b>	1,500	1,500	-	0.0%
<b>Total Revenue</b>	<b>63,642</b>	<b>60,674</b>	<b>2,968</b>	<b>4.9%</b>

- For adopting new RAA, transaction fees reduced to \$0.18
- .COM's fixed fee steps up to \$18.0 mil in FY10
- ccTLD revenue at \$1.6 mil
- Transaction volumes updated to reflect economy, still small increase



# Expense Highlights

- Operating expenses: \$54.4 mil for FY10 vs. \$51.8 mil in FY09
- Growth rate of 4.9%, compared to 30% growth trend of recent years.
- Given world economic climate, continue to consider areas for deferral, costs reduced
- Focused spending in certain areas is called for:
  - new gTLD and IDN: \$8.8 million to complete implementation
  - Contractual compliance
  - Technology operations infrastructure, 16.9% growth, to provide adequate support for DNSSEC and other operational enhancements
  - Global engagement, increased staffing in Asia, increased translation budget, slight increase in travel support



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# Contributions Highlights

- Strategic plan calls for reserve fund of one year's operating expenses within three to five years (about \$10 million/year)
- FY10 contribution budget forecast at \$4.9 million; 35% more than the \$3.5 in FY09 budget
  - Still investing in new TLD and IDN process; will complete in FY10



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# Separate new gTLD budget Amendment

- New gTLD Program expected to launch in FY10; will post separate budget amendment about 90 days prior to launch
- Detailed information available in fees and cost considerations paper posted in Oct 2008 and responses to comments posted in Feb 2009
- Some new gTLD costs are included in the proposed FY10 Budget Framework
- But, most costs to be included in a separate budget amendment



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# Three Year Financial Impact Analysis

## Implications:

- Model demonstrates revenue covering cost for new gTLD application process
- New gTLD operations naturally impose requirement for detailed cost accounting and reporting
- As models mature, ICANN should consider opportunities to reduce fees and mix of revenue sources
- Historical contributions to reserve fund recouped, and likely to attain full funding of Reserve Fund



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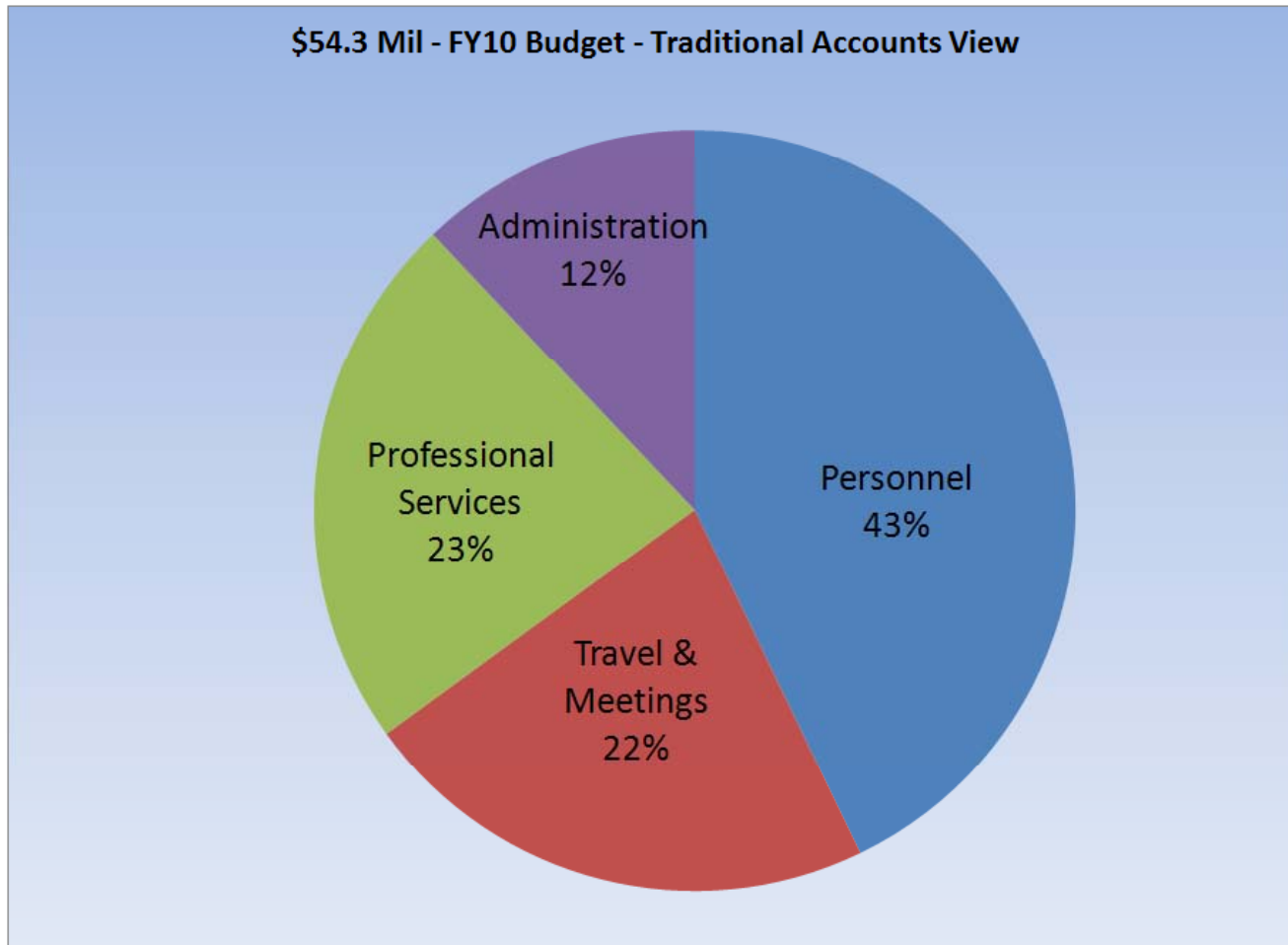
# Additional views of the FY10 budget

- Traditional accounts view. This is how the budget has been viewed and measured in the past. This is how the accounting system naturally provides information
- Functional reporting view. This is how ICANN's activities are reported. This is how the special and ongoing projects at ICANN are managed.
- Expense area group (EAG) reporting view. This is how community members and interest areas analyze ICANN's spending.



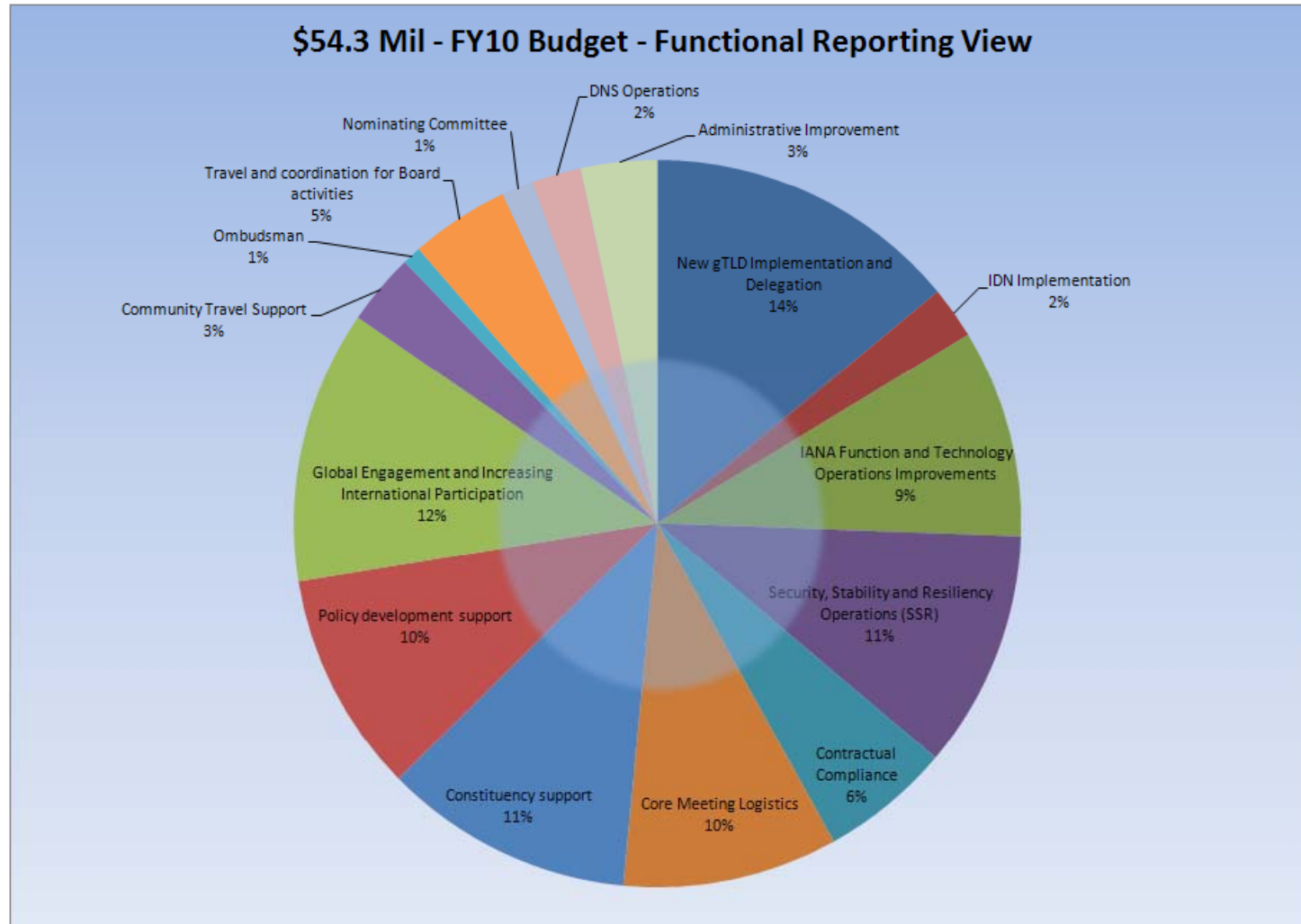
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# Traditional Accounts View



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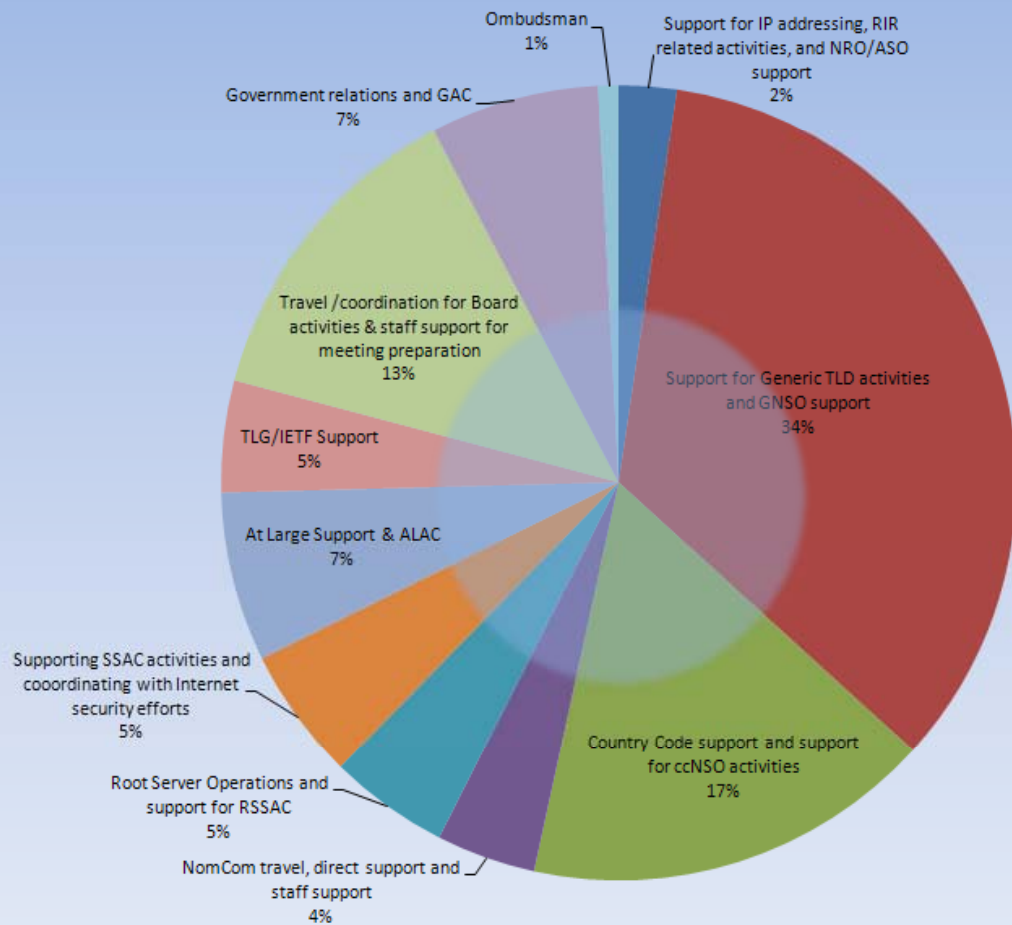
# Functional Reporting View



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# Expense Area Group

\$54.3 Mil - FY10 Budget - Expense Area Group (EAG) View



## What is next?

- Further consultations with community in Sydney
- Board to consider adoption of the FY10 Operating Plan and Budget on 26 June



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Thank you



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