

Proposed Fiscal Year 2008 Budget Summary



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25 June, 2007

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ICANN Planning Cycle

Issue draft Operating Plan:
annual plan describing
work to be accomplished
during fiscal year toward
meeting the objectives
set out in the Strategic
Plan



Community consultation



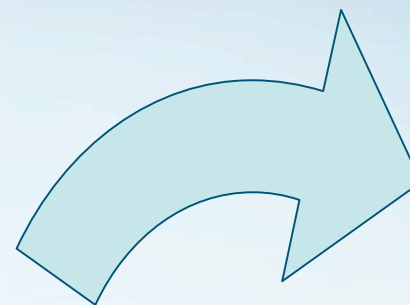
Costing and iteration of
plan: annual expense
budget



Community consultation

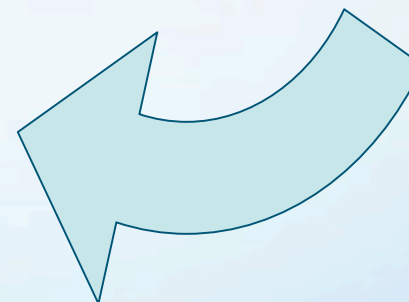


Board approval of operating
plan and budget

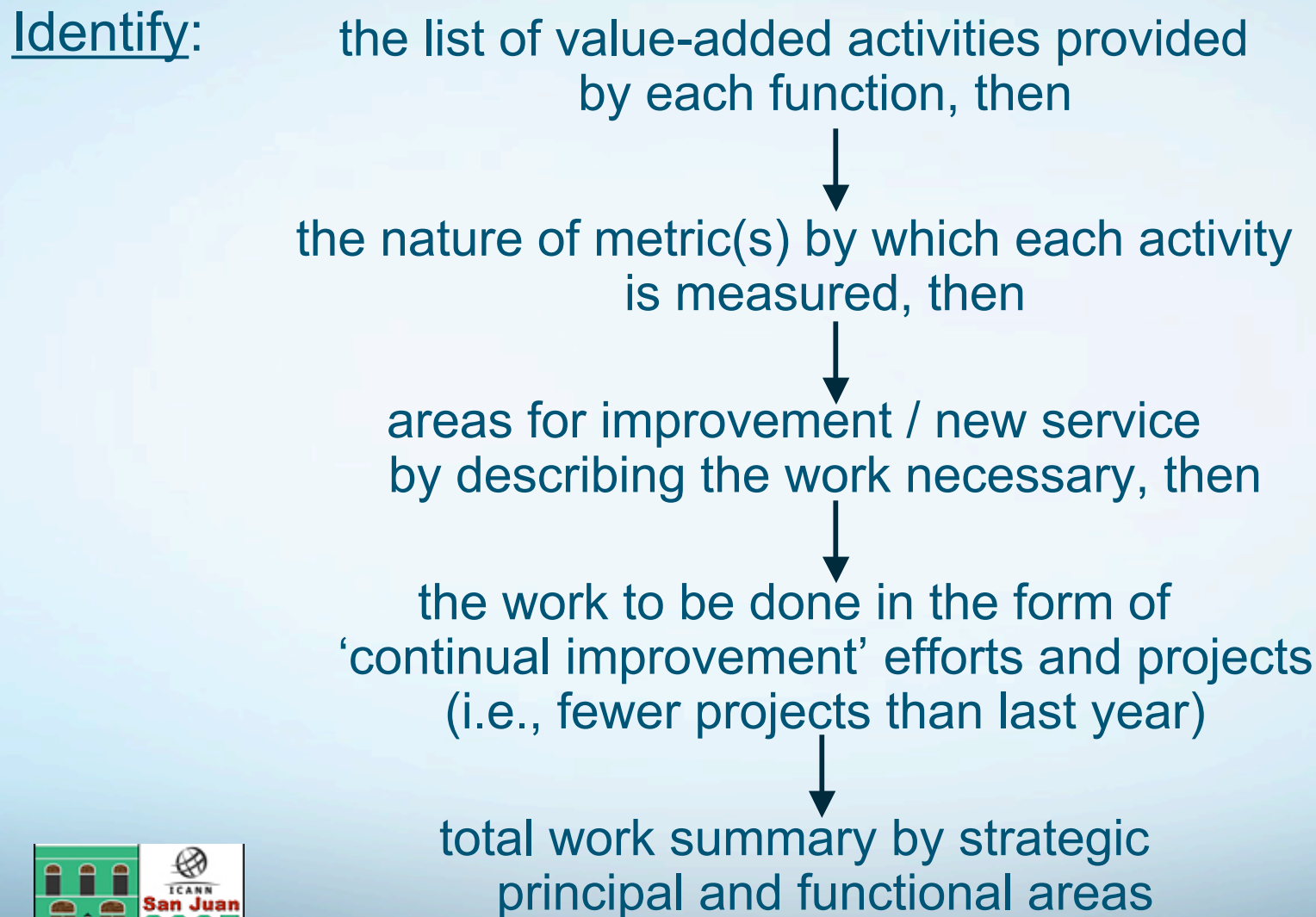


Strategic Planning
(Jul – Jan)

Operating Planning
(Jan – Jun)

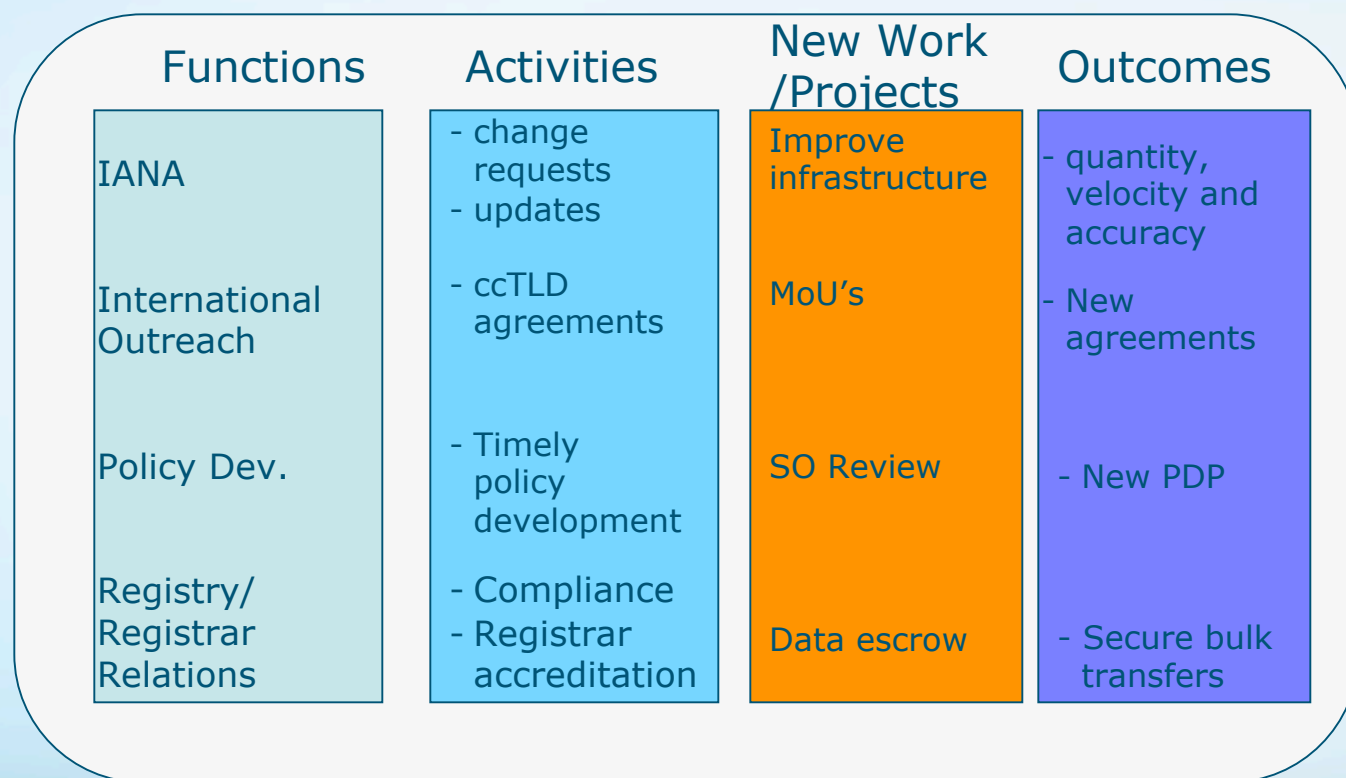


Fiscal Year 08 Operating Plan Process



Conceptual Operating Plan Model

ICANN's base business



New Projects

1. Add efficiency/ responsiveness to base business
2. Provide a one time activity/service result
3. Add ongoing services to base business

New Resources

1. Execute Projects
2. Scale base service business

Budget Consultations

- The Board Finance Committee approved the draft budget for posting (May)
- Draft budget posted for public comment 17 May
- As of 13 June, French, Spanish and Arabic translations of the budget were posted; Russian posted 22 June
- Telephonic consultations were held with several constituencies in early June
- Further consultation today and through the week; input sessions in multiple languages

Budget Summary...as posted

- Created with iterative process
 - Starting with a financial plan tied to the operating plan
 - Iterative community consultation
- Proposed budget (posted) anticipates
 - net revenue of \$46.6MM
 - expenses of \$41.6MM
 - planned at \$39.6MM plus approx. \$2MM contingency
 - capital budget allocation of \$1.6MM
 - contribution to reserve of \$3.4MM
- Expense growth driven by the highest priority initiatives

Summarized Feedback

Comment

Budget Response

<p>Ensure information is available in multiple languages; fund a stated translation policy</p>	<p>Budget an additional \$200K to fund translation; funds available about \$480K; more than double FY 2007</p>
<p>Review revenue forecast for appropriateness, consistency with market trends</p>	<p>Based on new data for FY2007 and FY2008 forecast, increase revenue forecast to approximately \$50MM</p>
<p>Consider per transaction fee reductions with significant reserve contributions in FY 2007, and planned for FY 2008</p>	<p>Currently in discussions with Registrar Constituency and weighing options with Finance Committee</p>
<p>Ensure appropriate administrative support for constituencies and additional travel funding</p>	<p>Review support levels; consider funding through contingency; create support models during FY 2008</p>

Summarized Feedback - Continued

Comment

For Further Analysis

<p>Consider the appropriate level of the reserve fund. Is one year still the right objective for ICANN?</p>	<p>The one year reserve goal was established by the ICANN Board Not unreasonable, still ICANN will review this policy during FY 08</p>
<p>Meeting structure: What is the cost/benefit for the current structure? Would it make sense to change the meeting rotation or frequency? Charge for admission?</p>	<p>Improving meeting effectiveness is ongoing, including this meeting During FY 08, the meetings team will specifically consider some of these questions</p>
<p>Present data to various constituencies and the community as a whole in ways that make the data more informative, open and transparent</p>	<p>Continually improve on work in the past, and this year Improve total cost information for major programs Consider budgeting at time of initial Operating Plan submission</p>



Planned budget updates

- Based on feedback and recent transaction volume statistics, will amend posted budget later this week:
 - forecast net revenue of approximately \$50MM (increase from \$46.6MM)
 - total expenses of \$41.6MM are unchanged
 - reallocate some spending in accordance with constituency consultations; increase spending in translation and some forms of constituency support
 - capital budget allocation of \$1.6MM unchanged
 - forecast contribution to reserve of approximately \$8MM (increase from \$3.4MM)
- Posted expense charts will change somewhat; still they substantially and accurately portray budget characteristics

Key Initiatives Drive Spending

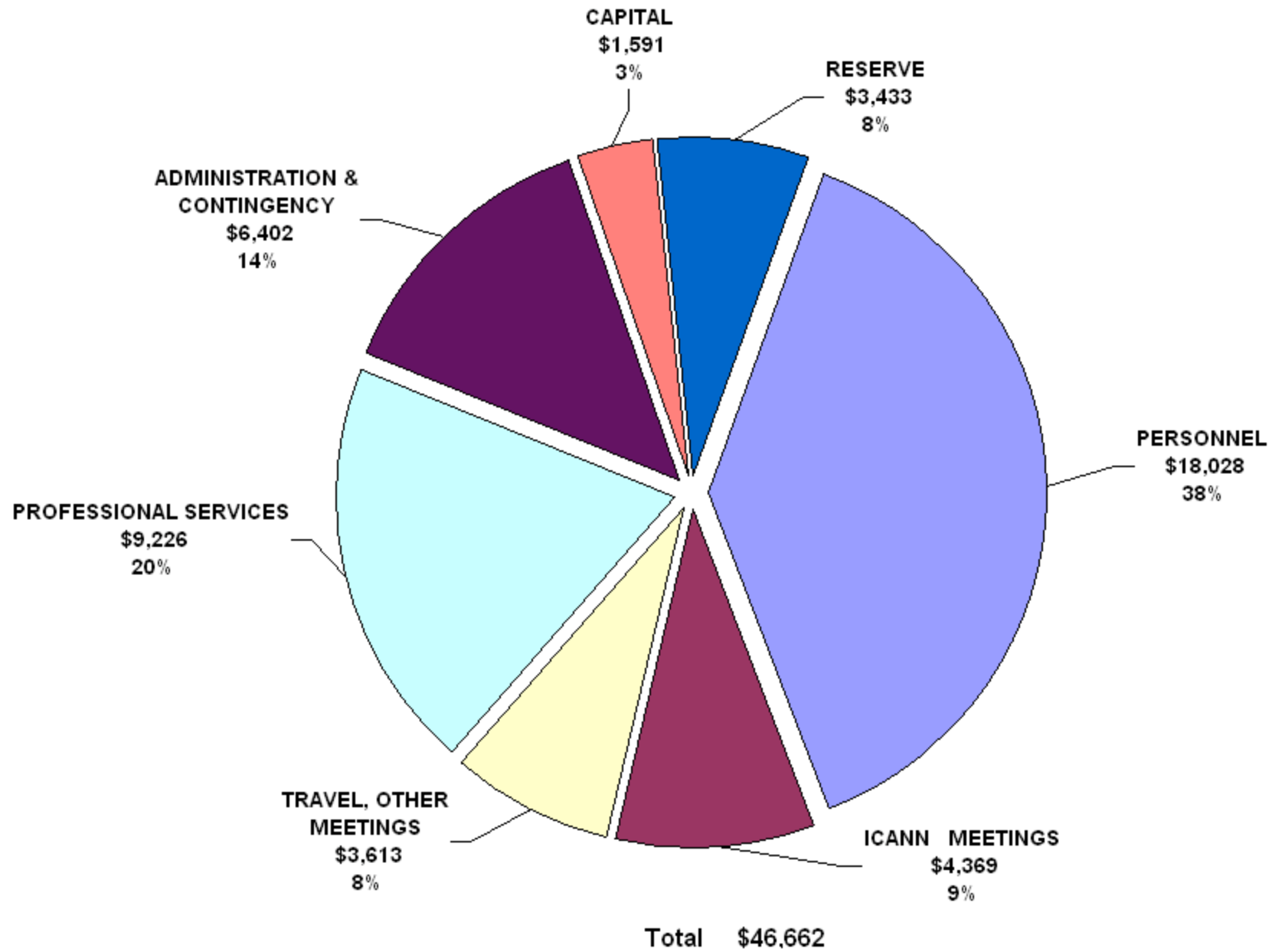
<u>Initiative</u>	<u>Spending</u>
gTLD Start-up	\$1,647K
Part of Outreach: Fellowship & ALAC	\$1,068K
IDN	\$988K
IANA Automation	\$735K *
Compliance	\$831K
Legal - major initiative support	\$708K *
Registrar Data Escrow	\$536K
Economist/Market Analysis	\$400K
Total	\$6,913K

* Legal and IANA amounts are incremental, not total; all other numbers totals

Note: No overhead allocated



ICANN Uses of Revenue for FY-2008 (in thousands)

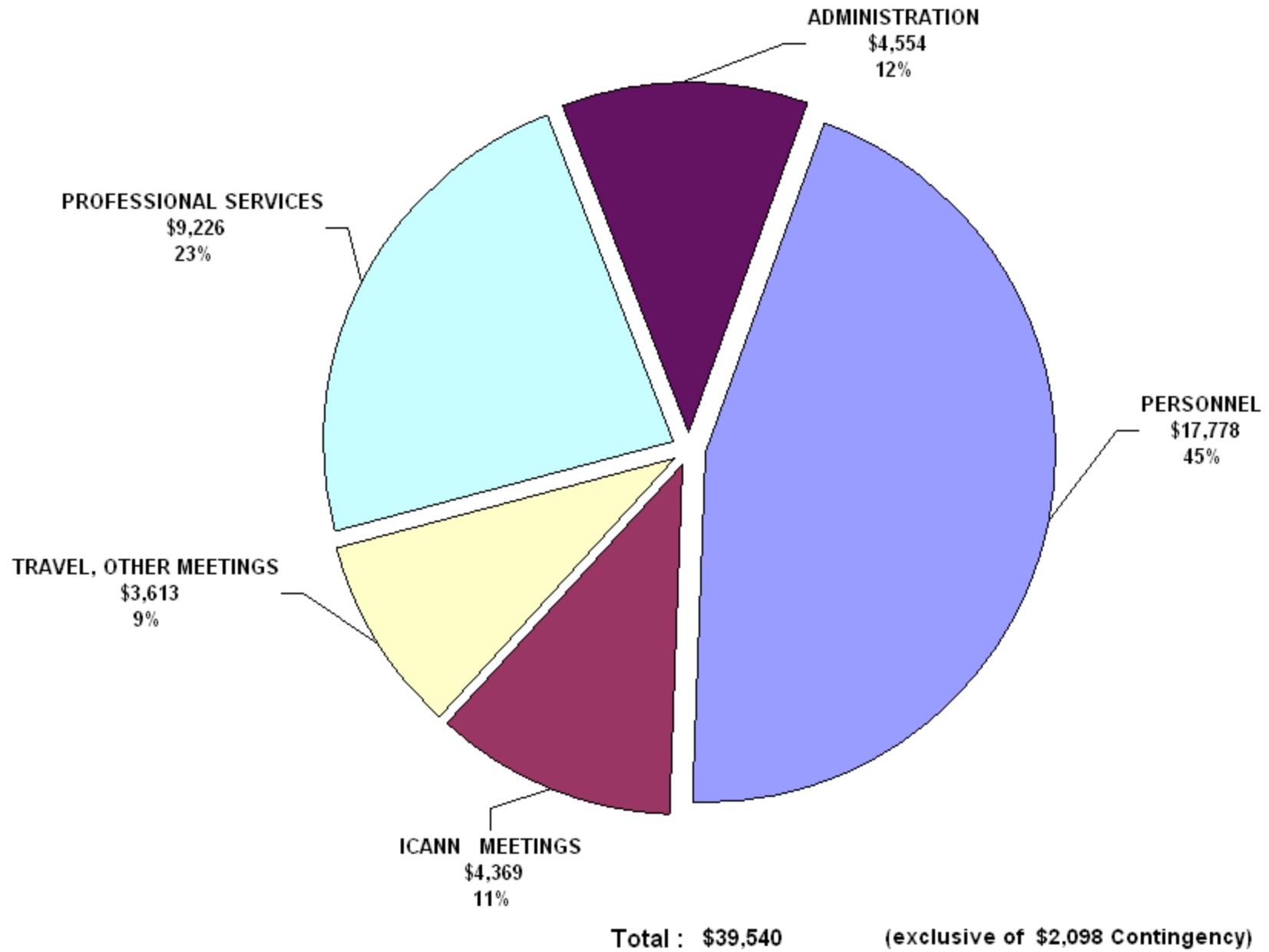


Major Capital Items

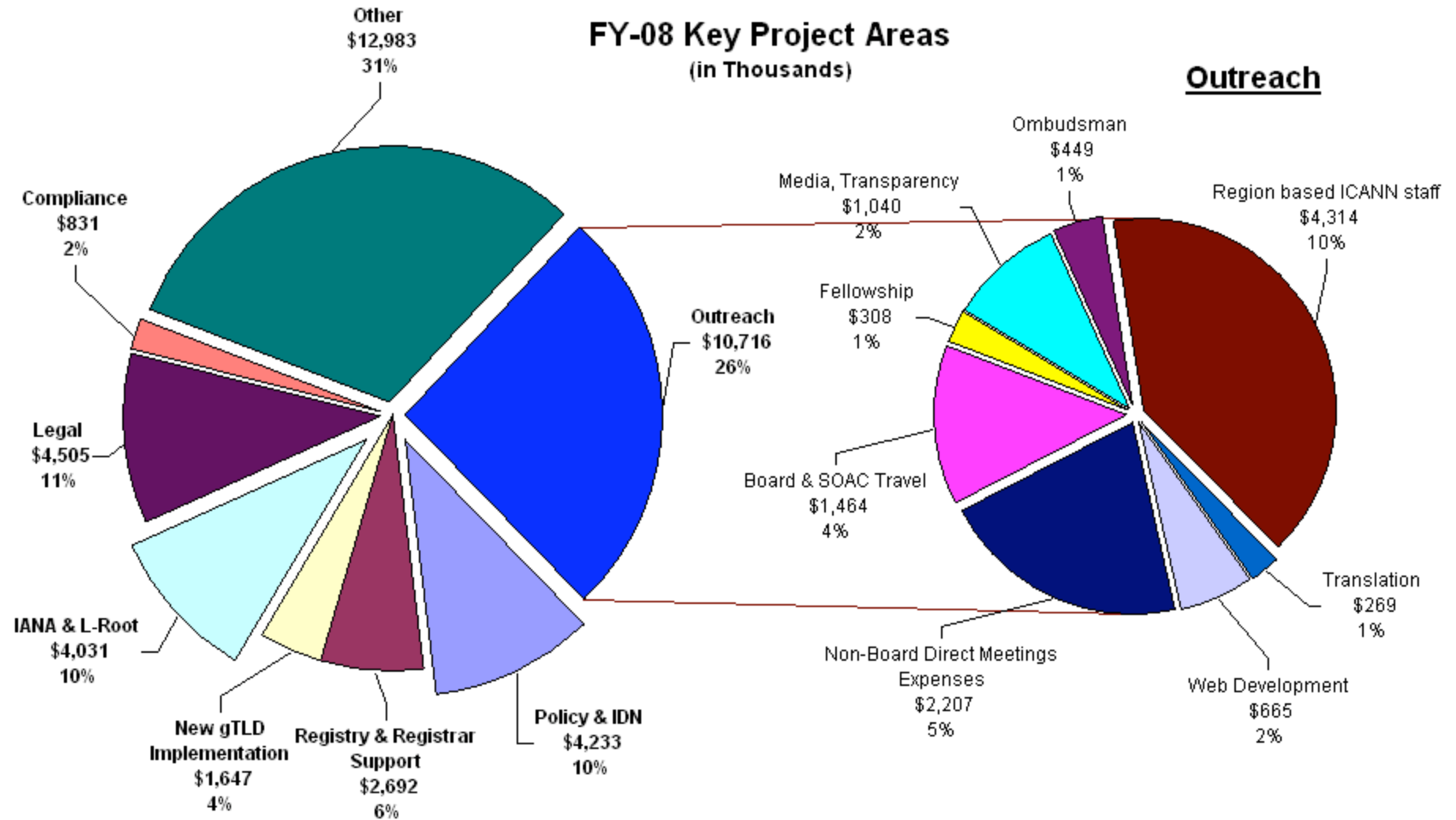
DNSSEC hardware (IANA)	\$54K
Data Center Relocation	\$160K
Storage Area Network (SAN)/Backup	\$303K
Avaya Phone System (timed with move)	\$120K
Web-based project management software	\$17K
Inquiry processing system	\$80K
Due Diligence Software	\$25K
L Root	\$650K
Furniture/Fixtures (new office)	\$182K
Total	\$1,591K

Budget Analysis Charts

ICANN Planned Expenses for FY-2008 (in thousands)

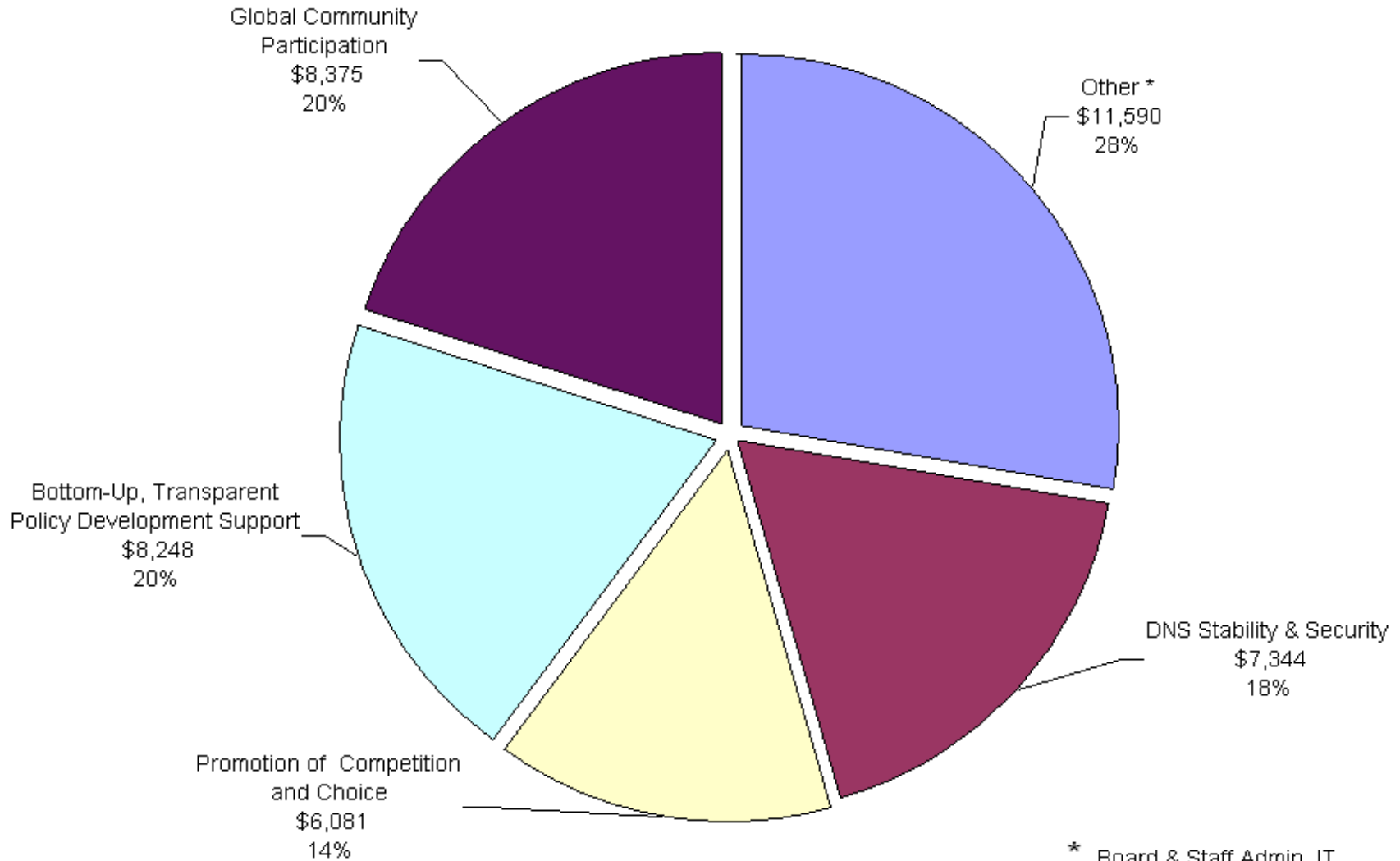


FY-08 Key Project Areas (in Thousands)



Total : \$41,638

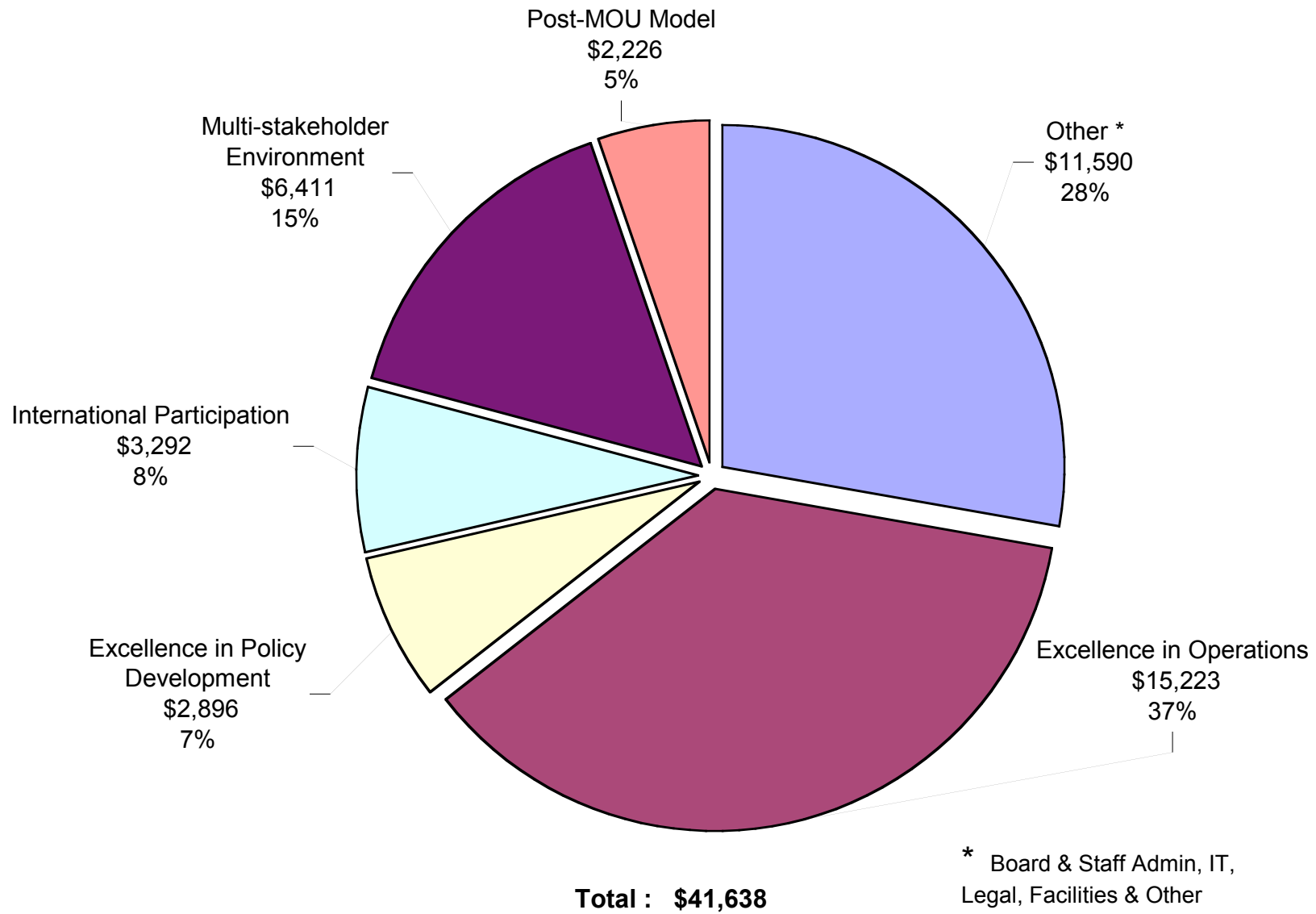
Spending by Principle (in Thousands)



Total : \$41,638

* Board & Staff Admin, IT, Legal, Facilities & Other

Spending by Strategic Plan Category (in Thousands)



Summary

- Formal budget process geared towards getting feedback at each planning stage, starting with the strategic plan, then operating plan
- Budget amounts driven by and consistent with proposed operating plan for FY 08
- Moving into implementation phase on key initiatives, ICANN will spend approximately \$41.6MM (\$39.6MM + 2MM contingency) in FY 08
- Plan to improve efficiency and reduce spending on some internal functions; shift money to activities that directly benefit constituencies

Thank You