



Presentation of draft FY09 Operating Plan and Budget For Community Consultation



FY09 Operating Plan and Budget Community Consultation

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



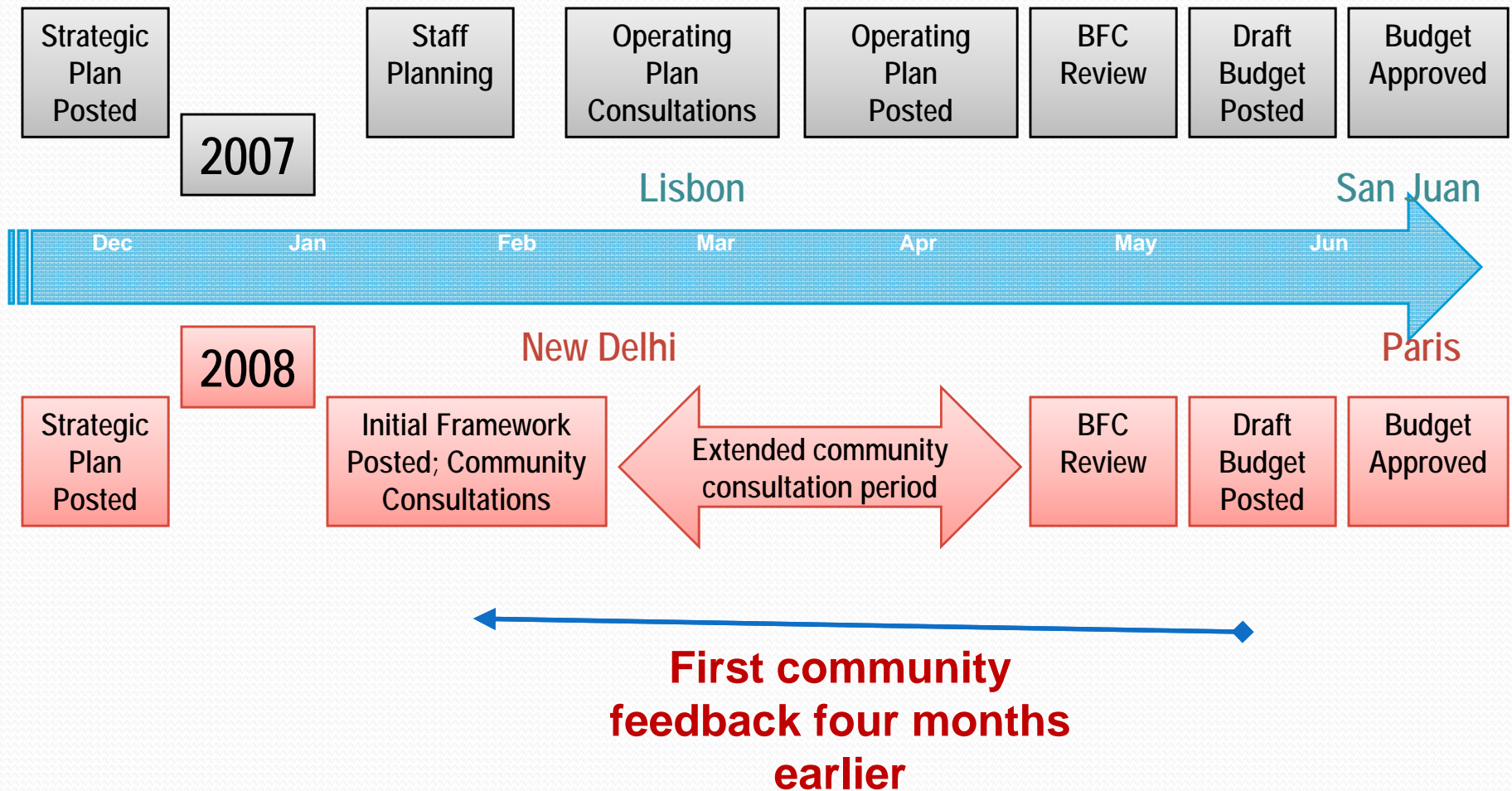


The Process

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**
- Final consideration by community and Board at June ICANN Paris meeting

FY09 Operating Plan and Budget Community Consultation



Draft. For discussions purposes.

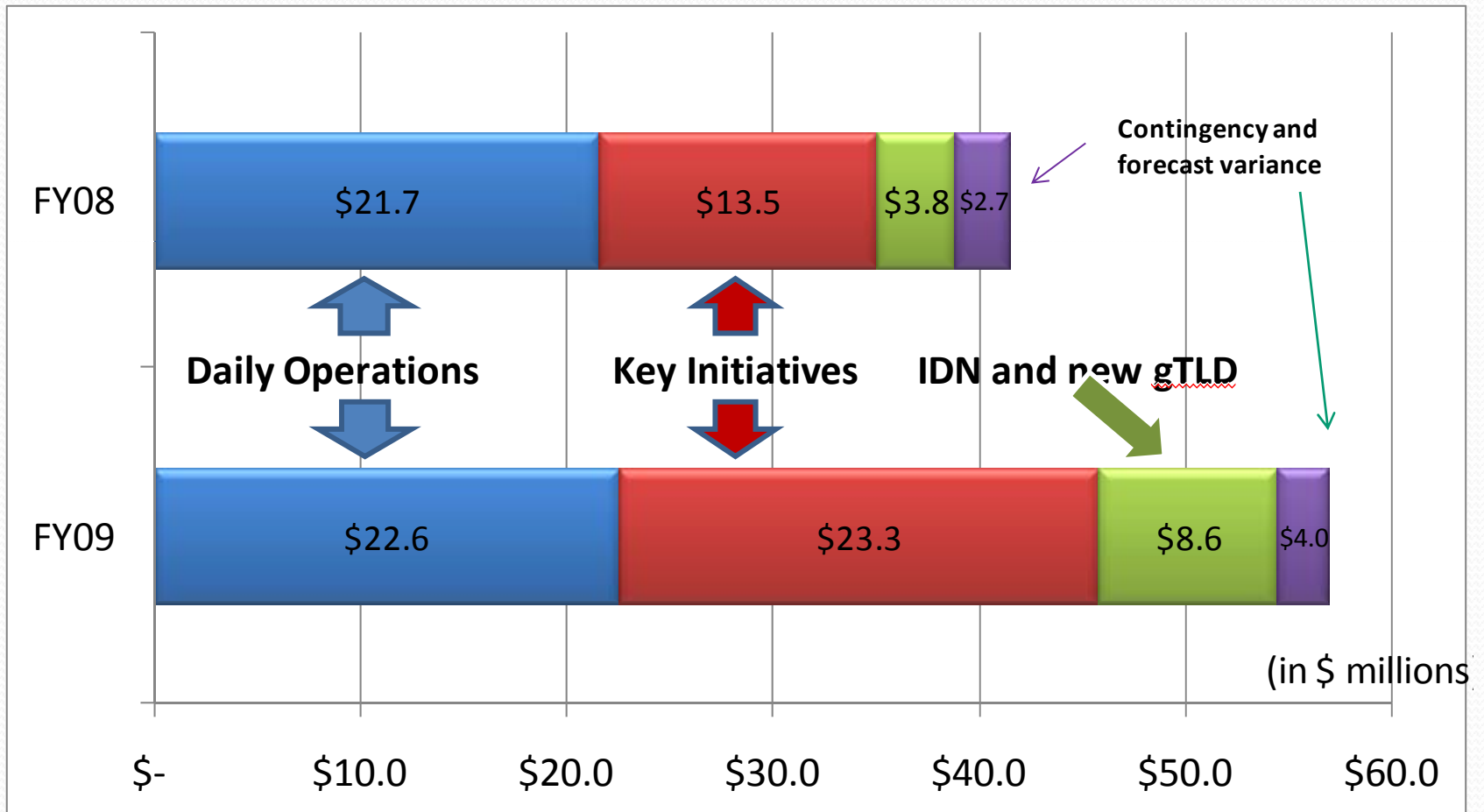
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Highlights of Planned Activities for FY09

- 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



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

	FY09 Budget	FY08 Budget	Variance	
			Amount	Percentage
Revenue	60,674,000	50,352,653	10,321,347	20.5%
Total Expenses w/ Contingency	<u>(58,479,353)</u>	<u>(42,620,820)</u>	<u>(15,858,533)</u>	<u>37.2%</u>
Increase in Reserve Fund	<u>2,194,647</u>	<u>7,731,833</u>	<u>(5,537,186)</u>	<u>-71.6%</u>
Suggested addition to Reserve Fund	(10,000,000)	(6,141,833)	(3,858,167)	62.8%
Addition / (Shortfall)	<u>\$ (7,805,353)</u>	<u>\$ 1,590,000</u>	<u>(9,395,353)</u>	<u>-590.9%</u>
Estimated Reserve Fund Balance	<u>\$ 34,926,480</u>	<u>\$ 32,731,833</u>	<u>2,194,647</u>	<u>6.7%</u>

Key Initiatives Drive the Increased Expense Budget in FY09

Organizational Initiatives Categories (in US dollars)	FY09 Budget	FY08 Budget	Change from FY08	% Change from FY08
01 - Complete new gTLD Policy implementation	7,083,813	2,805,000	4,278,813	153%
02 - Progress on IDN Activities	1,543,060	968,000	575,060	59%
	8,626,873	3,773,000	4,853,873	129%
03 - Strengthen IANA and Infrastructure	2,488,679	781,000	1,707,679	219%
04 - Broaden Participation	5,876,193	3,647,000	2,229,193	61%
05 - Expand Contractual Compliance activities	2,000,640	795,000	1,25,640	152%
06 - Build out registry/registrar support	2,305,380	1,265,000	1,040,380	82%
07 - Further develop Policy Processes	3,283,136	1,760,000	1,523,136	87%
08 - Carry out Security Initiatives	2,897,990	1,247,000	1,650,990	132%
09 - Administrative improvement	273,000	352,000	(79,000)	-22%
10 - Meetings and events	4,150,279	3,630,000	520,279	14%
	23,275,296	13,477,000	9,798,296	73%
00 - Baseline with bad debt and depreciation	22,577,184	22,746,103	(168,919)	-1%
Total	\$ 54,479,353	\$ 39,996,103	14,483,250	36%

Less bad debt/depreciation	\$ 2,665,000	\$ 1,076,103	1,588,897	148%
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Operating Expenses	\$ 51,814,353	\$ 38,920,000	12,894,353	33%
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Draft. For discussions purposes.

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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 for ccTLD operators and mapping out security/disaster recovery planning

Next Steps

- Staff will synthesize feedback during the pre-meeting period, and bring any proposed amendments to Paris
- Further constituency meetings during Paris meeting
- Comment at a public session at ICANN Paris meeting.
- Staff will compile community feedback (FAQ) and update FY09 Operating Plan and Budget
- FY09 Operating Plan and Budget will be presented in Paris at constituency meetings and at public forum
- Board will vote to adopt FY09 Operating Plan and Budget on 26 June

FY09 Operating Plan and Budget Community Consultation

Community Consultation:

- Post a comment on the public comment page:
http://www.icann.org/public_comment/public-comment-200805.html#op-budget-fy2009
- Ask the leader of constituency to schedule a conference with ICANN staff. Contact Kevin Wilson, CFO.
- Comment at a public session at ICANN Paris meeting.

In short: *A FAQ will be developed and shared that covers all community questions and comments and the responses*

FY09 Operating Plan and Budget Community Consultation

References:

- See the 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>
- See the draft FY09 Operating Plan and Budget:
 - <http://www.icann.org/financials/fiscal-30jun09.htm>
- Post a public comment:
 - http://www.icann.org/public_comment/

FY09 Operating Plan and Budget Community Consultation

• Comparison of Initial FY09 Framework vs draft FY09 Budget

Draft Business Initiatives Categories	FY09 Framework (New Delhi)	FY09 Budget Draft (17 May)
01 - Complete new gTLD Policy implementation	12,217,000	7,083,813
02 - Progress on IDN Activities	2,111,000	1,543,060
03 - Strengthen the IANA function and infrastructure	1,709,000	2,488,679
04 - Broaden Participation	5,979,000	5,876,193
05 - Expand Contractual Compliance activities	1,397,000	2,000,640
06 - Build out registry/registrar support	1,963,000	2,305,380
07 - Further develop Policy Processes	2,311,000	3,283,136
08 - Carry out Security Initiatives	2,015,000	2,897,990
09 - Administrative improvement	856,000	273,000
10 - Meetings and events	3,663,000	4,150,279
00 - Baseline	22,910,000	22,577,184
Grand Total	57,131,000	54,479,353