



**Proposed FY09 Operating Plan and Budget**

**Fiscal Year Ending 30 June 2009**

Posted 17 May 2008

Version 2 updated 22 May 2008

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## **I Introduction**

This proposed Fiscal Year 2009 (FY09) Operating Plan and Budget, for the fiscal year beginning 1 July 2008 and ending on 30 June 2009, contains:

- a description of the Internet Corporation for Assigned Names and Numbers (ICANN) operations planning and budgeting process
- the highlights of the annual operating plan, describing the key outcomes that ICANN has set out to achieve
- the annual budget including explanations of the revenue expectations and the spending plan for the fiscal year ending 30 June 2009.

After public comment, feedback and input from the ICANN community, and discussions with the ICANN Board of Directors' Finance Committee, the budget is expected to be adopted by the ICANN Board in Paris on 26 June 2008.

## **II Operating Plan and Budget Summary**

As dictated by the ICANN Strategic plan, the work plan called for in the FY09 Operating Plan and Budget is (necessarily) one of the most ambitious and challenging undertakings in ICANN's history. (ICANN's Strategic Plan can be found at <http://www.icann.org/strategic-plan/>.)

In this fiscal year, highlights of planned ICANN results and activities include:

- Complete, and then launch the new generic TLD (gTLD) program
- Based on progress with the IDN "fast track" process, introduce country code IDNs (ccIDN) at the top level
- As part of establishing a documented security agenda, deliver on DNSSEC readiness, ICANN-internal security improvements, and training on disaster planning and mitigation for interested country code operators
- Working with RIRs and the NRO, continue to highlight issues related to IPv4 depletion and IPv6 adoption
- Grow and enhance contractual compliance capability on behalf of registrant protection
- Invest in IANA services and staffing to improve service availability, automation, response time, and disaster recovery
- Strengthen the multi-stakeholder model by implementing GNSO improvements, expanding stakeholder travel support and expanding translation programs

The community and ICANN's Board reviewed an initial budget framework presented at New Delhi in February 2008. Staff held consultations regarding the budget and plan, received posted comments, and worked with the ICANN Board Finance Committee to develop the draft FY09 Operating Plan and Budget. This draft FY09 Operating Plan and Budget is being posted for community review with the support of the Board Finance Committee (BFC).

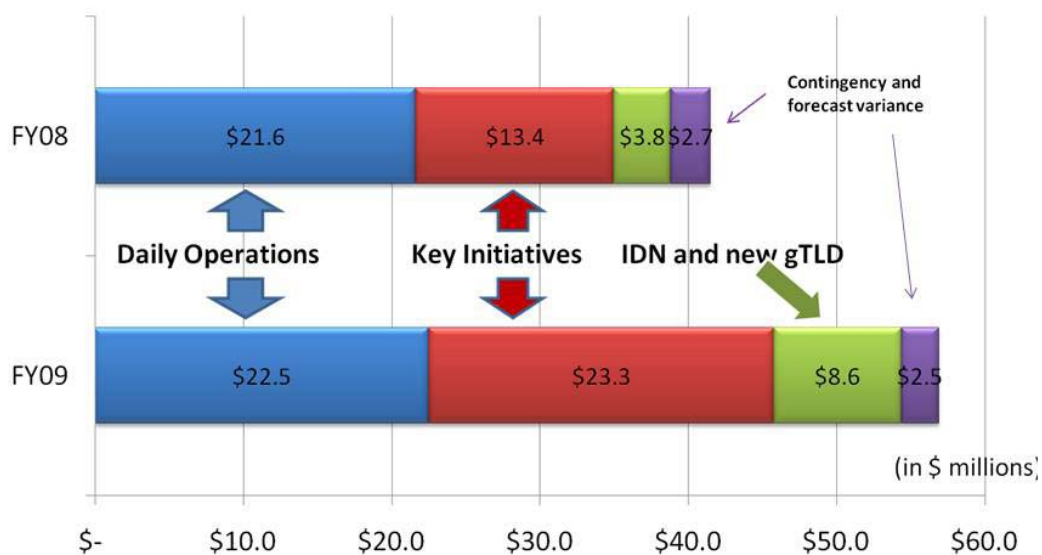
A substantial amount of detailed thought and work has gone into the operating plan and budget since the initial framework was first presented to the community in February 2008, but the overall scope and themes remain consistent. In summary, the draft budget proposes revenues of about \$60.7MM and total expenses (including depreciation, allowances and contingency) of \$58.5MM with a contribution to reserve of about \$2.2MM. Compared to

what was presented in New Delhi, this actually represents a reduction in operating expenses from \$54.1MM to \$51.8MM. As compared to FY08, the total expense budget, including contingency, is projected to increase from \$42.6MM to \$58.5MM (37% increase). Operating expenses (excluding contingency, depreciation, and bad debt) are projected to increase from \$39.8MM to \$51.8MM, (or 30% increase).

It is noteworthy that the revenue forecast accommodates new approach to the Add Grace Period (AGP), as proposed by the GNSO and broader community, effectively eliminating tasting, and slowing the growth of revenue to ICANN. This is factored into the estimated revenue in the budget.

### **Key initiatives drive the increased expense budget**

## Expense Budget Building Blocks



The chart above shows key initiatives driving the increase in expenses in FY09, and particularly the new gTLD and IDN programs. Together, the estimated full cost of these programs amounts to about \$8.6MM and about 4.8 MM increase over FY 08. There are also significant increases in other areas identified as critical to the community, including added contractual compliance, DNS security initiatives, IANA improvements and infrastructure initiatives that support IANA and other programs. This budget also includes amounts for the At-Large Summit, and an amount for community travel support which together total about \$1MM in incremental expenses. While there are other increases and decreases in various programs, this set of programs account for \$9.8MM in incremental funding, and explains the magnitude of overall budget growth. The contribution to the reserve would have reached

the suggested \$10MM except for the exceptional additional investments in the new gTLD and other special programs.

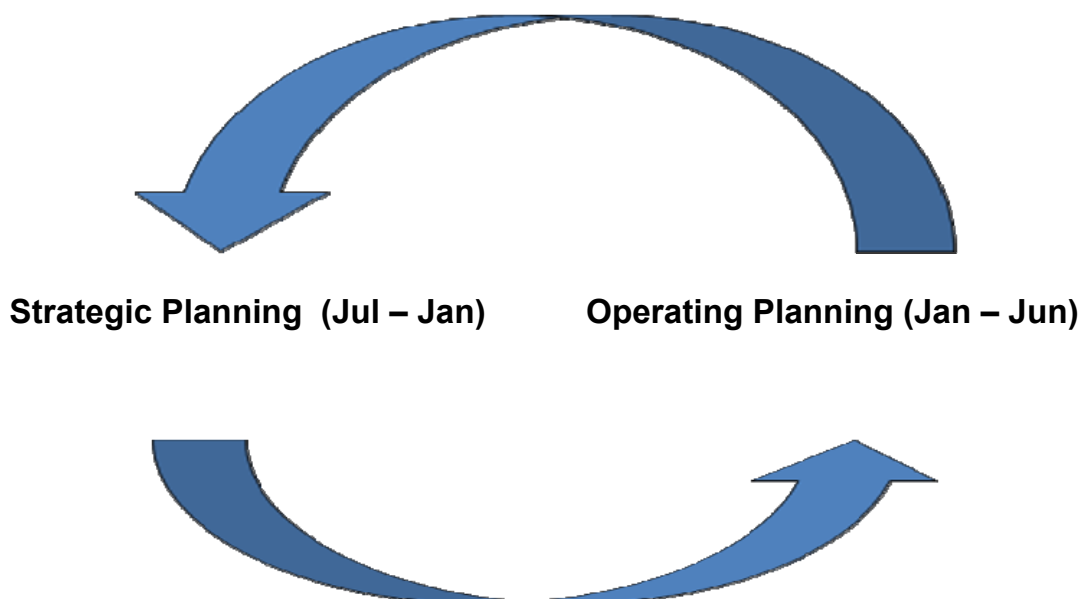
This budget does not contain revenue or expense for the new gTLD program. It does include support for items necessary to complete the implementation, and staffing up to the point where ICANN has the capability to launch the program. Later in FY09, staff will present a separate budget at the time there is more certainty about the quantity and timing of new gTLD revenue and expenses, and expect this to happen about 90 days prior to program launch.

This draft budget calls for substantial expense growth for ICANN. This expense growth is a result of an ambitious work program for FY09. The goal of this draft Operating Plan and Budget document is to enable informed, active community and Board feedback regarding proposed objectives and plans. And, when the draft plan is finalized and approved, establish the resources and objectives that will deliver on the right initiatives for the ICANN community during FY09.

### **III The Process Followed to Develop the FY09 Operating Plan and Budget**

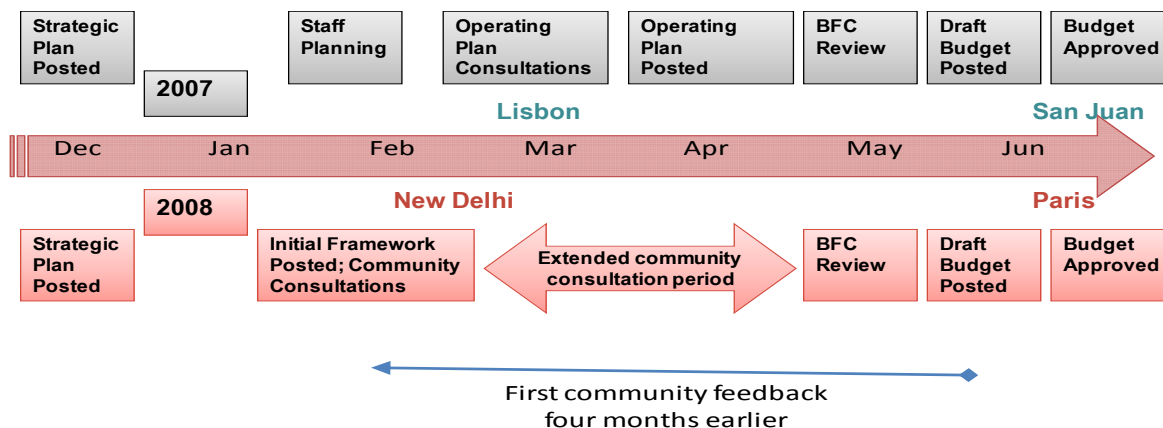
A strategic plan and an operating plan are important tools for any organizational entity. A strategic plan outlines the key priorities for an organization over the planning period (three years for ICANN). An operating plan outlines how the strategy will be implemented by the organization.

Thus, ICANN's Draft FY09 Operating Plan and Budget cycle begins with the completion of the strategic plan. The Strategic Plan is the three-year overview document that describes the strategic priorities for ICANN. During the first six months of each fiscal year, community planning efforts focus on the Strategic Plan. After this plan is reviewed and approved, the second six months of the fiscal year is spent developing the Operating Plan and Budget. The following chart depicts the timing of strategic planning and operating planning activities at ICANN:



This year the timing of the development of the Operating Plan and Budget were adjusted to ensure as much community input as possible as depicted in the following chart:

## Process Goal: Maximize Participation



1

### FY2008 – FY2011 Strategic Plan for ICANN -- Approved December 2007

In accordance with ICANN's planning cycle, ICANN developed its Strategic Plan during the first half of fiscal year 2008 (July – December). After community consultation, the current Strategic Plan was adopted by the Board in December 2007. See the approved strategic plan posted here:

<http://www.icann.org/strategic-plan/>

### Highlights of the strategic plan include:

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

During the second half of the fiscal year, ICANN points its planning activities toward preparing the Operating Plan and Budget.

### FY09 Operating Plan and Budget Framework -- Presented at the New Delhi Meeting March 2008

The FY09 Operating Plan and Budget process commenced by the posting of the Initial Operating Plan and Budget Framework for fiscal year 2009 and is posted here:

<http://www.icann.org/announcements/announcement-2-04feb08.htm>

At the New Delhi ICANN meeting, the Framework was presented and community input was actively solicited. This new budgeting Framework provided important process improvements over past years' efforts:

- The budget was developed concurrently with the operating plan. Thus the process of prioritizing business initiatives within the operating plan is more systematic.
- The Operating plan and budget was presented earlier this year. This allowed for extended community input and feedback on the assumptions, parameters, and priorities for the budget for ICANN in the next fiscal year.
- The Operating plan has been made more accessible. Detail remains, but activities have been grouped in logical categories more relevant to the community in order to prioritize spending.
- Efforts were made towards full costing of specific initiatives.
- The budget was presented as a three year forecast. This facilitated observing ICANN from a longer perspective, which is most critical for ICANN as it faces significant organizational changes.
- The Framework provided a model so that the new gTLD programs, as well as other key initiatives, could be discussed and considered by the Board and community.

Although not set forth as a proposed budget, the initial results presented in this Framework did provide a tool that allowed active community feedback and consultation.

### The Draft Operating Plan

Every year, ICANN is required under its Bylaws to post its draft Operating Plan and Budget by the 17<sup>th</sup> of May (i.e., 45 days before its fiscal year end). During and after the New Delhi ICANN meeting, various constituencies were consulted and feedback on the Operating Plan and Budget were provided. Concurrently, staff developed the bottom up operating plan and budget for FY09 taking that feedback into account. The operating plan included developing numerous organizational initiatives that are to be completed in FY09 in order to meet the strategic priorities described in the strategic plan. The initiatives were categorized in groups similar to what was described in the Initial Draft FY09 Operating Plan and Budget Framework. The Board Finance Committee was actively involved in discussion and formation of the FY09 Operating Plan and Budget.

### FY09 Operating Plan and Budget to be considered by the Board on 26 June 2008

After posting of the Draft FY09 Operating Plan and Budget on the 17<sup>th</sup> of May, ICANN's constituencies will be consulted and there will be a public comment period. After possible amendments in accordance with the feedback, constituency consultation and recommendation from the BFC, the final FY09 Operating Plan and Budget will be submitted to the Board for careful consideration and approval during the Paris ICANN meeting.

### Adding non-U.S. Dollar reporting to the budgeting process

For the first time ever, some of the financial data in this plan is shown in Euros in addition to U.S. Dollars. Since ICANN is a global organization, but with all revenue denominated in U.S. Dollars, ICANN's BFC has emphasized further focus on approaches to reporting and planning for exchange rate changes.

### More Community Input / Feedback introduced

A new approach has been taken this year to allow more time for community consultation and to provide additional input on the FY09 Operating Plan and Budget. In February 2008, the process was launched with the posting of the initial FY09 Operating Plan and Budget Framework. This was four months earlier than last year. This jump-started community discussions at the New Delhi ICANN meeting. Here is the link of the initial Framework:

<http://www.icann.org/planning/ops-budget-framework-09.pdf>

A series of consultations and a public comment period were held February through May on the FY09 Operating Plan and Budget. Staff has factored the community feedback into this document. See a list of comments from the community in Appendix D: Summary of Public comments and questions.

Further feedback on this draft FY09 Operating Plan and Budget is encouraged from the community in the following ways:

- Post a comment on the ICANN public comment page appropriate for feedback on the Operations Plan and Budget. See

[http://www.icann.org/public\\_comment/](http://www.icann.org/public_comment/)

- Ask the leader of your constituency to schedule a conference with ICANN staff (contact Chief Financial Officer, Kevin Wilson).
- Comment at a public session in ICANN's Paris meeting.

In addition, the planning and budget team will formally be seeking feedback from the community by requesting conference calls with ICANN constituency groups, supporting organizations, and advisory committees.

The Board will consider the draft FY09 Operating Plan and Budget at its regularly scheduled Board meeting in May, and will give final consideration to the FY09 Operating Plan and Budget at the Paris ICANN meeting on 26 June 2008.

## **IV FY09 Operating Plan**

The work plan called for in the FY09 Operation Plan and Budget is (necessarily) the most ambitious and challenging undertaking in ICANN's history.

The implementation of the new gTLD policy is a large and complex initiative that broadly impacts processes in ICANN, including the IANA function operations, IDN activities, business

continuity, contractual compliance, and others. Ensuring that ICANN's core operations function competently in the face of an increasingly complex environment is essential. These new requirements are coupled with the continued critical task facing ICANN to globalize operations and empower more of the Internet community to participate in ICANN processes. This requires outreach to more regions of the world, the global business community, non-English speaking populations, and those whose ability to participate is constrained by resource availability.

Along with ICANN's core baseline activities, ICANN must prepare for many key initiatives including:

1. Complete new gTLD Policy implementation
2. Progress IDN activities
3. Strengthen the IANA function and infrastructure
4. Broaden participation
5. Expand Contractual Compliance activities
6. Build out registry/registrar support
7. Further develop policy processes
8. Carry out Security initiatives
9. Make administrative improvement
10. Effectively administer meetings and events

The draft FY09 budget for these initiatives is captured in the following table:

### **Key Initiatives**

<b>Organizational Initiatives Categories (in US dollars)</b>	<b>FY09 Budget</b>	<b>FY08 Budget</b>	<b>Change from FY08</b>	<b>% Change from FY08</b>
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%
<b>Total</b>	<b>\$ 54,479,353</b>	<b>\$ 39,996,103</b>	<b>14,483,250</b>	<b>36%</b>
<b>Less bad debt/depreciation</b>	<b>\$ 2,665,000</b>	<b>\$ 1,076,103</b>	<b>1,588,897</b>	<b>148%</b>
<b>Operating Expenses</b>	<b>\$ 51,814,353</b>	<b>\$ 38,920,000</b>	<b>12,894,353</b>	<b>33%</b>



(Note: The key initiative categories are different than used in the Delhi framework. See Appendix D for an explanation and comparison of these two methodologies.)

A brief description of these key initiatives follows (more details are contained in appendix C):

1. Complete new gTLD policy implementation. Much of the new gTLD implementation work was started in FY08. Significant policy implementation efforts are underway in order to launch the new round of gTLDs in FY09. The FY09 budget for this initiative assumes that all implementation work will be completed during the fiscal year. The final steps in this policy development process will be the launch of a new gTLD round through a Board approved process that meets the objectives set out in the GNSO policy recommendations on the matter. The development of a policy and process for the introduction of new gTLDs is central to fostering choice and competition in the provision of domain registration services, and as such, is critical to the promotion of ICANN's core value. The efforts continue to move ahead. The questions to be addressed in the implementation of a new gTLD strategy are complex and draw on technical, economic, operational, legal, public policy and other elements. Many stakeholders in the global Internet community will be interested in participating in the implementation of the policy, and ICANN is committed to facilitating their participation and involvement.

This effort involves: developing a clear, predictable and timely evaluation process, providing mechanisms for resolution of disputes and of contention for competing gTLD labels, a significant communications and outreach effort, a new form of registry agreement, and the build-up of ICANN functions to accommodate the delegation and support of new gTLDs. Significant materials describing the implementation plans have been published under separate cover.

This budget includes the significant costs required to design and launch the process. The budget also anticipates that application fees will cover costs to operate the evaluation process. This budget also includes planning for the operational support needed to delegate and support the initial round of TLDs but does not include the build-up necessary to support the delegation and servicing of, what is anticipated to be, a significant number of new TLDs resulting from the first round. It is anticipated that most of these costs will not be realized until the end of the FY09 at the earliest. Because new gTLD demand, and therefore these costs, are not predictable at this time, some time before the launch of the new gTLD program, a separate new gTLD budget will be submitted. This separate budget is described in detail below and will include the additional costs needed to set up for the delegation and support of new gTLDs.

This new gTLD budget will also include the application and other revenues associated with the new gTLDs. The costs and revenue associated with the new gTLDs will be significant in comparison to ICANN's typical annual budget. New gTLD application fees will cover the costs of processing applications and the costs of process development, along with some cost element to cover the risks of the program.

2. Progress on IDN activities. The launch of internationalized domain names (IDNs) in the root remains a high priority for ICANN. The FY09 budget assumes that a

“fast track” process will be implemented for the early delegation of IDNs for some ccTLDs that are ready and wish to delegate them. In addition, IDN TLDs are planned to be available for introduction via the process for introduction of new gTLDs. Introduction of both ccTLD and gTLD IDNs are contingent on the requirement that introduction of IDN TLDs are considered safe (i.e., no DNS security or stability issues for the DNS as a whole. Further, work is planned for implementation of processes for IANA use to insert and manage the TLDs in the root zone. On the technical front work is ongoing and will continue in the next year with protocol revision efforts and continued development and testing of various sorts in the online IDN wiki.

3. Strengthen the IANA function and infrastructure. The improvement of the systems for ICANN’s infrastructure and IANA’s level of functioning are key priorities. This is especially true with the prospect of many new TLD’s on the horizon. Automation of services, statistical reporting, business continuity, hardening security, and clarifying IANA’s services for its customers are all important outcomes of this work. In addition this, initiative includes development and implementation of the IPv4 depletion to IPv6 adoption policies.
4. Broaden Participation. As a core part of ICANN’s mission, ICANN is required to broaden participation. Critical to success will be ICANN’s ability to reach individuals and organizations globally to participate in its processes. This includes providing translation and interpretation services in multiple languages to non-English speaking communities, and providing financial support (e.g., fellowships program) to those in lesser developed areas. ICANN must also improve its accessibility to the business community, recognizing that the majority of networks that make up the Internet are privately owned. This approach will also require information systems and tools that will allow for broader participation and more effective remote participation.
5. Expand Contractual Compliance activities. Registry/registrar compliance is a core function of ICANN and the enhancement of the contractual compliance area is necessary for FY 09. This includes conducting technical and nontechnical audits, improved statistical tracking of registrant complaints, rapid follow up on non-compliant behavior of registrars, and reporting on compliance activities to the community. The separate new gTLD budget will likely contain additional funding for more compliance activity. Increased compliance activity supports the best results for registrants, a free, deregulated market and as a result encourages excellence in operations as is currently expressed by the majority of Registries and Registrars.
6. Build out registry/registrar support. Increasing support for registries and registrars is a key initiative for ICANN. This includes expanding reporting to enhance stakeholder relations, improving technical expertise of registry operations, increasing outreach to registrars in different regions, continuing to implement the registry and registrar failover plans, and developing procedures to protect registrants (i.e. support for registrar data escrow).
7. Further develop policy processes. One of ICANN’s most critical initiatives for FY09 is to ensure that policies are developed as fairly, effectively, and rapidly as possible to meet the needs of the growing community. This includes ensuring that the multi-stakeholder, bottom up culture continues and strengthens. Critical elements of this in the next fiscal year include implementation of “GNSO

Improvement” recommendations approved by the Board, and support for critical GNSO and ccNSO policy development efforts. Another component of this work is to complete all organizational reviews, and implement associated organizational improvements in a more timely way.

8. Carry out Security initiatives. This includes, training for ccTLD operators, and support for a number of key initiatives including further clarification of ICANN’s role in Internet security.
  - Engage the DNS community to map the risk landscape against sophisticated attacks.
  - Focus on analyzing ICANN role and identifying overall responsibilities in enhancing security.
  - Engage ICANN and global cyber security communities representing ICANN and its security perspective and objectives.
  - Enhance and enable the ccTLD community by performing training on disaster planning and mitigation in the Asia/Pacific region.

This effort will include outsourcing of key components where it is efficient to do so.

9. Make administrative improvements. ICANN will continue to focus on other organizational initiatives such as efficiency initiatives, ongoing audits of ICANN’s transparency, and improving the database structure of ICANN’s information systems. Preparing ICANN for a post Joint Project Agreement (JPA) environment. This work is crucial to increasing institutional confidence in the organization in anticipation of the JPA concluding in September 2009.
10. Effectively administer meetings and events. ICANN is clearly evolving and growing. Accordingly, its processes of consultation and policy development as expressed through its meetings also need to evolve. ICANN will be improving access, both for those accessing the meetings in person and remotely. Improvements will include better remote participation tools, more extensive translation and interpretation, and improved quality of services and information of services at the meetings themselves.

## **VI FY09 Budget**

### **Budget Summary:**

#### **ICANN FY09 Budget (in US Dollars)**

	FY09 Budget	FY08 Budget	Variance	
			Amount	Percentage
<b>REVENUE</b>				
Registrar	30,947,000	26,730,015	4,216,985	15.78%
Registry	25,104,000	19,652,139	5,451,861	27.74%
RIR	823,000	823,000	-	0.00%
ccTLD	2,300,000	1,800,000	500,000	27.78%
Other	1,500,000	1,347,500	152,500	11.32%
<b>Total Revenue</b>	<b>\$ 60,674,000</b>	<b>\$ 50,352,653</b>	<b>10,321,347</b>	<b>20.50%</b>
<b>EXPENSES</b>				
Personnel	19,880,664	18,191,931	1,688,733	9.28%
Travel & Meetings	12,481,605	8,110,922	4,370,683	53.89%
Professional Services	11,885,616	9,453,072	2,432,544	25.73%
Administration	7,566,468	4,039,963	3,526,505	87.29%
<b>Operating Expenses</b>	<b>\$ 51,814,353</b>	<b>\$ 39,795,888</b>	<b>12,018,465</b>	<b>30.20%</b>
<b>Non Cash Expenses</b>				
Bad Debt Expense	1,800,000	980,103	819,897	83.7%
Depreciation	865,000	96,000	769,000	801.0%
	2,665,000	1,076,103	1,588,897	884.69%
<b>Total Expenses</b>	<b>\$ 54,479,353</b>	<b>\$ 40,871,991</b>	<b>13,607,362</b>	<b>33.3%</b>
<b>Total Revenue Less Total Expenses</b>	<b>\$ 6,194,647</b>	<b>\$ 9,480,662</b>	<b>(3,286,015)</b>	<b>-34.7%</b>
<b>Contingency</b>	<b>\$ 4,000,000</b>	<b>\$ 1,748,829</b>	<b>2,251,171</b>	<b>128.72%</b>
<b>Total Expenses w/ Contingency</b>	<b>\$ 58,479,353</b>	<b>\$ 42,620,820</b>	<b>15,858,533</b>	<b>37.2%</b>
<b>Change to Reserve Fund</b>	<b>\$ 2,194,647</b>	<b>\$ 6,141,833</b>	<b>(3,947,186)</b>	<b>-64.27%</b>
<b>Suggested addition to Reserve Fund</b>	<b>\$ 10,000,000</b>	<b>\$ 6,141,833</b>	<b>3,858,167</b>	<b>62.82%</b>
<b>Capital</b>	<b>\$ 3,660,000</b>	<b>\$ 1,590,000</b>	<b>2,070,000</b>	<b>130.19%</b>

<b><u>Change in Board Restricted Reserve Fund</u></b>				
Revenue	60,674,000	50,352,653	10,321,347	20.5%
Total Expenses w/ Contingency	(58,479,353)	(42,620,820)	(15,858,533)	37.2%
Increase in Reserve Fund	2,194,647	7,731,833	(5,537,186)	-71.6%
Suggested addition to Reserve Fund	(10,000,000)	(6,141,833)	(3,858,167)	62.8%
<b>Addition / (Shortfall)</b>	<b>\$ (7,805,353)</b>	<b>\$ 1,590,000</b>	<b>(9,395,353)</b>	<b>-590.9%</b>
<b>Estimated Reserve Fund Balance</b>	<b>\$ 34,926,480</b>	<b>\$ 32,731,833</b>	<b>2,194,647</b>	<b>6.3%</b>

## Budget summary in Euro.

(Note: The FY08 budget is expressed in Euro based upon a conversion rate of 0.736 Euro per dollar. The FY09 budget is converted to Euro based upon a conversion rate of 0.644 Euro per dollar. These are the approximate conversion rates per OANDA as of May 2007 and May 2008, respectively.)

### ICANN FY09 Budget (in EURO)

	0.64440	0.73600	Variance	
	FY09 Budget	FY08 Budget	Amount	Percentage
<b>REVENUE</b>				
Registrar	19,942,247	19,673,291	268,956	1.37%
Registry	16,177,018	14,463,974	1,713,044	11.84%
RIR	530,341	605,728	(75,387)	-12.45%
ccTLD	1,482,120	1,324,800	157,320	11.88%
Other	966,600	991,760	(25,160)	-2.54%
<b>Total Revenue</b>	<b>€ 39,098,326</b>	<b>€ 37,059,553</b>	<b>2,038,773</b>	<b>5.50%</b>
<b>EXPENSES</b>				
Personnel	12,811,100	13,389,261	(578,161)	-4.32%
Travel & Meetings	8,043,146	5,969,639	2,073,507	34.73%
Professional Services	7,659,091	6,957,461	701,630	10.08%
Administration	4,875,832	2,973,413	1,902,419	63.98%
<b>Operating Expenses</b>	<b>€ 33,389,169</b>	<b>€ 29,289,774</b>	<b>4,099,395</b>	<b>14.00%</b>
<b>Non Cash Expenses</b>				
Bad Debt Expense	1,159,920	721,356	438,564	60.8%
Depreciation	557,406	70,656	486,750	688.9%
	1,717,326	792,012	925,314	749.70%
<b>Total Expenses</b>	<b>€ 35,106,495</b>	<b>€ 30,081,786</b>	<b>5,024,709</b>	<b>16.7%</b>
<b>Total Revenue Less Total Expenses</b>	<b>€ 3,991,831</b>	<b>€ 6,977,767</b>	<b>(2,985,936)</b>	<b>-42.8%</b>
<b>Contingency</b>	<b>€ 2,577,600</b>	<b>€ 1,287,138</b>	<b>1,290,462</b>	<b>100.26%</b>
<b>Total Expenses w/ Contingency</b>	<b>€ 37,684,095</b>	<b>€ 31,368,924</b>	<b>6,315,171</b>	<b>20.1%</b>
<b>Change to Reserve Fund</b>	<b>€ 1,414,231</b>	<b>€ 4,520,389</b>	<b>(3,106,158)</b>	<b>-68.71%</b>
<b>Required addition to Reserve Fund</b>	<b>€ 6,444,000</b>	<b>€ 4,520,389</b>	<b>1,923,611</b>	<b>42.55%</b>
<b>Capital</b>	<b>€ 2,358,504</b>	<b>€ 1,170,240</b>	<b>1,188,264</b>	<b>101.54%</b>
<b>Change in Board Restricted Reserve Fund</b>				
Revenue	39,098,326	37,059,553	2,038,773	5.5%
Total Expenses w/ Contingency	(37,684,095)	(31,368,924)	(6,315,171)	20.1%
Increase in Reserve Fund	1,414,231	5,690,629	(4,276,398)	-75.2%
Required addition to Reserve Fund	(6,444,000)	(4,520,389)	(1,923,611)	42.6%
<b>Addition / (Shortfall)</b>	<b>€ (5,029,769)</b>	<b>€ 1,170,240</b>	<b>(6,200,009)</b>	<b>-529.8%</b>

## **Revenue**

ICANN has a number of revenue sources reflecting the diversity of interests in its global mission. In addition to country code operators and Regional Internet Registries, registrants via registries and registrars, provide substantial funding for the coordination of a globally interoperable Internet through the work of ICANN.

	<b>FY09 Budget</b>	<b>FY08 Budget</b>	<b>FY08 Forecast</b>
<b>Registrar</b>	<b>30.9 million</b>	<b>26.7 million</b>	<b>28.0 million</b>
<b>Registry</b>	<b>25.1 million</b>	<b>19.7 million</b>	<b>19.7 million</b>
<b>RIR</b>	<b>0.8 million</b>	<b>0.8 million</b>	<b>0.8 million</b>
<b>ccTLD</b>	<b>2.3 million</b>	<b>1.8 million</b>	<b>1.3 million</b>
<b>Other</b>	<b>1.5 million</b>	<b>1.3 million</b>	<b>1.2 million</b>
<b>Total Revenue</b>	<b>60.7 million</b>	<b>50.3 million</b>	<b>51.0 million</b>

Until the launch of the new gTLD program, which will be addressed in a separate new gTLD budget (described more fully below) at a later date, ICANN's revenue fee structure model in FY09 remains consistent with prior years. The estimated growth in FY09 revenue is based upon the increase in contracted gTLD registry fees and the overall steady growth of the domain name market. Revenue will be slightly reduced due to the expected elimination of the widespread use of the five day Add Grace Period (AGP) and this reduction is expected to be compensated for over time by the projected growth in DNS registrations.

### Registrar Fees.

Registrar fees consist of application fees, accreditation fees, variable fees and transaction fees.

- Application fees are set at \$2,500 and it is estimated that there will be 30 applications in FY09.
- The accreditation fees of \$3.6 million are based upon a fee of \$4,000 per year for each renewing registrar with 900 registrars renewing in FY09.
- The per-registrar variable fee of \$3.8 million is set at \$950,000 per quarter and is divided equally on a per-registrar basis over all registrars. The per-registrar fee is based upon the validated concept that ICANN expends the same amount of effort in providing services to a registrar regardless of the size of that registrar. Depending upon the registrar size and activity, some registrars will continue to be eligible for "forgiveness" of two thirds of the standard per registrar variable fee. The criteria for eligibility for partial forgiveness will be: 1) the registrar must have fewer than 350,000 gTLD names under its management; and 2) the registrar must not have more than 200 attempted adds per successful net add in any registry.
  - Registrar-Level Transaction Fees

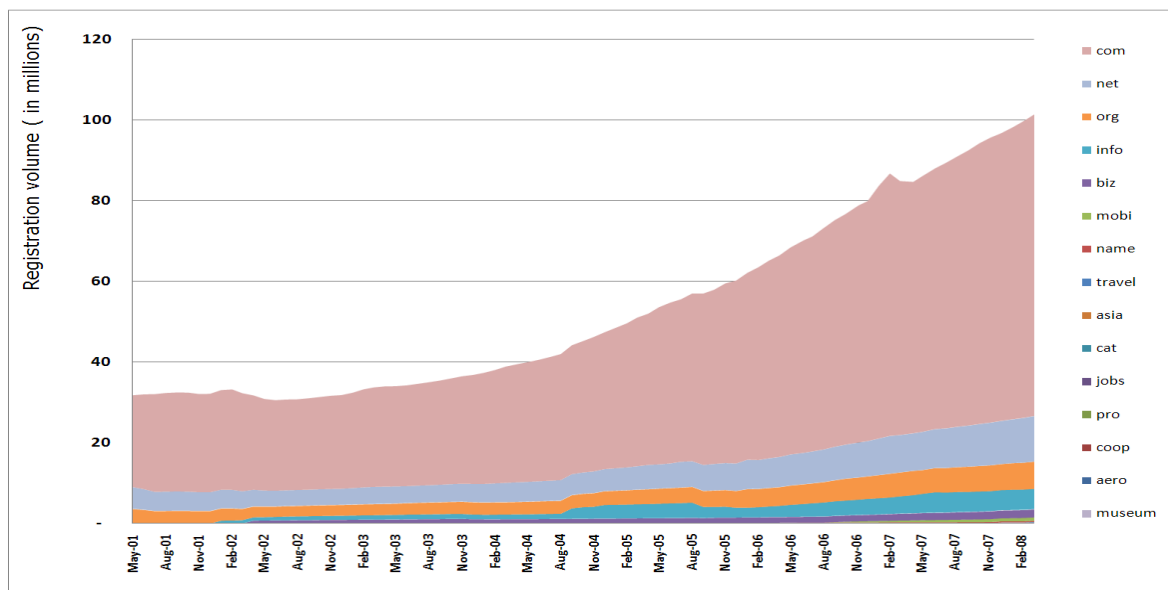
In FY08 the per transaction-year rate was \$0.20 (or a 5 cent discount from the established \$0.25 rate). The draft FY09 budget assumes that the \$0.20 rate will

continue for registrar transaction fees. As in past years, each transaction will be defined as one-year domain registration increment caused by a successful add renewal or transfer command. FY09 revenue is estimated to be \$23.4 million for registrar-level transaction fees.

Each "transaction" will continue to be defined as a one-year domain registration increment caused by a successful add renewal or transfer command, but this year any domain names deleted during the AGP (if offered) will be included as transactions if they exceed the maximum of (i) 10% of that registrar's net new registrations in that month (defined as total new registrations less domains deleted during AGP), or (ii) fifty (50) domain names, whichever is greater. Therefore per-transaction fee will continue to be charged for each one-year increment of every transaction (e.g. at a \$0.20 fee level, the fee for a three-year renewal will be US \$0.60), and registrars will continue to have the option to "defer" payment of the fees for the years beyond one for each transaction.

### Transaction Volume

Transaction volume of domain names continues to grow year over year. However, the rate of growth has slowed somewhat in FY08. Transaction volume is expected to be about 16% growth for the FY08 year. For FY09, the budget estimates a growth of 11.7% of transaction volume to 117.4 million transaction-years. (That assumption includes a one-time reduction in registration levels when domain tasting effectively ends.) The following chart shows the trend of transaction volume by registries over time.



### gTLD Registry Fees

These registry fees are determined by agreement terms with each of the gTLD registries. Many registry fees are tied to registration volume and the revenue planned is estimated using the projected growth rate described above. The VeriSign (.com) agreement provides for significant fixed fee revenue to ICANN. In FY08, the .com agreement provided \$2 million per quarter of fees. In FY09, the .com agreement steps up to \$3 million per quarter or \$12 million per year. Other fixed fee gTLD contracts include .cat, .jobs, .travel, .tel, .pro, .aero, .coop, and .museum.

<b>gTLD Registry Fixed Fee Contracts</b>		
<b>.com</b>	<b>12,000,000</b>	
<b>.pro</b>	<b>121,900</b>	
<b>.cat</b>	<b>10,000</b>	plus transaction fee
<b>.jobs</b>	<b>10,000</b>	plus transaction fee
<b>.travel</b>	<b>10,000</b>	plus transaction fee
<b>.tel</b>	<b>50,000</b>	
<b>.aero</b>	<b>5,000</b>	
<b>.coop</b>	<b>5,000</b>	
<b>.museum</b>	<b>500</b>	
<b>Total</b>	<b>12,212,400</b>	

Many gTLD registries have transaction fees. The rates per transaction, the estimated volume in FY09, and the estimated revenue in FY09 are captured in this table:

<b>Registry Revenue -- transaction fees</b>			
<b>gTLD</b>	<b>Trans Fee</b>	<b>Trans Volume</b>	<b>Total</b>
<b>.net</b>	<b>\$ 0.75</b>	<b>13,168,080</b>	<b>9,876,060</b>
<b>.biz</b>	<b>\$ 0.15 <sup>(1)</sup></b>	<b>2,114,485</b>	<b>317,173</b>
<b>.info</b>	<b>\$ 0.15 <sup>(1)</sup></b>	<b>5,557,937</b>	<b>833,691</b>
<b>.name</b>	<b>\$ 0.15</b>	<b>299,271</b>	<b>44,891</b>
<b>.org</b>	<b>\$ 0.15</b>	<b>7,296,500</b>	<b>1,094,475</b>
<b>.mobi</b>	<b>\$ 0.75 <sup>(2)</sup></b>	<b>610,789</b>	<b>458,092</b>
<b>.asia</b>	<b>\$ 0.75</b>	<b>182,862</b>	<b>137,147</b>
<b>.cat</b>	<b>\$ 1.00</b>	<b>15,349</b>	<b>15,349</b>
<b>.jobs</b>	<b>\$ 2.00</b>	<b>19,374</b>	<b>38,748</b>
<b>.travel</b>	<b>\$ 2.00</b>	<b>38,225</b>	<b>76,450</b>
		<b>117,359,472</b>	<b>12,892,076</b>

Note 1: \$0.15 was used in the calculation of revenue however .biz and .info rates are scheduled to increase to \$0.20 per transaction year on 1 January 2009.

Note 2: the rate for .mobi is set as a fee based on average price of registrations for the quarter. It has approximated \$0.40 per transaction.



### Regional Internet Registries (RIR) contributions

In FY08 the RIR's paid ICANN significant funds held in escrow equating to several years of intentions to contribute to ICANN's revenue. The RIR's have expressed an interest in continuing to contribute to ICANN at the same level as the FY08 commitment. This amounts to \$823,000 for FY09 as well. In addition, the RIR's provide funding to ASO meetings, staff support for the ASO and travel and attendance at the ICANN meetings.

### ccTLD Contributions

Many ccTLDs have expressed support of the ICANN model and the understanding of the value that the ICANN model provides. There have also been expressions that a consistent structure by which the ccTLDs provide fees to ICANN must be developed. Mechanism for funding is determined by the ccTLDs, through the ccNSO. Many ccTLD's have agreements with ICANN including contracts, exchange of letters, or accountability frameworks. They can be seen on the world map here:

<http://www.icann.org/maps/cctld-agreements.htm>

In addition, many ccTLD's without formal agreements with ICANN contribute to ICANN's revenues in order to demonstrate support for the ICANN process. Historical ccTLD contributions can be viewed by the world map as shown here:

<http://www.icann.org/maps/cctld-contributions-0607.htm>

### Other Sources of Revenue

ICANN's investment reserve fund that is board restricted exceeds \$25 million. The interest and earnings on this fund and other working capital funds are estimated to provide \$1 million (4% per year) for FY09. These funds are invested conservatively based upon the investment policy approved by the Board based upon the BFC's work during FY08.

Sponsorship revenue is estimated at \$500,000 per year. Sponsorships are available for companies wishing to contribute to the ICANN meeting experience. Sponsoring companies also receive special services during an ICANN meeting.

The separate new gTLD budget will estimate revenue related to the launch of the new gTLDs. Revenues are expected to be significant for application fees, possibly auction fees, registry/registrar fees, and other types of fees. These fees will be described and estimated in the separate new gTLD budget document several months before the launch of the new gTLD program.

## **Personnel Costs**

	<b>FY09 Budget</b>	<b>FY08 Budget</b>	<b>FY08 Forecast</b>
<b>Personnel</b>	<b>19.9 million</b>	<b>18.2 million</b>	<b>16.3 million</b>

Personnel costs are estimated to reach nearly \$20 million in FY09. This includes the hiring of about 24 new staff to help ICANN deliver on this Operating Plan. Highlights of the new hires include:

- New gTLD. ICANN staff from several functions will be called to assist in the implementation of the new gTLD program. Several new positions are required to ensure that the new gTLD program continues on track. A gTLD Process Coordinator will manage the evaluation processes used for all new gTLD applications. An IDN Registry Manager will implement the "IDN ccTLD" delegation process (fast-track), if approved. Resources will be provided for applicant support and to manage complex aspects and communications of the evaluation process separately.
- Strengthen the IANA function and infrastructure. IT and other technical specialists at ICANN will be called on to assist in strengthening the IANA function services and ICANN's infrastructure especially in anticipation of the delegation of IDNs and other new gTLDs. In addition, an IANA Service Manager will be hired to oversee IANA infrastructure developers, Service Engineers, Software Project Manager, Systems Engineers and Stakeholder Relations Managers.
- Strengthen Contractual Compliance. Additional positions to enhance the compliance activities at ICANN including data analysis and reporting, increased auditing and follow-up activity, full implementation of escalation procedures, and a communications analyst to assess and publish constituent reports to inform the public regarding compliance activities.
- Broaden participation. To ensure that ICANN's multi stakeholder model is strengthened, regional liaisons in selected areas around the globe will be retained. Asia, in particular China, is identified as a critical region to which ICANN must reach out for increased participation. ICANN's commitment to operate in multiple languages is defined by a separable budget to ensure that the translation policy is carried out correctly and efficiently. The overall translation budget has been increased as well.
- Improve core operations. The balance of the new hires is to ensure that ICANN continues to operate well. This includes legal support, policy development, IT support, services support, and a full time staff to oversee and manage the organizational reviews.
- New gTLD separate budget. The New GTLD program is supported across many parts of ICANN today; many of the new hires for the FY09 budget are expected to be dedicated to this effort. In addition, approximately 13 new hire positions have already been identified as necessary when new gTLDs are actually delegated, subsequent to program launch. These positions will be included in the separate gTLD budget request described elsewhere in this document and thus are not included in this draft budget. These positions include IANA project specialists, information officer, policy support, regional liaisons, IT support, registry/registrar liaisons, and IDN managers.

Key assumptions used to calculate the costs of personnel in FY09, including the costs of the new hires, include:

- Compensation of new hires is assumed to be based upon estimated market rates and hidings throughout the fiscal year (average start date of 1 January 2009).
- Compensation for existing staff is assumed to increase by an average of 5% half way through the fiscal year, based on market reviews by independent reviewers.
- Other personnel costs (i.e., burden or fringe benefits) are approximately 36% for all staff. More specifically:
  - Recruiting fees are 15% of annual starting salary of all new hires.
  - Benefits for US based staff include:

- Vacation expense of 2%. US based staff members accrue three weeks up to five years, thus it is assumed that two weeks are taken and one week is accrued.
- Pension expense of 13% on average.
- Workers compensation expense of 1%.
- Payroll taxes of approximately 7%.
- Benefit for non-US based staff members are based upon contract terms if available.
  - Australia based staff members are based upon 9% for pension, 6% for workers compensation, and 6% for payroll.
  - Brussels based staff members are based upon 16% for holiday and extra month compensation.
- As part of a Board-approved compensation program, staff is paid a bonus based on the achievement of specifically defined performance targets. The budget assumes a high percentage of bonuses are achieved, but actual payout of bonus is contingent upon completion of each individual's actual performance.
- Other staff benefits are based upon contract terms.

## **Meeting and Travel Costs**

	<b>FY09</b>	<b>FY08 Budget</b>	<b>FY08 Forecast</b>
<b>Travel and Meetings</b>	<b>12.0 million</b>	<b>8.1 million</b>	<b>8.9 million</b>

Travel costs at ICANN are primarily incurred for two purposes. One category of costs is for the ICANN meetings and regional meetings. This includes the costs of the venue and services required for the meetings as well as the airfare, lodging, and meals costs for staff, Board members, vendors, and representatives of constituencies who attend these meetings. The other category of travel costs is for required travel (outside of major ICANN meetings) by ICANN staff, Board, and others in order to execute ICANN's operations. For this budget year, the cost of ICANN staff traveling to ICANN meetings is planned at economy air rates to make travel more economical, and to help fund expanded community travel.

ICANN meetings in the last 12 months have assumed many of the costs historically borne by local hosts. This was to reduce the financial burden of the local hosts. This means that a typical ICANN meeting now costs \$2 million which includes the airfare, lodging, meals, and incidentals for Board, staff, vendors and selected constituency support. Other significant costs for ICANN meetings include: the venue costs, technical support functions, audio visual services, interpretation, scribes, connectivity, pre-meeting trips and other support services/costs.

In addition, ICANN relies on travel to execute both its core daily activities and the special initiatives, and to visit stakeholders in various regions to engage locally as opposed to only enabling engagement by attending an ICANN meeting.

Travel support for constituencies is expected to expand in FY09 as will be put forth in the travel support approach to be posted for comment by 23 May, 2008. Expanded constituency travel support is included in this budget.

A new meetings approach is being evaluated during FY09 including the consideration of changing the format, number and structure of meetings. The FY09 budget assumes that there will be little change to the current meetings approach, and that any changes would impact the FY10 budget.

## **Professional Services**

	FY09	FY08 Budget	FY08 Forecast
<b>Professional Services</b>	<b>11.9 million</b>	<b>9.5 million</b>	<b>7.4 million</b>

Consultant costs continue as a significant expense (over \$7 million) at ICANN as one time projects need to be completed for the new gTLD and other initiatives are completed. In general, with relatively high start-up costs (long learning time) for new employees, ICANN continues to use outside consultants instead of staff unless there is a compelling long-term reason that a new staff function is required.

Translations and interpretation costs are estimated to exceed \$1 million based in comparison to about \$500,000 spent in FY08. The ICANN draft proposed translation policy can be viewed here:

<http://www.icann.org/announcements/announcement-13feb08.htm>

- Key assumptions in estimating the cost for the translation policy include:
  - Most new documents translated into five languages (French, Spanish, Arabic, Russian, and Chinese) at an estimated cost of \$1.15 per word.
  - Educational and informational material (currently around 10% of that material) translated into 10 languages (the five above plus typically Japanese, German, Korean, Italian, and Portuguese).
  - Interpretation services provided at each of the three ICANN meetings as well as at some regional meetings.
  - A translation coordinator will be required to ensure that the translation policy is implemented effectively and efficiently.

Legal costs are budgeted to be \$2.7 million largely based upon existing litigation, legal support of organizational initiatives, and the continued work required supporting the new gTLD launch as well as providing all other legal support services for baseline activities. The contingency budget is intended to cover any excess litigation costs that occur. The amount budgeted for legal costs is consistent with the FY08 costs.

Other professional services include costs for ordinary business activities for consultants such as for audits, tax services, specialists, and analysts.

## **Administrative costs**

	FY09	FY08 Budget	FY08 Forecast

<b>Administration</b>	<b>6.5 million</b>	<b>4.0 million</b>	<b>4.7 million</b>
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- IT related set up costs for each new hire are estimated at \$6,000, which includes a computer, monitor, phone, backup systems, licensed software, warranty, antitheft, and security protection.
- Rent assumes that ICANN operates out of Marina del Rey, Sydney, and Brussels. A small Washington D.C. rental space is assumed to be obtained during FY09.

Rent Expense	
Marina Del Rey	840,000
Brussels	300,000
Sydney	240,000
Washington D.C	300,000
Parking	90,000
	1,770,000

- Business insurance for ICANN is assumed to be \$180,000 and remain flat for FY09.
- Network connectivity is nearly \$500,000.
- Other computer equipment is estimated at \$336,000.
- Telephone costs including cell phones is estimated at slightly over \$1 million.
- Board professional development costs are estimated at \$350,000.
- Staff training costs are estimated at nearly \$200,000.

## **Ombudsman**

Pursuant to the ICANN Bylaws at Article V, Section 1, Paragraph 4:

The annual budget for the Office of Ombudsman shall be established by the Board as part of the annual ICANN budget process. The Ombudsman shall submit a proposed budget to the President, and the President shall include that budget submission in its entirety and without change in the general ICANN budget recommended by the ICANN President to the Board.

Nothing in this Article shall prevent the President from offering separate views on the substance, size, or other features of the Ombudsman's proposed budget to the Board.

## **Depreciation costs**

	<b>FY09</b>	<b>FY08 Budget</b>	<b>FY08 Forecast</b>
<b>Depreciation</b>	<b>0.9 million</b>	<b>.1 million</b>	<b>. million</b>

Depreciation costs are based on an asset's service life (three years for ICANN's most significant assets), and includes cost of capital purchased prior to FY09 plus the depreciation for new capital purchases during FY09.

## **Bad Debt Expense**

	<b>FY09</b>	<b>FY08 Budget</b>	<b>FY08 Forecast</b>
<b>Bad Debt Expense</b>	<b>1.8 million</b>	<b>1.0 million</b>	<b>1.0 million</b>

Bad debt expense is the estimate of billings that will not be collected. It is assumed to be 3% of all revenue. Recent efforts to bring registrars up to date in paying invoices has largely been successful. That effort is now routine.

## **Capital Costs**

	FY09	FY08 Budget	FY08 Forecast
<b>Capital</b>	<b>3.7 million</b>	<b>1.6 million</b>	<b>1.1 million</b>

The draft capital budget for FY09 includes \$3.66 million for capital improvements. This is a significant increase over FY08 as ICANN prepares for the increased scaling and demands upon its infrastructure. It also includes some funds for the new gTLD application interface. Another list of capital budget items, which will be of a significant amount, will also be proposed in the separate new gTLD budget. The following table describes the draft capital budget for FY09:

### **Capital Budget**

• Business Continuity and Disaster Recovery	\$1,155,000.00
• IANA High Availability	\$ 150,000.00
• IANA Software systems	\$ 100,000.00
• IANA assignment and management of resources for .arpa, .int	\$ 50,000.00
• Operational readiness for root zone automation	\$ 50,000.00
• Compliance system	\$ 75,000.00
• Remote Participation and Collaboration	\$ 140,000.00
• New gTLD Application Interface	\$ 150,000.00
• Financial Accounting System	\$ 150,000.00
• Infrastructure upgrades	\$ 505,000.00
• Security Improvements	\$ 150,000.00
• L-Root system improvements	\$ 630,000.00
• Operational software systems improvements	\$ 255,000.00
• Technical Laboratory build out	\$ 100,000.00
<b>Total</b>	<b>\$3,660,000.00</b>

The IT improvements and replacement of obsolete systems will include provisions to ensure that ICANN is internally ready for IPv6 adoption. This also includes infrastructure upgrades necessary for high availability and stability of L Root services as well as ensuring IPv6 capability in ICANN's services.

## **Contingency**

	FY09	FY08 Budget	FY08 Forecast
<b>Contingency</b>	<b>4.0 million</b>	<b>1.7 million</b>	<b>n/a</b>

- Individual FY09 budget items were estimated based upon the most reliable information available. In order to allow for the possibility of costs exceeding original

estimates, an overall contingency of \$4.0 million is included in the budget.

- A formal contingency was identified in the FY08 budget as well. At that time, ICANN management committed to spend money in accordance with the base budget and spend money from the contingency only if truly necessary. FY08 projections show that little, if any, of that contingency will actually be spent.
- Board compensation. The contingency budget has been increased to ensure that there are adequate resources set aside in the event that planned studies and consultation result in a recommendation for ICANN to begin compensating Board Directors and Liaisons for the significant amounts of time they devote to ICANN matters. Any such compensation program would only be adopted subsequent to community consultation and a Bylaws amendment (<http://www.icann.org/general/bylaws.htm> - VI-22). (The Bylaws currently require that Directors and Liaisons be reimbursed for expenses they incur in performing their duties, but prohibit compensation to Directors for their services.)
- Litigation. The contingency budget is being established in part to accommodate any excess substantial litigation costs that occur.
- Currency Exchange Risk: The continuing weakening of the US dollar vis-à-vis other currencies caused erosion of purchasing power for ICANN in FY08. As ICANN's costs are being increasingly incurred in non-US currencies, some contingency is set aside for currency exchange risk. Key currency exchange rates used in the FY09 Operating Plan and Budget are:

<b><u>Non-US Currency</u></b>	<b><u>Currency Exchange Rate</u></b>
Euro	1.55 Euro per US\$
Canadian Dollar	0.998 US\$ per Canadian dollar
Australian Dollar	0.947 Australian dollar per US\$

## **VII Contribution to Reserve Fund**

ICANN's strategic plan calls for the full funding of a financial reserve equivalent to one year's operating expenses within three to five years. It is intended to reach this goal by contributing \$10 to \$15 million per year to the reserve fund. The draft FY09 Operating Plan and Budget assumes that approximately \$2.2 million will be added to the reserve fund in FY09. The one-time new gTLD program costs are the primary reason for a reserve contribution below the target. This seems to appropriately balance the necessary funding for key FY09 initiatives, avoiding fee increases, and continuing to grow the reserve fund. Additionally, the new gTLD budget is anticipated to provide in a higher reserve fund contribution in the future years of the new gTLD program.

## **VIII New gTLD program – Separate Budget to be approved**

The implementation of policy recommendations and development of the processes for the introduction of new gTLDs is moving forward with a collaborative effort among ICANN staff, outside consultants, and the community.

Budget Approach for new gTLDs:

There are several elements of new gTLD expense:

- Costs associated with the implementation process
- Systems and staff build-out necessary to start the application process
- Costs of processing applications, and scaling systems and staff to the flow of incoming applications
- Providing services (say, through the IANA function and registry liaison) to newly delegated registries

New gTLDs are anticipated to provide two sources of ICANN revenue:

- Application processing fees
- Registry fees associated with the ongoing operations of new TLDs

This budget does not attempt to forecast all of these expense and revenue elements. Hence, a separate budget is proposed. The timing for taking the first applications is uncertain, and even a relatively short time variance could have a material impact on ICANN's budget. Additionally, while there has been good progress in many aspects of new gTLD implementation planning, some key elements that affect cost have yet to be determined.

The separate budget has two components:

1. The revenues and cost associated with the application and evaluation process. This is essentially a zero-sum situation as it is intended that costs are offset by application fee revenue in the long-term. However, there is significant uncertainty regarding timing and cash-flow of this budget segment. That uncertainty will start to be resolved as the new gTLD launch window approaches.
2. Operational support for new gTLDs. Due to uncertain demand and the timing, the requirement for services (and associated costs) such as: IANA function root zone delegation, the registry services evaluation process, and legal support of contract negotiation, will not be resolved until the process launch is imminent.

To deal with this uncertainty, ICANN staff will propose a new gTLD budget amendment to the ICANN Board approximately 90 days prior to the application process launch. While this budget amendment could forecast substantial revenue and cost, consistent with GNSO policy recommendations, the net impact of this amendment should show no meaningful increase in expenses. That is, expenditure should largely be covered by revenue received from the application fees.



However, there are some expenses that are certain to occur in FY09 as ICANN prepares for the new gTLD process. These include professional services fees for some aspects of process development, operational staff build-up (IANA, legal, registry/registrar support) and computer systems. Since these expenses are certain, they are directly included in the FY09 budget.

It isn't yet possible to state an exact figure for new gTLD applications, but the new gTLD process costs are intended to be fully self-funded and off-set by the application fees. Costs to be recouped include implementation development costs, costs related to running the application process and a risk premium in legal, operational, and technical areas. Over time, as the ICANN community builds experience with the program, fees will be tuned to address efficiencies or unanticipated costs, and actual experience with potential risks.

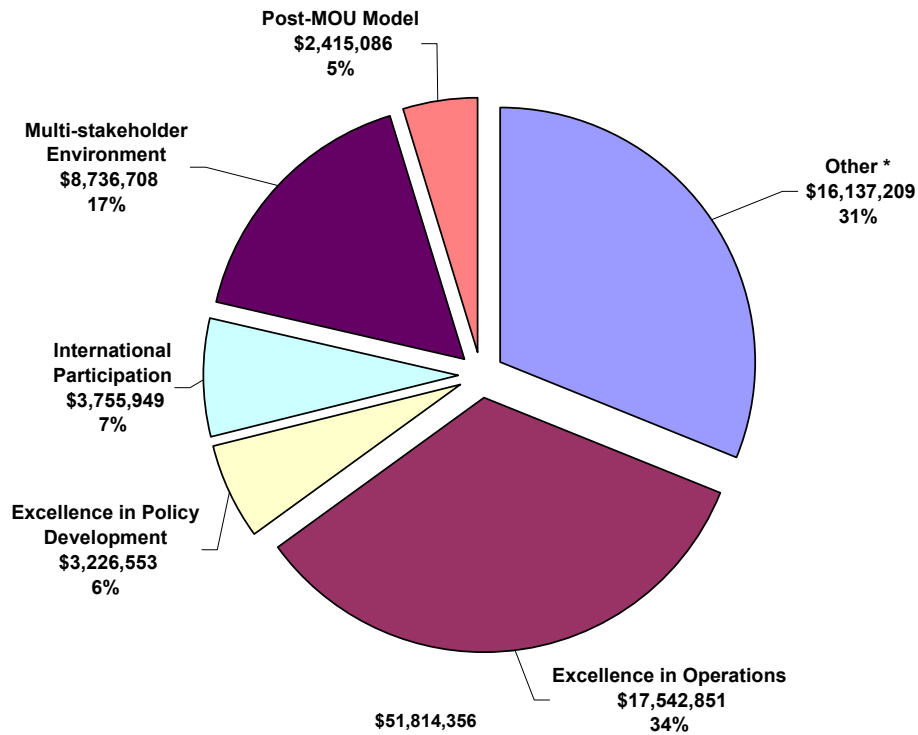
The start-up costs may include, but are not limited to: staffing the new gTLD office and other departments with incremental costs incurred related to the new gTLDs, professional services fees associated with Request for Proposal development and dispute resolution process development, algorithm provider, interface development, a portion of IDN development cost, and technical, business, and financials review conducted by ICANN staff and outside service providers.

The FY09 budget proposes \$8.6 million in direct implementation / start-up costs associated with the new gTLD program. This includes (the items described in the paragraph above). Another element of cost in the FY09 budget is setting up a communication strategy, through the efforts of ICANN staff and international public relations firms. The need for an effective new gTLD communication strategy was identified by the GNSO. The communications strategy will focus on global outreach prior to the posting of the draft and final documents describing the new gTLD timing and application round process (the "RFP"). There will also be costs associated with translating communications as is appropriate.

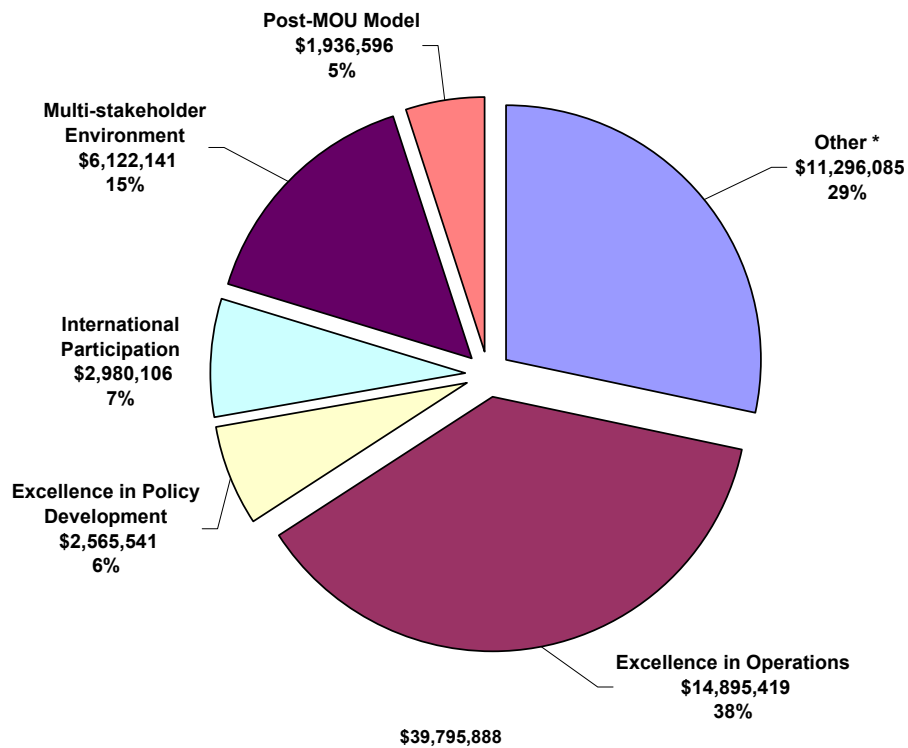
The draft RFP is in preparation and will be posted for public comments. The public comments will be taken into account in developing the final RFP, which will be posted prior to ICANN accepting applications.

A great deal of progress has been made during FY08 to implement the GNSO policy recommendations. In the following months, ICANN will independent panels (such as evaluation providers, comparative evaluation providers, dispute resolution providers, auction providers) and resources to staff the evaluation effort for the first round of applications.

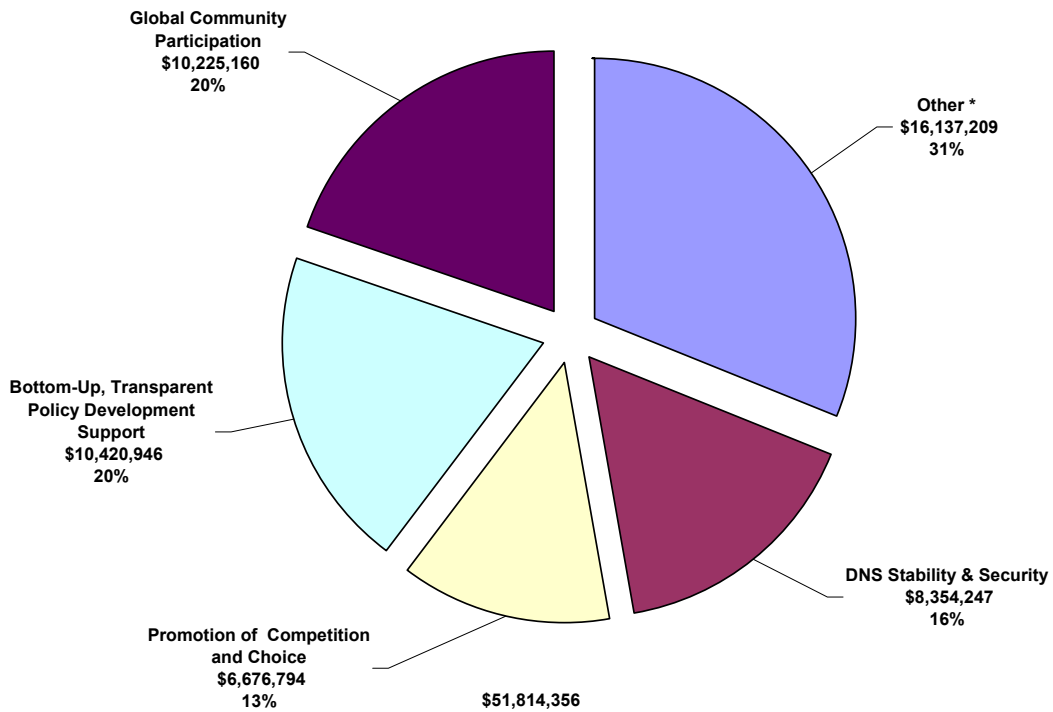
**FY09 Budget - Spending by Strategic Priority (in US dollars)**



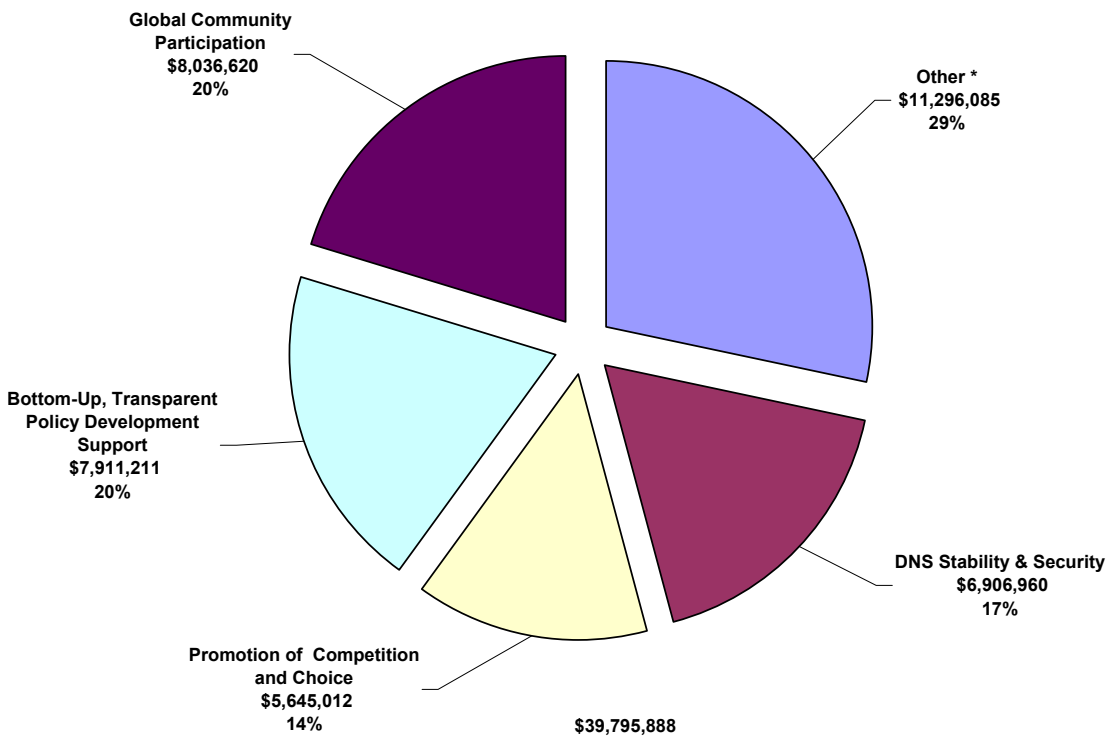
**FY08 Budget - Spending by Strategic Priority (in US dollars)**



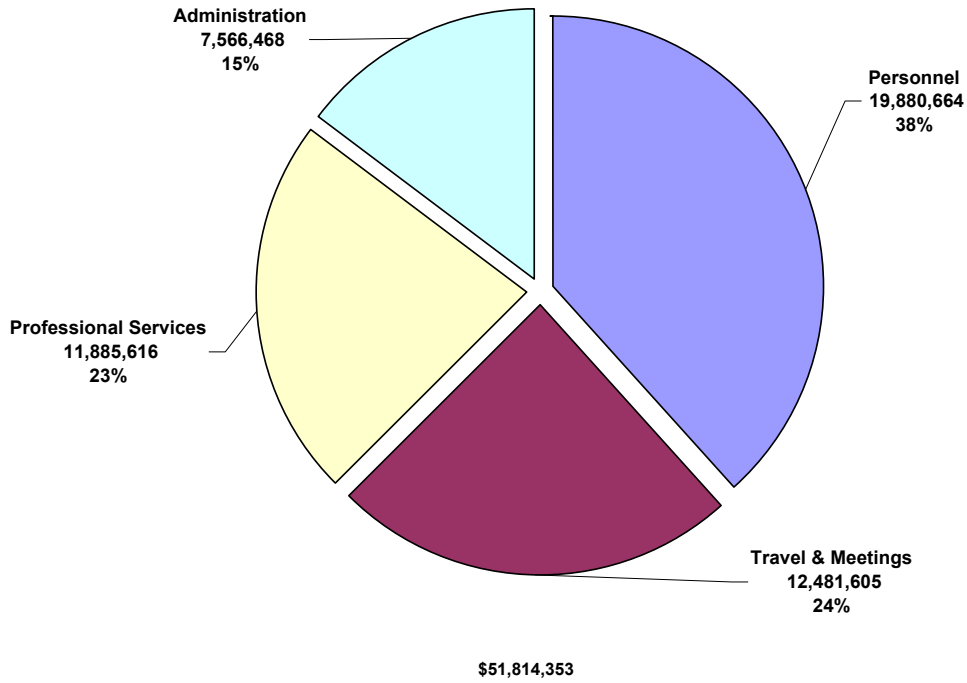
**FY09 Budget - Allocation by Principle (in US dollars)**



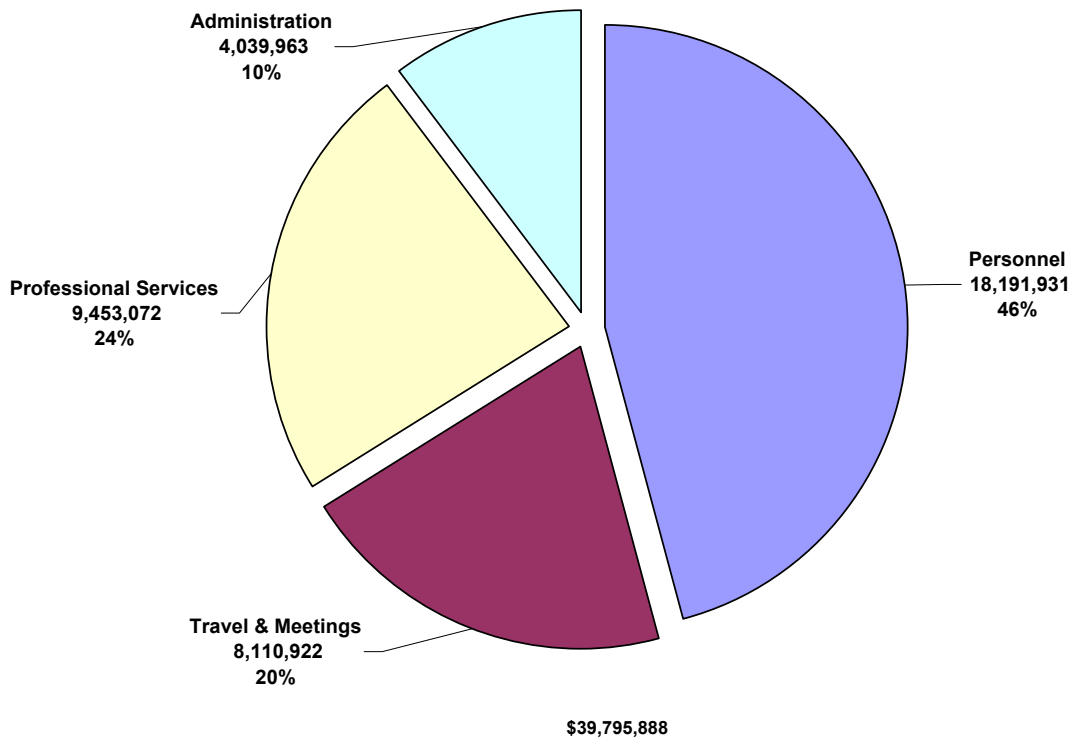
**FY08 Budget - Allocation by Principle (in US dollars)**



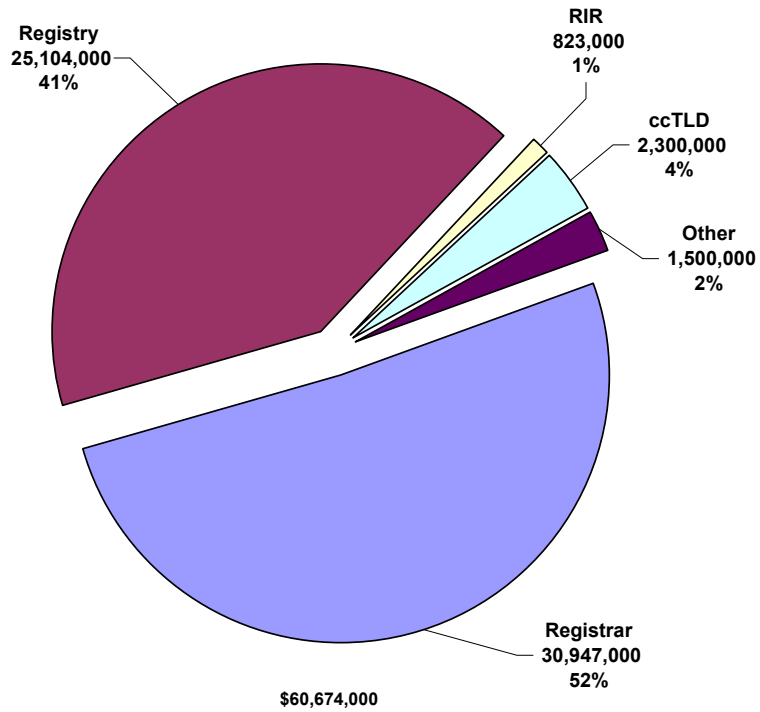
**FY09 Budget - Operating Expenses by Category (in US dollars)**



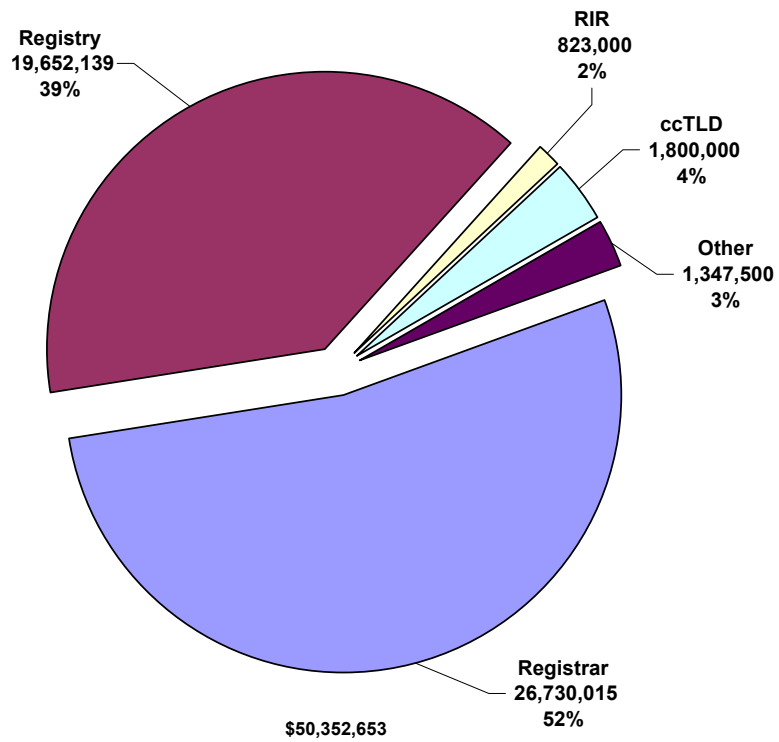
**FY08 Budget - Operating Expenses by Category (in US dollars)**



**Budget FY09 - Revenue by Source (in US dollars)**



**Budget FY08 - Revenue by Source (in US dollars)**



## **IX Appendices**

### **A. List of organizational initiatives:**

#### **Operating Tasks for FY09**

##### **1. Complete new gTLD Policy implementation**

Design and create processes for new TLD applications and readiness for ICANN operational requirements in supporting new TLDs:

- Design and implement a dispute resolution process – identify expectations/deviations to the agreement
- RFP development and integration - includes the business and technical criteria and process
- Comparative evaluation
- String (gTLD) criteria and process
- String (gTLD) confusion criteria
- Algorithm (DNS Stability)
- Auction
- Program cost and fees development
- Design and implement contractual process
- Write all communications materials such as factsheets, website content, internal and external reports; make presentations; assist in writing and coordinating releases and counter information; manage global communications matrix notifications coordination
- Perform economic Independent study

##### **2. Progress on IDN activities**

IDN work related to new gTLDs and country code use of IDNs technical coordination/implementation.

- Coordinate regional interests in implementing IDN TLDs
- Continue support for IDN technical tests in wiki (launch new languages/sunset existing languages)
- Conduct aliasing testing
- Provide expertise and policy support to GNSO and ccNSO leadership efforts to carefully consider policy implications and implementation and develop Framework for new IDNs.
- Develop and implement process to support registries in implementation of IDN Guidelines requirements
- Provide regional outreach and training
- Facilitate policy discussion and possible implementation of ccNSO fast track

##### **3. Strengthen the IANA function and Infrastructure**

The IANA function will move from a stakeholder relations orientation to a services orientation, while preserving the element of close stakeholder relations that have enabled the IANA team to create trust among affected communities. Refocusing our efforts this way

will allow us to ensure that services and systems infrastructure are robust enough and sufficient for the increasing demands in the coming year and onward.

ICANN will continue the process of automating many of the IANA function administrative processes, including:

- submission and processing of requests for root zone changes
- protocol and parameter requests
- reporting of performance metrics

ICANN will adjust staffing needs and resources accordingly as key administrative and processing activities are partially or fully automated.

#### **4. Broaden participation**

Continue to look for ways to broaden direct and remote participation around the globe. Establish ICANN's presence in the Asia and India region in order to further ICANN's priority to broaden participation by globalizing operations and internationalizing the ICANN interface by engaging those stakeholders who have been historically under represented. Also expand focus on business development for businesses.

- Facilitating ICANN's participation in various international fora and regional internet meetings in order to further ICANN's priority to broaden participation by globalizing operations and internationalizing the ICANN interface by engaging those stakeholders.
- Further ICANN's priority to broaden participation by supporting the operation of the President's Strategy Committee (PSC) and the implementation of the PSC recommendations.
- Hire and establish regional liaison positions in Asia.
- Further ICANN's priority to globalize its interface and maintain ICANN's place in the Internet environment by partnering with ITU at regional Internet event or presenting at the ITU events.
- Maintain ICANN's independent role in the Internet environment and participation in the Internet governance dialog by providing support for and participation in the Internet Governance Forum, Hyderabad, India, December 2008.
- Organize and host a targeted Asia regional event on topics of importance to the region (IDNs, Security, IPV6, gTLDs, etc) to further ICANN's priority to broaden participation in ICANN processes from a region that historically has not been as active as others.
- Maintain ICANN's independent role in the Internet environment and participation in the Internet governance dialog by providing IGF Secretariat support.
- Support ICANN's priority to support the stability and interoperability of the Internet by developing advanced educational materials and to provide capacity building for ccTLDs
- Document translation, and real-time translation at meetings, including transcription in English.
- Maintain Fellowship Program

#### **5. Expand Contractual Compliance activities**

The budget provides resources for ICANN to significantly augment contractual compliance actions, including the system for auditing registry and registrar performance for compliance by all parties to such agreements. An effective compliance program protects peer and client members of the Internet community by ensuring consistency of conduct across the registrar and registry communities. ICANN published its compliance program at <http://www.icann.org/compliance/>.

The compliance program builds upon existing, constructive relationships with the registrar and registry communities. The elements of the program consist of:

Technical and non-technical audit functions to review, on a regular basis, registry/registrar operations to ensure compliance with contracts and appropriate standards.

- Improved statistical tracking and analysis of registrant and user complaints/comments regarding specific registries/registrars.
- Rapid follow-up on specific instances of non-compliant behavior. Working constructively with registries and registrars to implement and complete corrective action plans.
- Continued implementation of a planned escalation of actions and associated cure periods, including legal and specific performance remedies, in order to correct ongoing harm and to ensure legitimacy for the compliance function.
- Publish a monthly Compliance Newsletter
- With the registrar constituency, re-writing the Registrar Accreditation Agreement to better define acceptable forms of operation.

## **6. Build out Registry/registrar support**

Continue to expand registry and registrar services via communication, outreach, geographical coverage and RSTEP.

- Enhance ability to work globally & foster marketplace growth in other regions
- Participate in DNS community workshops and meetings
- Expand reporting to enhance stakeholder relations
- Expand executive outreach to registrars
- Increase site visits to registrars and registries
- Implement Registry Failover Plan including live testing with a registry or registries
- Develop and maintain robust procedures to protect registrants against the impact of business failure or registrar termination
- Maintain registrar data to preserve choice and protect registrants
- Provide coordination support to accreditation process and a wide range of initiatives within the Registrar Liaison unit
- Facilitate Outreach Events - Regional Gatherings
- Retention of Auction Services Provider

## **7. Further develop policy processes**

Complete organizational reviews and implement recommendations; ASO, ccNSO, At Large, SSAC and RRSAC, as well as the following:

- Implement Board Governance Committee (BGC) Working Group (WG) recommendations regarding WGs and PDP structure as directed by ICANN Board. Effort expected to result in more efficient and effective policy process with increased involvement by all aspects of GNSO community.
- In support of GNSO Council PDP efforts, conduct WHOIS PDP PROJECT/costing analysis to identify potential study areas of Whois activities throughout the Internet community.
- After cost study analysis conduct actual Whois studies as directed by GNSO Council.
- Consistent with BGC WG reform recommendations,
  - create mechanism for regularly informing GNSO leadership of developing industry issues/trends that will help them proactively identify important policy issues
  - develop knowledge & skills training curriculum for GNSO leadership to improve skills of existing leaders, inform new leaders and develop future leaders
  - identify and develop new website and other communications tools to improve community communications (transparency) regarding policy processes



- enhance development activities and increase community participation in those activities
- Objectively evaluate success of Domain Tasting Policy Efforts adopted by GNSO Council and ICANN Board by collecting data and issuing reports as directed
- Implement NomCom improvements arising from independent study
- Conduct GNSO teleconferences to maximize stakeholder participation in existing council meetings and to drive more efficient policy development efforts in new working group policy Framework
- Implement improvement recommendations of other completed reviews

## **8. Carry out Security initiatives**

- Establish strong ICANN security programs across range of ICANN operational, coordination and administrative functions. Also establish holistic risk landscape of DNS operations as a basis for long-term planning to pursue a multi-stakeholder, Internet community strategy to manage identified risks.
- Engage the DNS community to map the risk landscape against sophisticated attacks.
- Focus on analyzing ICANN role and identifying overall responsibilities in enhancing security
- Enhance and enable the ccTLD community by performing training on disaster planning and mitigation in the Asia/Pacific region
- Utilize the developed ADRP training material, provide continued training on disaster planning and mitigation in other regions of the globe
- Engage ICANN and global cyber security communities representing ICANN and its security perspective and objectives
- Establish approach for leveraging ICANN's conduct of operational functions (L-root; .ARPA, etc.) as a platform for enhancing operational practices for DNS operations
- Work with DNS operational community to establish best practices, enhance information sharing, training and exercise approaches and cooperative programs to enhance security, stability and resiliency
- Provide expertise regarding a program to train advanced threat characteristics, mitigation planning to include replicating threats in a technical training/exercise environment establish and begin implementing a staged program across ICANN/DNS community to enhance security capacity through training and exercises based on experience from hold APTLD events and the learning from ICANN's internal practices, drills and exercises
- Establish framework and execute one drill involving ICANN L-root and/or .int/.arpa responsibilities and operations as a basis for leadership in fostering exercise programs in ICANN's broader communities as well as to improve the state of its own security/resiliency. Utilize January 2008 gTLD failover as model/point of departure for planning. Utilize the effort to beta-test the planned TLD training/exercise environment during its development.
- Provide focused assistance/training for capacity building with DNS operator community, especially with ccTLDs.
- Establish an approach for ICANN to facilitate best practices sharing and lessons learned repository by end of 2008 assuming heavy partnering with others to develop and disseminate as part of execution approach. Execution on-going starting in January 2009.
- Begin planning for increased ICANN engagement on enabling cooperative action by ICANN registry and registrar community in mitigating malicious activity, especially in eradicating BOTNETs and mitigating DDOS related to fast flux.
- Build on gTLD registry failover plan and January 2008 exercise.

## **9. Make Administrative improvements**

- Enhance ICANN's presence in Washington by establishing a full time office there in order to further ICANN's priority to broaden participation and interface by engaging stakeholders.
- Provide secretariat to support ICANN Board
- Strengthen on-boarding of incoming ICANN Board members
- Enhance quality and frequency of reporting to Board and public
- Enhance remote participation with enhancement of tools - phone system
- Support the ICANN priority of post JPA transition by providing information, education and materials to the regions regarding the status of and process for post JPA / transition and the creation of a roadmap for ICANN's post JPA operations.
- Continue to build and strengthen security as a core part of mission.
- Production of materials for information purposes, access and clarity
- Administrative improvements and utilization of JPA transition consultation
- The research and possible conversion to a new financial accounting system

## **10. Effectively administer Meetings and Events**

- Provide planning and support for ICANN's meetings and events, including:
- Conduct ICANN's thrice-annual meetings
- Conduct Board retreats
- Conduct regional meetings
- Strategically evaluate the structure, timing, location, and number of meetings.
- Conduct regional registry/registrar meetings.

## **B. Historical Budget Summary for ICANN**

### **Historical ICANN Revenue and Expense Budgets (in US dollars)**

	<b>FY06 BUDGET</b>	<b>FY07 BUDGET</b>	<b>FY08 BUDGET</b>	<b>FY09 BUDGET</b>
<b>REVENUE</b>				
Registrar	16,452,000	19,147,000	26,730,000	30,947,000
Registry	5,724,000	14,032,000	19,652,000	25,104,000
RIR	823,000	823,000	823,000	823,000
ccTLD	1,022,000	1,500,000	1,800,000	2,300,000
Other	35,000	40,000	1,348,000	1,500,000
<b>Total Revenue</b>	<b>24,056,000</b>	<b>35,542,000</b>	<b>50,353,000</b>	<b>60,674,000</b>
<b>EXPENSES</b>				
Personnel	8,312,000	13,264,000	18,191,931	19,880,664
Travel & Meetings	5,665,000	7,404,000	8,110,922	12,481,605
Professional Services	4,200,000	6,731,000	9,453,072	11,885,616
Administration	4,219,000	3,256,000	4,039,963	7,566,468
<b>Operating Expenses</b>	<b>22,396,000</b>	<b>30,655,000</b>	<b>39,795,888</b>	<b>51,814,353</b>
<b>Non Cash Expenses</b>				
<b>Bad Debt Expense</b>	500,000	1,560,000	980,103	1,800,000
<b>Depreciation</b>			96,000	865,000
	500,000	1,560,000	1,076,103	2,665,000
<b>Total Expenses</b>	<b>22,896,000</b>	<b>32,215,000</b>	<b>40,871,991</b>	<b>54,479,353</b>
<b>Total Revenue Less Total Expenses</b>	<b>1,160,000</b>	<b>3,327,000</b>	<b>9,481,009</b>	<b>6,194,647</b>
<b>Contingency</b>	-	-	<b>1,748,829</b>	<b>4,000,000</b>
<b>Total Expenses w/ Contingency</b>	<b>22,896,000</b>	<b>32,215,000</b>	<b>42,620,820</b>	<b>58,479,353</b>
<b>Change to Reserve Fund</b>	<b>1,160,000</b>	<b>3,327,000</b>	<b>6,141,833</b>	<b>2,194,647</b>
<b>Suggested addition to Reserve Fund</b>	<b>568,000</b>	<b>2,817,000</b>	<b>6,141,833</b>	<b>10,000,000</b>
<b>Capital</b>	<b>592,000</b>	<b>510,000</b>	<b>1,591,000</b>	<b>3,660,000</b>
<u>Change in Board Restricted Reserve Fund</u>				
Revenue	24,056,000	35,542,000	50,353,000	60,674,000
Total Expenses w/ Contingency	(22,896,000)	(32,215,000)	(42,620,820)	(58,479,353)
Increase in Reserve Fund	1,160,000	3,327,000	7,732,180	2,194,647
Suggested addition to Reserve Fund	(568,000)	(2,817,000)	(6,141,833)	(10,000,000)
<b>Addition / (Shortfall)</b>	<b>592,000</b>	<b>510,000</b>	<b>1,590,347</b>	<b>(7,805,353)</b>

## **Strategic Plan Highlights**

<b>Strategic Priority</b>	<b>Three year deliverables</b>
1. Implement IDNs and new gTLDs	<p><i>a. Complete the policy process for IDN ccTLDs associated with the ISO 3166-1 two-letter codes (IDNC) domains within this plan period, and support the fast track process with a goal to get first country code IDNCs in the root by late 2008/early 2009.</i></p> <p><i>b. Implement the first of the new gTLD strings in the root by late 2008/early 2009.</i></p> <p><i>c. Ensure processes for approving and implementing new gTLDs (including management of objections) are routine and run according to a published process map with predictable time frames that are acceptable to the community by 2010.</i></p>
2. Enhance security and stability of the Internet's unique identifiers	<p><i>a. By late 2008, deliver a plan that sets out ICANN's role in Internet security; identify appropriate partners and commence joint work by early 2009 at the latest. Define ICANN's role so that scope, costs and deliverables are well understood and agreed to by community and the Board.</i></p> <p><i>b. Complete and implement ICANN's own security plan by the end of 2008 and conduct a successful audit by the end of 2009.</i></p> <p><i>c. In consultation with stakeholders be prepared to digitally sign the root using DNSSEC technology by late 2008.</i></p> <p><i>d. Establish a program in partnership with regional ccTLD organizations and other relevant bodies for working with ccTLD operators in developing countries on security and stability issues by early 2009.</i></p> <p><i>e. Work with the ICANN community to ensure the DNS remains robust in the face of more sophisticated attacks over the life of the plan, with ICANN contributing broadly to this goal.</i></p>
3. Monitor the depletion of IPv4 address space and provide leadership towards IPv6 adoption	<p><i>a. Work with the NRO and the RIRs to determine the mix of monitoring and policies appropriate for the imminent depletion of IPv4 addresses globally and within each region, with a goal to describe policies and approaches by the end of 2008.</i></p> <p><i>b. Provide leadership regarding IPv6 adoption, including making all ICANN services available via IPv6 by the mid- 2009 (with many services transitioned earlier).</i></p> <p><i>c. Identify major technical and market gaps in networking hardware and software standing in the way of IPv6 adoption during the life of this plan.</i></p> <p><i>d. Encourage a production-level solution to IPv6 roll-out by persuading some major Internet services to become fully available via IPv6 (such as a search or other consumer service) by the end of this plan period.</i></p>
4. Maintain and enhance confidence in the gTLD marketplace	<p><i>a. Continue compliance work to ensure all registries and registrars are in full compliance and successfully completing audits by the end of this plan period (and non-compliant registries and registrars have been</i></p>

	<p>deregistered).</p> <p>b. Have all Registrars in data escrow compliance by the end of 2008.</p> <p>c. Increase the global diversity of registries and registrars over this plan period, with a goal to contract with at least 50 entities outside North America during this plan period.</p>
5. Strive for excellence in core operations	<p>a. Maintain IANA service level during the life of the plan, including managing increasing workload coming from new gTLDs and IDNs</p> <p>b. Maintain service levels for gTLD registry and registrar tasks during the life of the plan, including managing increasing workload coming from new gTLDs and IDNs.</p>
6. Strengthen ICANN's multi-stakeholder model to manage increasing demands and changing needs	<p>a. Develop metrics for evaluating participation in ICANN and establish targets for improving participation where needed by late 2008; implement plans to achieve these targets over the remainder of the life of this plan.</p> <p>b. Fully implement an agreed translation policy by the end of this planning period.</p> <p>c. Complete reviews according to schedule and implement changes.</p> <p>d. Design and implement a development program for ICANN participants by late 2008; train 20 community members for volunteer leadership positions by the end of 2009.</p> <p>e. Develop the ability to work globally (including the availability of all relevant business information and processes) in the languages indentified by the translation policy by the end of 2010.</p>
7. Strengthen accountability and governance	<p>a. Pursue transition to private sector led coordination of ICANN's mission and enhance globalization during the life of this plan.</p> <p>b. Complete successful annual audits of accountability and transparency during the life of this plan.</p> <p>c. Participate in IGF during the life of this plan.</p>
8. Ensure financial stability and responsibility	<p>a. Fully fund a financial reserve equivalent to one year's operating expenses within three to five years.</p> <p>b. By the end of 2008, determine the viability of alternate revenue sources, including auctions of resources where appropriate, changing revenue mix, and any other avenues the community may evaluate.</p> <p>c. Develop financial plans—revenue and expense – and long-term volume projections to manage a variety of scenarios resulting from the introduction of new gTLDs and IDNs by late 2008, and initially as part of the FY09 budgeting/planning process.</p>

## **C. Framework (New Delhi) compared to draft budget (17 May)**

In February 2008, the Initial Consultation: Fiscal Year 2009 Operating Plan and Budget Framework presented in New Delhi used 18 categories to show the key initiatives of the Operating Plan. The following table shows how the numbers evolved into the draft budget (17 May) based upon the additional bottom up efforts and community feedback.

<b>Framework Key Initiatives Categories</b>	<b>FY09 Framework (New Delhi)</b>	<b>FY09 Budget Draft (17 May)</b>
01 - IDN Activities	2,111,000	1,543,060
02 - New gTLD implementation	8,547,000	7,083,813
03 - Operational systems for new gTLDs	3,670,000	-
	14,328,000	8,626,873
04 - Compliance Activities	1,397,000	2,000,640
05 - Registry/registrar support	1,180,000	1,567,380
06 - Global interface	3,176,000	3,411,123
07 - Organizational Reviews	788,000	1,292,278
08 - Organizational Improvement	1,103,000	1,331,478
09 - Policy Development Support	420,000	659,380
10 - Registrar data escrow	783,000	738,000
11 - Security Initiatives, including DNSSEC	1,595,000	2,328,090
12 - Transcription and translation	1,050,000	646,590
13 - Technical work/leadership	420,000	569,900
14 - IANA improvements	849,000	1,223,879
15 - Broaden Participation	1,753,000	1,818,480
16 - Operational systems and infrastructure	860,000	1,264,800
17 - Meetings and events	3,663,000	4,150,279
18 - Administrative improvement	856,000	273,000
	19,893,000	23,275,296
00 - Baseline	22,910,000	22,577,184
<b>Grand Total</b>	<b>57,131,000</b>	<b>54,479,353</b>

In addition to updating the estimated amounts, the draft budget (17 May) aggregates certain initiative based on feedback to make the presentation simpler and more natural. For example, the Framework's categories of the IANA function improvements and following table shows how the Operational systems and infrastructure are grouped into the draft budget.

<b>Comparison of Key Initiatives Categories</b>	<b>FY09 Framework (New Delhi)</b>	<b>FY09 Budget Draft (17 May)</b>
02 - New gTLD implementation	8,547,000	7,083,813
03 - Operational systems for new gTLDs	3,670,000	-
<b>01 - Complete new gTLD Policy implementation</b>	<b>12,217,000</b>	<b>7,083,813</b>
01 - IDN Activities	2,111,000	1,543,060
<b>02 - Progress on IDN Activities</b>	<b>2,111,000</b>	<b>1,543,060</b>
14 - IANA improvements	849,000	1,223,879
16 - Operational systems and infrastructure	860,000	1,264,800
<b>03 - Strengthen the IANA function and infrastructure</b>	<b>1,709,000</b>	<b>2,488,679</b>
06 - Global interface	3,176,000	3,411,123
12 - Transcription and translation	1,050,000	646,590
15 - Broaden Participation	1,753,000	1,818,480
<b>04 - Broaden Participation</b>	<b>5,979,000</b>	<b>5,876,193</b>
04 - Compliance Activities	1,397,000	2,000,640
<b>05 - Expand Contractual Compliance activities</b>	<b>1,397,000</b>	<b>2,000,640</b>
05 - Registry/registrar support	1,180,000	1,567,380
10 - Registrar data escrow	783,000	738,000
<b>06 - Build out registry/registrar support</b>	<b>1,963,000</b>	<b>2,305,380</b>
07 - Organizational Reviews	788,000	1,292,278
08 - Organizational Improvement	1,103,000	1,331,478
09 - Policy Development Support	420,000	659,380
<b>07 - Further develop Policy Processes</b>	<b>2,311,000</b>	<b>3,283,136</b>
11 - Security Initiatives, including DNSSEC	1,595,000	2,328,090
13 - Technical work/leadership	420,000	569,900
<b>08 - Carry out Security Initiatives</b>	<b>2,015,000</b>	<b>2,897,990</b>
18 - Administrative improvement	856,000	273,000
<b>09 - Administrative improvement</b>	<b>856,000</b>	<b>273,000</b>
17 - Meetings and events	3,663,000	4,150,279
<b>10 - Meetings and events</b>	<b>3,663,000</b>	<b>4,150,279</b>
00 - Baseline	22,910,000	22,577,184
<b>00 - Baseline</b>	<b>22,910,000</b>	<b>22,577,184</b>
<b>Grand Total</b>	<b>57,131,000</b>	<b>54,479,353</b>

This table shows the result as aggregated in the ten business initiatives in the draft Budget (17 May).

<b>Draft Business Initiatives Categories</b>	<b>FY09 Framework (New Delhi)</b>	<b>FY09 Budget Draft (17 May)</b>
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
<b>Grand Total</b>	<b>57,131,000</b>	<b>54,479,353</b>



## **E. Three Year Revenue and Expense Model**

When the Initial FY09 Budget Framework was presented in New Delhi, a three-year revenue and expense model was presented for discussion. At that time, it was anticipated that this forecast could be refined in the time frame for the Draft Operating Plan and Budget. Many of the key variables remain under discussion, so this was not possible. Instead, a more detailed three-year forecast will be put forward at the time the new gTLD budget is separately presented (as noted elsewhere, assumed to be ninety days prior to program launch).

As discussed in Delhi, there are many questions/issues yet to be determined. Some questions that need to be answered are:

- What is a reliable forecast for the number of TLDs that will be applied for, and how will this grow over time?
- What are the fee models for the new registries?
- What are reasonable operating costs for these registries? How do these costs scale with different volumes?
- What kind of organizational risks need to be considered in setting application fees or operating fees?
- With all of these questions, the three-year projection isn't really a forecast. There are too many open questions. However, it does provide a model that may be useful in testing answers to these questions, and thinking about a future where ICANN has much more operational responsibility and requirement than it does today.

<b>Three Year Forecast</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
gTID application revenues less costs	-	-	-
Registry	25,104,000	25,857,000	26,633,000
Resistrar	30,547,000	31,463,000	32,407,000
R.I.R	823,000	848,000	873,000
ccTLD	2,300,000	2,369,000	2,440,000
Contributions	500,000	515,000	530,000
Investment	2,000,000	2,060,000	2,122,000
Other Revenue	405,000	6,885,000	29,565,000
Potential Fee Reduction	-	(3,000,000)	(23,000,000)
	-	-	-
<b>Total Revenue</b>	<b>61,679,000</b>	<b>66,997,000</b>	<b>71,570,000</b>
Personnel	21,161,000	22,304,000	24,083,000
Board and public meetings	5,675,000	5,845,000	6,020,000
Other travel and meetings	3,988,000	4,129,000	4,314,000
Professional services	18,973,000	13,372,000	16,173,000
Administration	4,245,000	4,005,000	4,371,000
	-	-	-
<b>Total Operating Expenses</b>	<b>54,042,000</b>	<b>49,655,000</b>	<b>54,961,000</b>
Depreciation Expenses	1,596,000	1,626,000	1,657,000
Bad Debt Expenses	1,490,000	1,535,000	1,581,000
	-	-	-
<b>Total Expenses</b>	<b>57,128,000</b>	<b>52,816,000</b>	<b>58,199,000</b>
Increase (decrease) in Reserve Fund	4,551,000	14,181,000	13,371,000

Some of the assumptions made to generate the three-year model include:

- Applications for 100, 300 and 500 new TLDs, in fiscal years 2009, 2010, and 2011 (respectively).
- A small number of registries begin operations at the end of fiscal year 2009, and further registries attaining operations and revenue at a pace consistent with the experience learned in the sTLD process.
- Modest expense growth in the daily expenses portion of ICANN's budget. A drop in new gTLD expenses in fiscal year 2010 (based on the ramp of start-up costs in fiscal year 2009 dropping off in FY2010), and a formulaic increase based on operating expenses per registry thereafter.
- Average revenue (to ICANN) of \$106K per registry.
- As volumes grow in fiscal year 2011, reduction in overall fees consistent with ICANN's operating expense and reserve fund requirements.
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For all of the reasons cited above, this projection is a model for teasing out assumptions and *not* a forecast.

**Summary: The forecast revenues, expenses and cash flows on a multi year basis will be provided as part of the separate new gTLD budget.**