



Initial Consultation: Fiscal Year 2009 Operating Plan and Budget Framework

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Purpose of this discussion

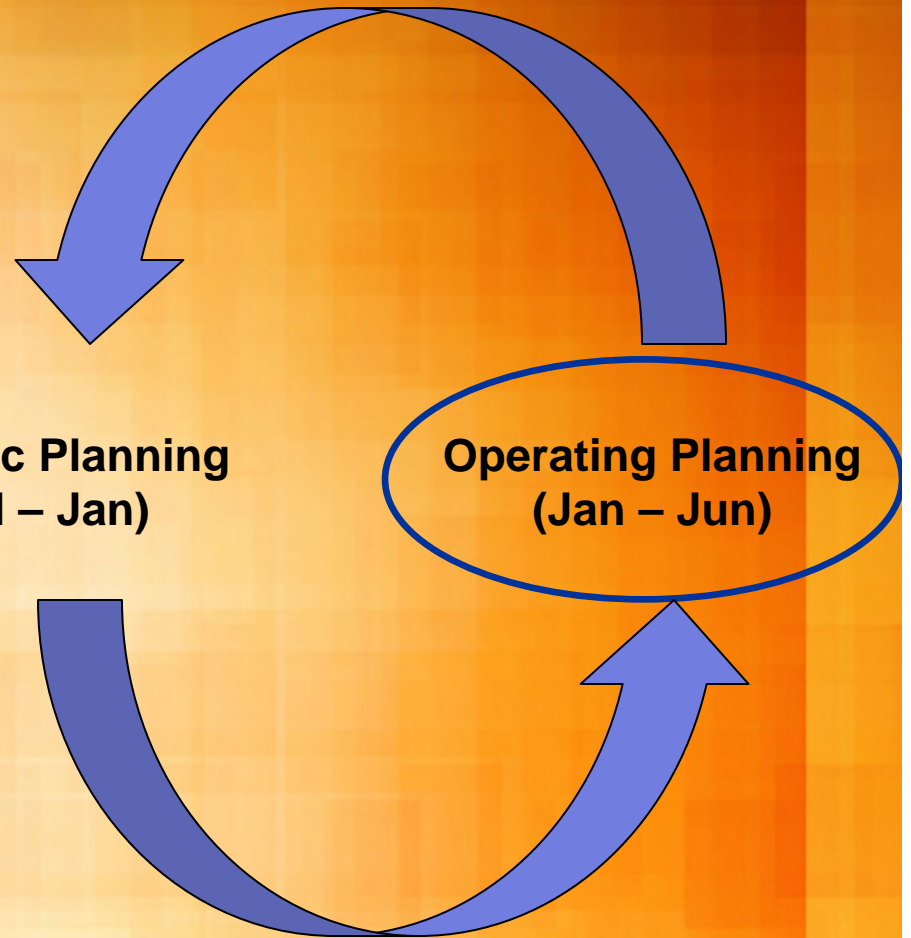
- Kick off ICANN's operations and budget planning for Fiscal Year 2009 (1 July 2008 through 30 June 2009)
- Inform the discussion with an initial budget framework and draft operating activities/outcomes
- Engage the community in refining key assumptions, spending priorities and other choices over the next months
- Create a plan and budget that will deliver on ICANN's strategic priorities

ICANN's Planning Cycle

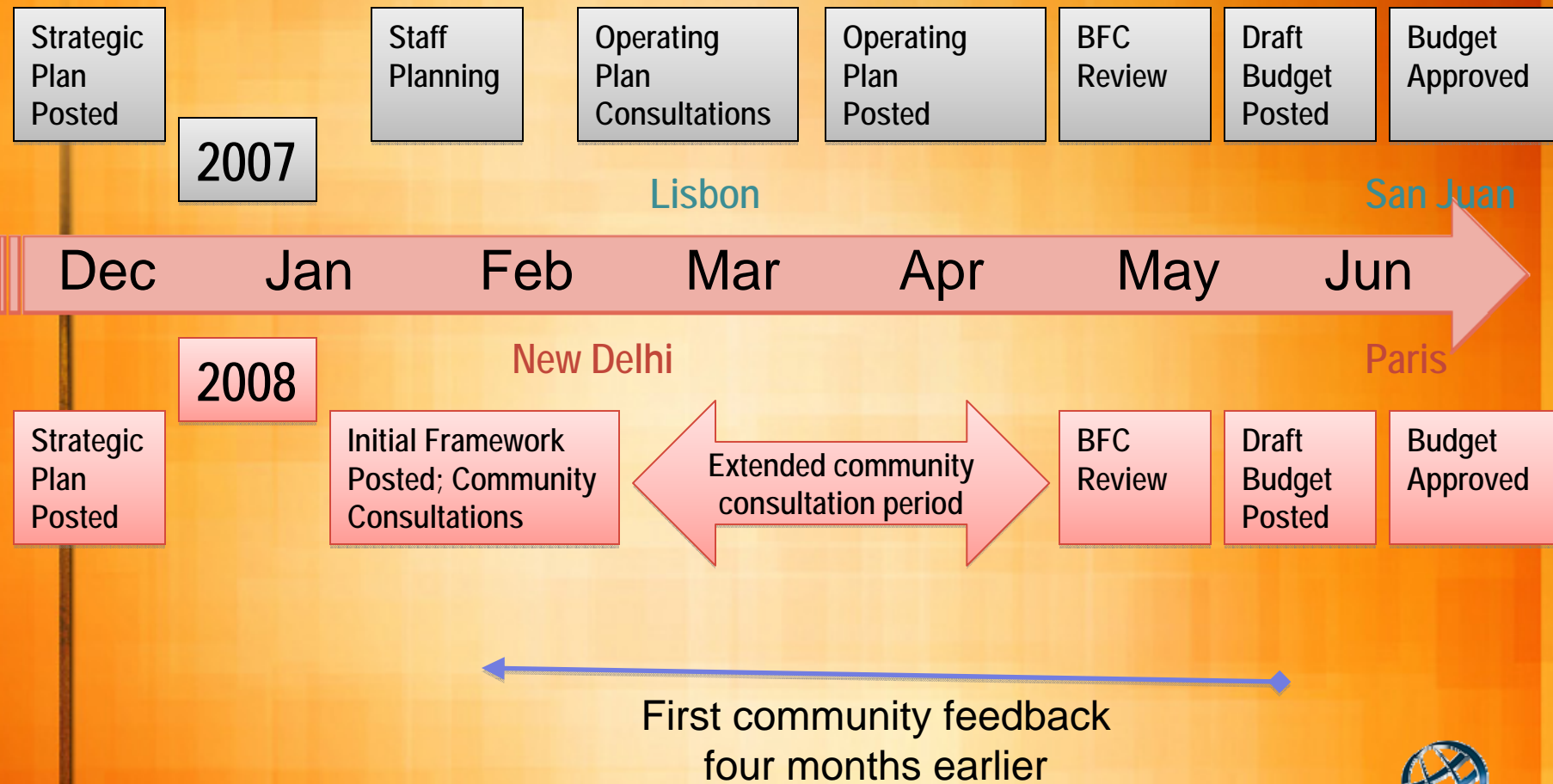
- Three year Strategic Plan approved in December
- Now beginning operating plan and budget preparation with both to be finalized in June

Strategic Planning
(Jul – Jan)

Operating Planning
(Jan – Jun)



Process Goal: Maximize Participation



Improving the Process

- Focus on early input/feedback
- Community feedback on a work-in-progress
- Operating Plan activities in more accessible format – improved focus on outcomes
- Step towards full-costing of various initiatives
- Multi-year forecast

Challenges with this approach

- Early view is less precise, more future-looking
- Over this three-year budget cycle, introduction of new gTLDs has many difficult-to-forecast elements
- Still making decisions about ICANN practices that could affect ultimate budget

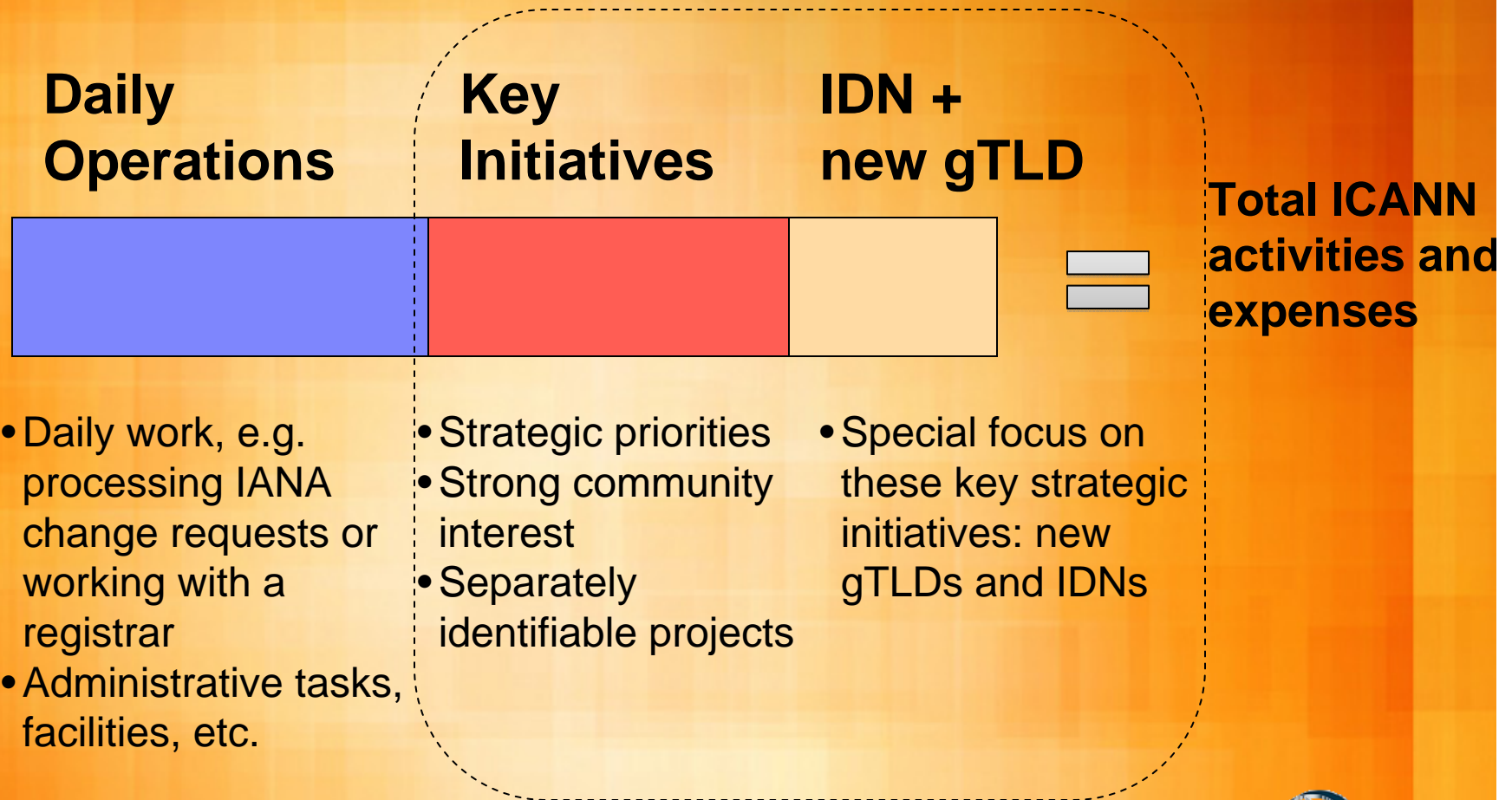
2009 Operating Plan Themes

- Reality of IDN's and new gTLDs
 - Significant effort/expense to complete implementation process
 - Upfront investment in staff and systems necessary to prepare for new TLD Operations
 - Considerable uncertainty in this new environment
- Operational effectiveness essential
 - Fully implementing systems and plans for security and failover
 - Basic business tools

2009 Operating Plan Themes – Cont.

- Increase global participation
 - Fellowship, ALAC, significant increase in planned translation, investment in remote participation
- Registrant Protections
 - Security
 - Be operationally prepared to publish and sign the root zone with DNSSEC by the end of FY09
 - Expand security training to cc operators in conjunction with the cc community
 - Funding for full participation in data escrow
 - Ramp in compliance activities
 - Staffing and systems

Making the Planning Work Accessible



Fiscal Year 2009 – Daily Activities

- Base IANA services
- Systems support for global teleconferences
- Connectivity and expenses for L-Root
- Ombudsman
- Finance, Human Resources, IT
- Non-ICANN meeting travel
- Facilities: Marina del Rey, Sydney, Brussels
- Office and other support

Daily Activities

Key Initiatives

IDNs
and
gTLDs

Fiscal Year 2009 – Key Initiatives

- IDN Activities
- Implement Policy for Introduction of New gTLDs
- Operational Systems for New gTLDs
- Compliance Activities
- Registry/Registrar Support
- Global Outreach
- Organizational Reviews
- Organizational Improvement
- Policy Development Support
- Registrant Protections
- Security Initiatives, including DNSSEC
- Transcription and Translation
- Technical Work/Leadership
- IANA Improvements
- Broaden Participation
- Operational Systems and Infrastructure
- Meetings and Events
- Administrative Improvement

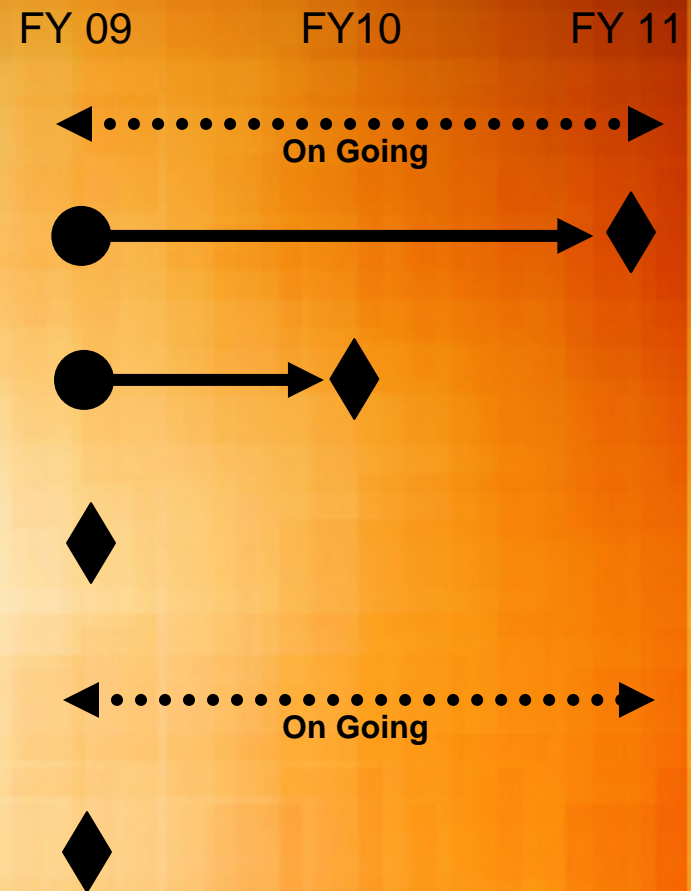
Daily Activities

Key Initiatives

IDNs
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gTLDs

Example: Compliance Activities

- Perform annual audits of registrar and registry compliance performance
- Site visits to assess compliance with registrar and registry agreements (expanded to 100 per year)
- Enhance sophistication of audit procedures and processes
- Develop procedures including acquiring software support to assist in audit tasks (internal)
- Publish reporting and statistics 3 times per year
- Establish presence in selected regions to assess compliance



Example: Compliance Activities – Cont.

FY 09

FY10

FY 11

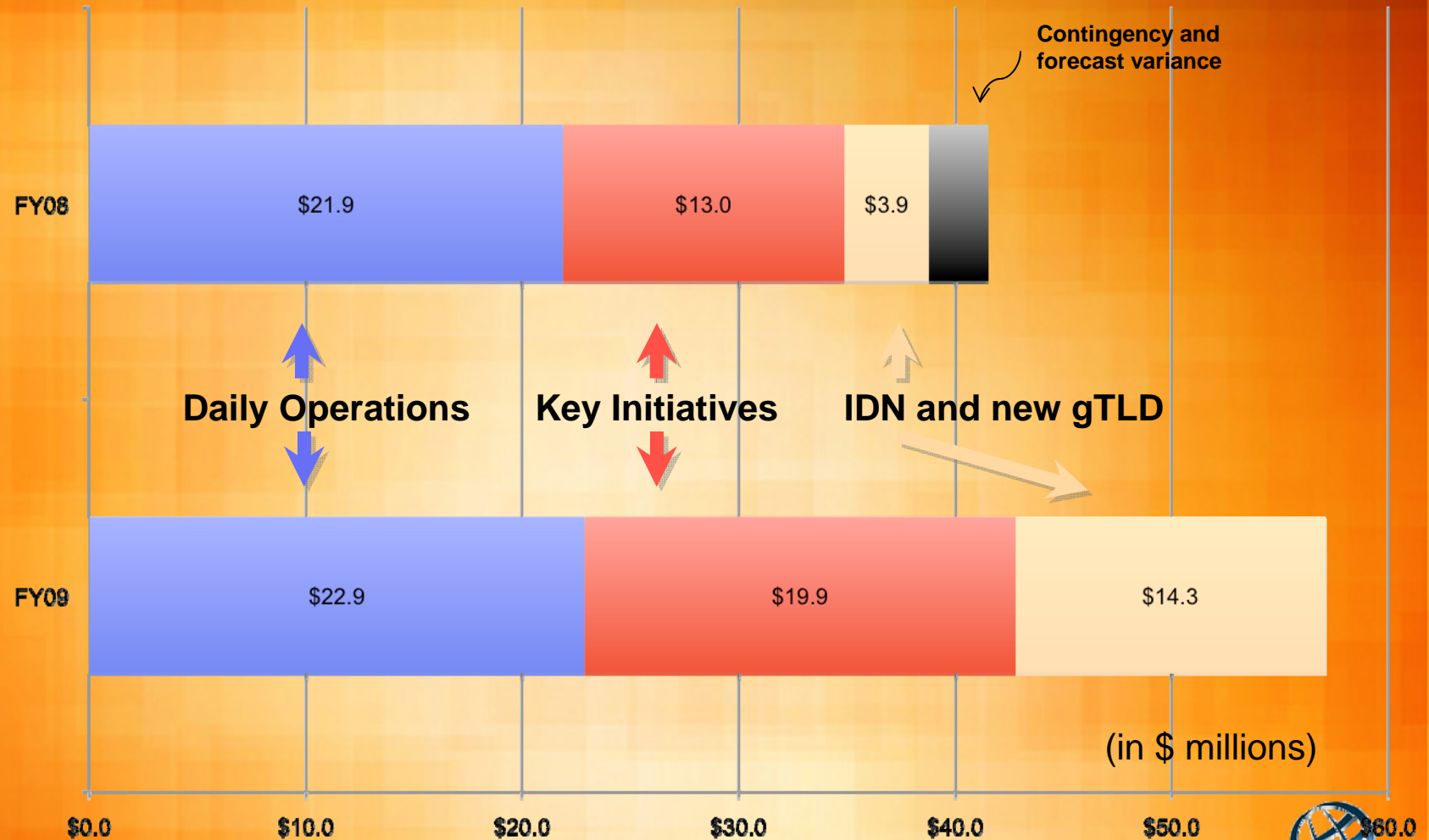
- Outreach to governments, consumer advocacy groups and registrars and registries
- Implement complaint process system to:
 - address complaints and forward them to correct parties as approved
 - collect statistics to better target compliance activities



Initial plan framework:

- Information is available on all key initiatives at the same level of detail shown shown for the Compliance area at:
 - <http://icann.org/announcements/announcement-2-04feb08.htm>
- Attempt to both summarize the information at a high level and provide detail about outcomes
- Initial budget information developed for each initiative area as well

Expense Budget Building Blocks



FY 09 IDN and new gTLD Expenses

	FY 2008	FY 2009	Change \$
IDN Activities	968,000	2,111,000	1,143,000
Implement Policy for introduction of new gTLDs	2,640,000	8,547,000	5,907,000
Operational systems for new gTLDs	165,000	3,670,000	3,505,000
Grand Total	3,773,000	14,328,000	10,555,000

- Important cost drivers:
 - \$3.3MM outreach and awareness program regarding new gTLDs/IDNs for due diligence
 - \$1.5MM in professional services for completing dispute resolution and contract processes
 - \$1MM to build a system for TLD applications, that integrates with TLD operations, registrar support and IANA integration

FY 09 Key Initiatives

Key Initiatives	FY 2008	FY 2009	Change \$
Compliance activities	495,000	1,397,000	902,000
Registry/registrar support	550,000	1,180,000	630,000
Global outreach	2,283,000	3,176,000	893,000
Organizational Reviews	605,000	788,000	183,000
Organizational Improvement	755,000	1,103,000	348,000
Policy Development Support	400,000	420,000	20,000
Registrant Protections	715,000	783,000	68,000
Security Initiatives, including DNSSEC	387,000	1,595,000	1,208,000
Transcription and translation	605,000	1,050,000	445,000
Technical work/leadership	860,000	420,000	(440,000)
IANA improvements	304,000	849,000	545,000
Broaden Participation	759,000	1,753,000	994,000
Operational systems and infrastructure	477,000	860,000	383,000
Meetings and events	3,630,000	3,663,000	33,000
Administrative improvement	352,000	856,000	504,000
Grand Total	13,177,000	19,893,000	6,716,000

Revenue Assumptions

- Revenue from existing sources
 - Budget assumption is for modest growth in registrations from FY09-FY11
 - Some indications that significant consolidation in number of registrars or reductions in the number of domain registrations is possible,
 - Apply transactional fee to all add transactions including add grace period

Revenue Assumptions – cont.

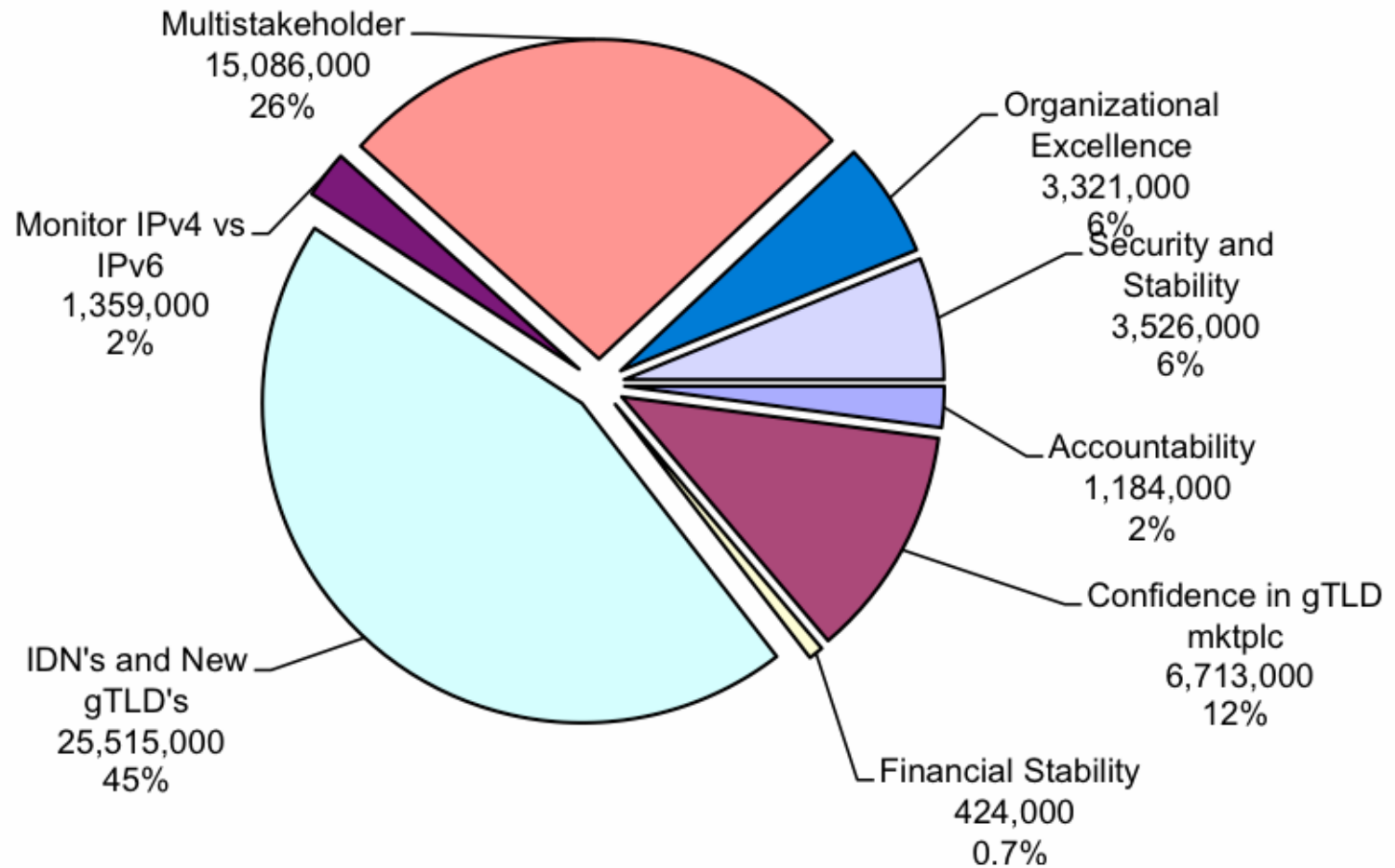
- Revenue from new TLDs

- Applications for 100 new TLDs in FY09, 300 in FY10, 500 in FY11
- Few TLDs operational in FY09; ramp consistent with sTLD start-up process
- Average operational TLD will generate \$106K/year in revenue to ICANN
- TLD applications have both a cost and revenue implication, but based on GNSO recommendations, and for model purposes, are currently assumed to be equal (no net impact)
- Model fee reductions as significant revenue is generated from new TLDs and strategic reserve fund goal is achieved

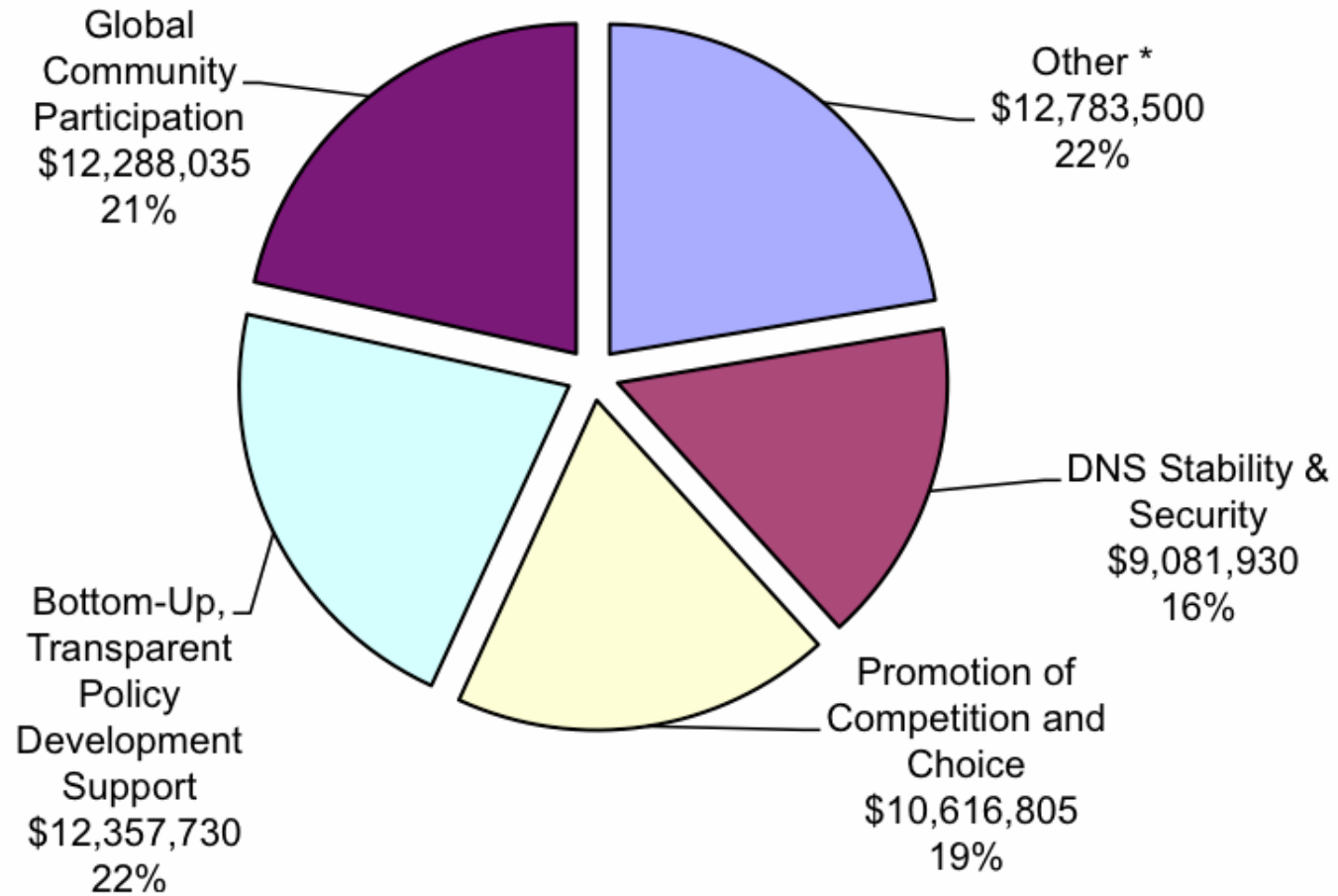
Three year financial framework model

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
gTLD application revenues less costs	0	0	0
Current Revenue Sources	61,274,000	63,112,000	65,005,000
New gTLDs Revenue	405,000	6,885,000	29,565,000
Potential Fee Reduction	-	(3,000,000)	(23,000,000)
Total Revenue	61,679,000	66,997,000	71,570,000
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
Bad Debt & Depreciation	3,086,000	3,161,000	3,238,000
Total Expenses	57,128,000	52,816,000	58,199,000
Net Revenues less Expenses	4,551,000	14,181,000	13,371,000
Intended Increase in Reserve	10,000,000	12,500,000	15,000,000
Net	(5,449,000)	1,681,000	(1,629,000)

FY09 Budget by Strategic Priority



FY09 Budget by ICANN Principle



Observations

- Three year view is not a prediction - it is a planning model for the ICANN community. This is the Framework.
- Should energize discussion:
 - Important community assumptions: How many new TLDs? What should the fee model be? How quickly will new TLDs come on line?
 - What are the important risks and opportunities over the next several years? How can ICANN manage risk inherent in a new process with many unknowns?

Open Items/Budget Impact

- This initial framework does not provide reserve fund contribution in fiscal year 09 called for in strategic plan
 - Need to consider expense reductions, revenue increase, or change in reserve goal
- Possible remuneration for Board members
- Possible changes to ICANN travel support policy
- Possible ALAC meeting in FY09
- Changes in meeting structure
- Possible fee changes or new revenue sources, including auctions

Next Steps

- Community consultation
- Detailed ICANN budget preparation by staff (“bottom up”)
- Working through detailed assumptions, estimates, priorities, and model with Board Finance Committee with Community input
- More detailed analysis of new gTLD expenses and revenues
- Post updated Operating Plan and Proposed budget in May
- Final consultations and consideration of budget at Paris meeting

Thank You!

For more information, please visit:
<http://icann.org>