FY09 Operating Plan and Budget

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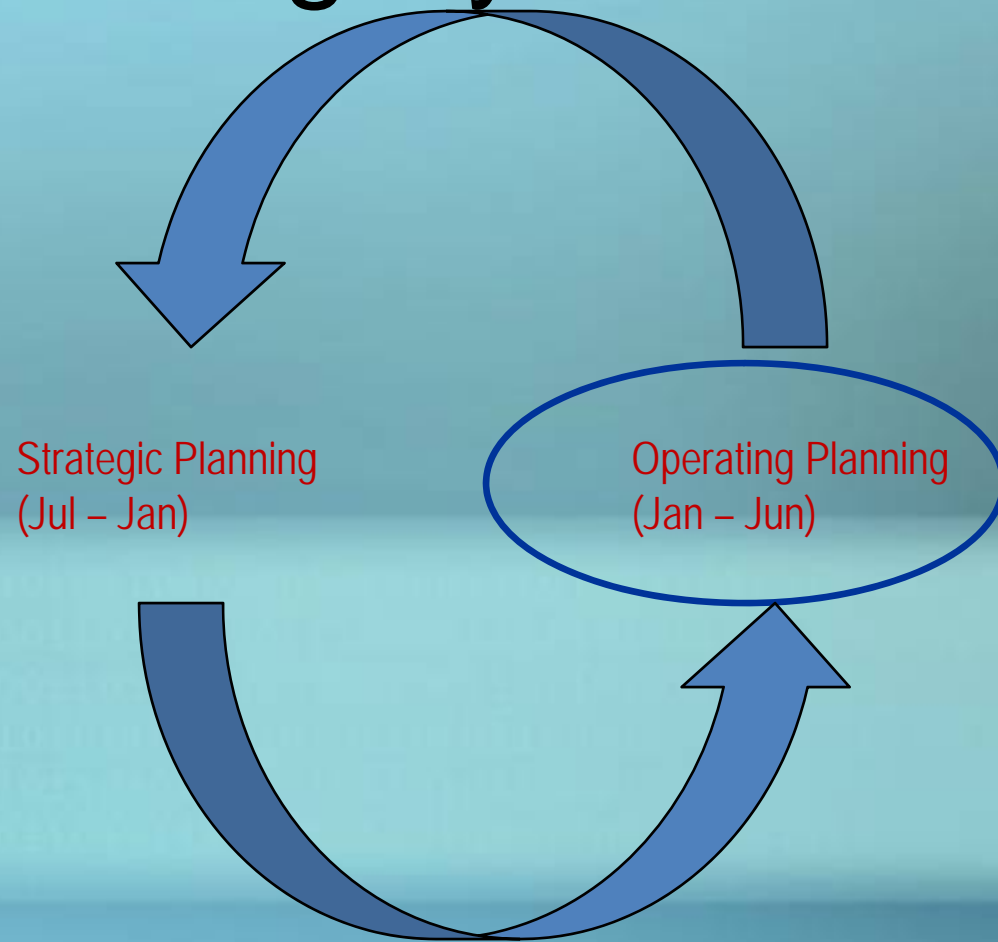
FY09 Operating Plan and Budget Community Consultation

Purpose of this presentation:

-- How we arrived here

-- Highlights of the FY09 Operating Plan

-- Highlights of the FY09 Budget

-- Community consultation

-- Next Steps

ICANN's Planning Cycle

- Three year Strategic Plan approved in December

- Now, operating plan and budget with both to be finalized in June

Strategic Planning
(Jul – Jan)
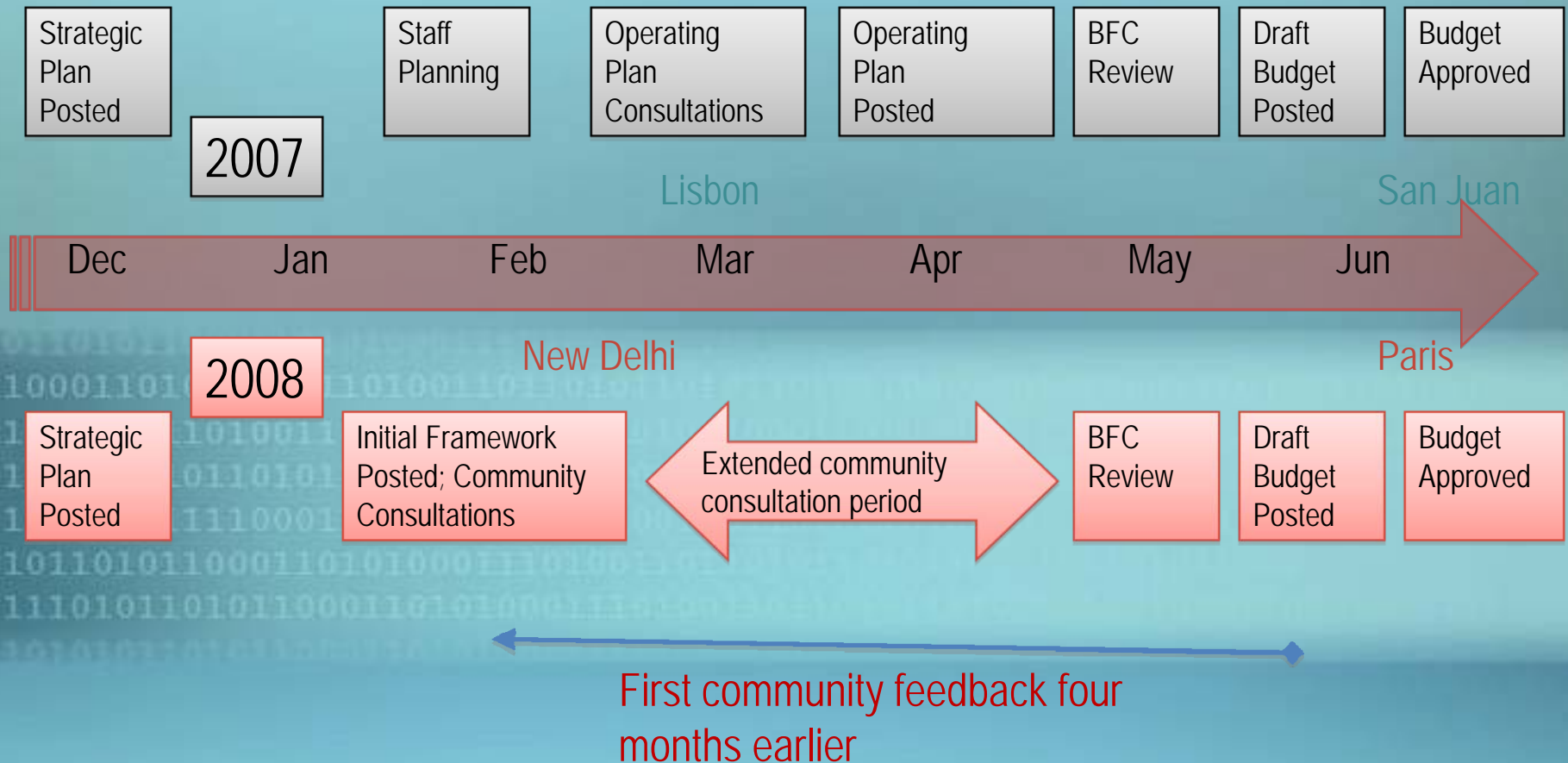
Operating Planning
(Jan – Jun)

The Process

How we arrived here:

- Strategic Plan posted December 2007
- Initial Framework Presented in New Delhi
- Community consultation
- High Level Framework matched with detailed cost estimates from project/department managers.
- Draft FY09 Operating Plan and Budget posted (17 May)
- Additional community consultation

FY09 Operating Plan and Budget Community Consultation

| Strategic Plan Posted | | Staff Planning | Operating Plan Consultations | Operating Plan Posted | BFC Review | Draft Budget Posted | Budget Approved |

2007

Lisbon   San Juan

Dec   Jan   Feb   Mar   Apr   May   Jun

New Delhi   Paris

2008

| Strategic Plan Posted | Initial Framework Posted; Community Consultations | Extended community consultation period | BFC Review | Draft Budget Posted | Budget Approved |

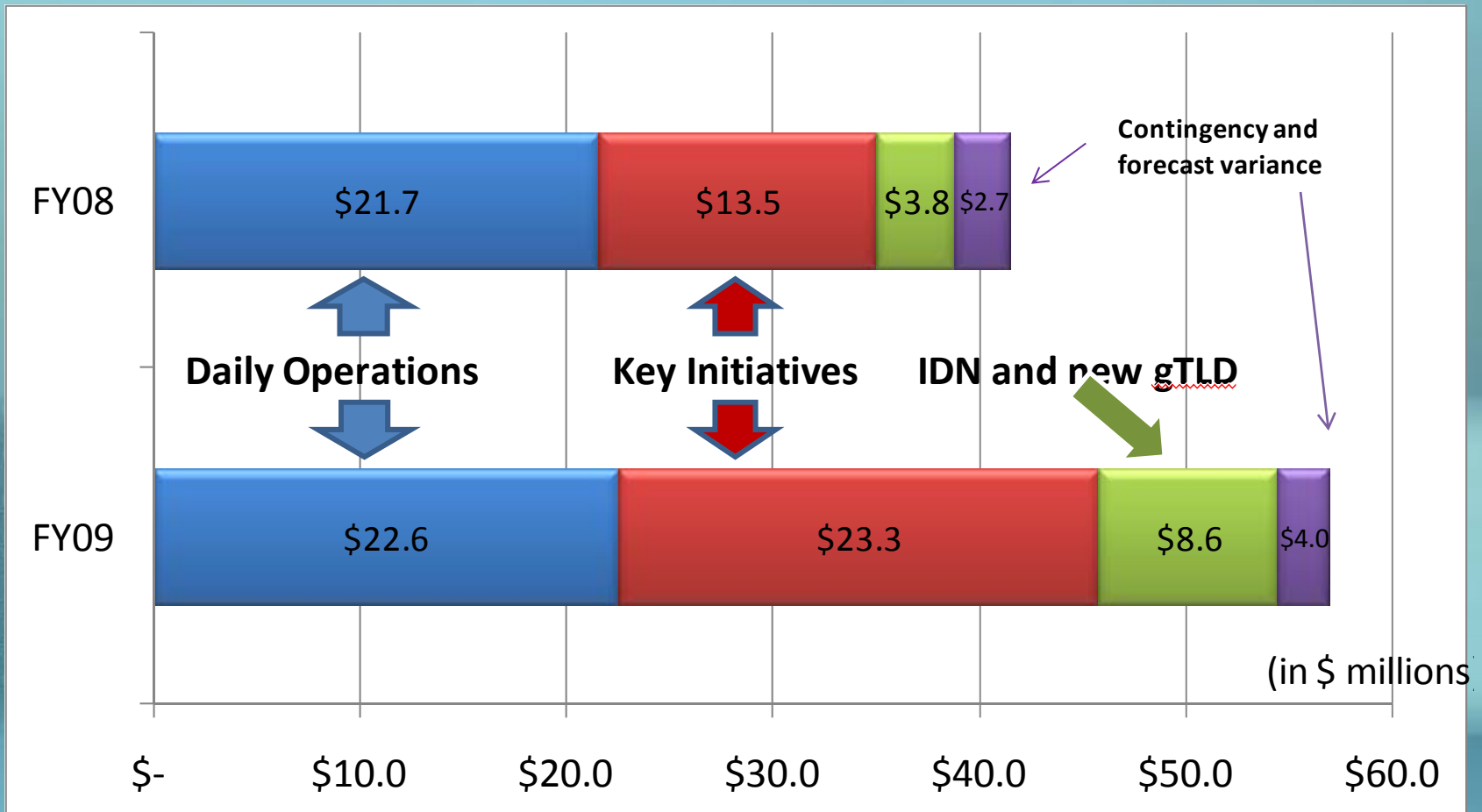First community feedback four months earlier

Highlights of Planned Activities for FY09

- Complete new gTLD implementation, then launch
- Progress on IDN activities
- Invest in IANA function to improve services and functions
- Strengthen security and systems infrastructure
- Enhance contractual compliance on behalf of registrants
- Strengthen the multi-stakeholder model

In short: *By necessity, execute one of ICANN's most demanding operational plans*

Key Initiatives Drive the Increased Expense Budget in FY09

Contingency and forecast variance

	FY08	
	$21.7	$13.5	$3.8	$2.7

Daily Operations   **Key Initiatives**   **IDN and new gTLD**

	FY09	
	$22.6	$23.3	$8.6	$4.0

$- $10.0 $20.0 $30.0 $40.0 $50.0 $60.0

(in $ millions)

Revenue and Expense Summary

Highlights of the FY09 Budget:

- Revenue of $60.7MM ($50.4MM in FY08)
  - Planning for AGP fee changes
- Operating expenses of $51.8MM ($39.8MM in FY08)
- Total expenses including contingency, bad debt, and depreciation of $58.5MM ($42.6MM in FY08)
- Capital expenditures of $3.7MM ($1.6MM in FY08)
- Increase in Reserve Fund of $2.2MM ($6.1MM in FY08 and compared to $10MM suggested by Strategic Plan)

Financial Summary

	FY09 Budget	FY08 Budget	Variance Amount	Percentage
Revenue	60,674,000	50,352,653	10,321,347	20.5%
Total Expenses w/ Contingency	(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%
Addition / (Shortfall)	$ (7,805,353)	$ 1,590,000	(9,395,353)	-590.9%
Estimated Reserve Fund Balance	$ 34,926,480	$ 32,731,833	2,194,647	6.7%

Key Initiatives Drive the Increased Expense Budget in FY09

Organizational Initiatives Categories (in US dollars)	FY09 Budget	FY08 Budget	Change from FY08	% Change from FY08
01 – Complete new gTLD Policy implementation	7,083,813	2,805,000	4,278,813	153%
02 – Progress on IDN Activities	1,543,060	968,000	575,060	59%
	8,626,873	3,773,000	4,853,873	129%
03 – Strengthen IANA and Infrastructure	2,488,679	781,000	1,707,679	219%
04 – Broaden Participation	5,876,193	3,647,000	2,229,193	61%
05 – Expand Contractual Compliance activities	2,000,640	795,000	1,25,640	152%
06 – Build out registry/registrar support	2,305,380	1,265,000	1,040,380	82%
07 – Further develop Policy Processes	3,283,136	1,760,000	1,523,136	87%
08 – Carry out Security Initiatives	2,897,990	1,247,000	1,650,990	132%
09 – Administrative improvement	273,000	352,000	(79,000)	-22%
10 – Meetings and events	4,150,279	3,630,000	520,279	14%
	23,275,296	13,477,000	9,798,296	73%
00 – Baseline with bad debt and depreciation	22,577,184	22,746,103	(168,919)	-1%
Total	$ 54,479,353	$ 39,996,103	14,483,250	36%
Less bad debt/depreciation	$ 2,665,000	$ 1,076,103	1,588,897	148%
Operating Expenses	$ 51,814,353	$ 38,920,000	12,894,353	33%

Financial Approach to new gTLDs

- Draft FY09 Plan accommodates expenses necessary to complete implementation work, and essential staffing to prepare for scaling (e.g. IANA)
  - Revenue from applications, or registry fees is not included
  - Application and other ongoing operational expenses are not included
- After gTLD policy is approved, and after draft RFP is posted for comment, a separate budget will be submitted
  - This budget will cover relevant revenue and expense for applications and operations
  - As indicated by GNSO policy, application fees for new gTLD's will offset costs of the program (e.g. launch, application processing, risks)

New gTLD Program Activities and Budget

- New gTLD implementation activities are significant budget driver:
  - Complete implementation of new gTLD policy
  - Dispute resolution processes
  - Develop RFP
  - Global communication
  - Investment in IT support
  - Scaling base TLD processes in IANA
  - Resourced from across the organization and with some new staff

Other Areas of Growth in Expenses

- Other significant efforts that drive expense include
  - Launch IDN's in the root, "fast track" for ccTLD's.
  - Broaden participation including more translation, more remote access services, and outreach to more parts of the globe (e.g. Asia)
  - Implement GNSO improvements and provide new support for organizational reviews
  - Augment compliance capabilities
  - Carry out security initiatives including training

FY09 Operating Plan and Budget Community Consultation

- Comparison of Initial FY09 Framework vs draft FY09 Budget

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

Numerous Opportunities for feedback from Community

Constituency Meetings in New Delhi and follow up calls
        Registrar Constituency, Registry Constituency, ALAC, GNSO

Constituency Calls after posting draft FYO9 Operating Plan and Budget
        IPC , ccNSO, ALAC, SSAC, Registrar Constituency, Registry Constituency,
        GNSO,

Planned for Paris
        ISP Constituency

Others presentations included:
        APTLD   Theresa Swinehart
        ccTLD meeting in Greece: Kim Davies
        Registrars/Registries in New Orleans: Tim Cole
        LACTLD: Raimundo Beca

Highlights of Constituency Comments

- Process feedback: Most appreciated extra time and cycles for feedback; some still learning about the process
- Questions about specific expense items: Bad debt expense, contingency , travel expenses (high and low)
- Allocation of costs and benefits among constituencies
- Travel support: some see this as too high, some too low
- Improved reporting: Additional clarity on baseline, large spend increases, category analysis, more clarity on currency in charts, spend/revenue by constituency

II. Constituency Feedback

Highlights of Constituency Comments

- Transaction fees: Budget for registrar fee reduction to incent RAA adoption
- Compliance: Positive comments about increased resource allocation
- Security: SSAC comments (not yet posted); while there may be broader Board discussion about security priorities, core priorities covered in budget
- new gTLD separate budget: Lots of questions and interests as to details
- Budget development process.   Need for FAQ/primer
- Reserve Fund: Magnitude and possible use for funding projects today
- Better accounting for .net funds

Jun-08

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Slide 17

Next Steps

- Staff will synthesize feedback and consider any proposed amendments to Paris

- Further constituency meetings during Paris meeting

- Board will vote to adopt FY09 Operating Plan and Budget on 26 June

FY09 Operating Plan and Budget Community Consultation

References:

- **See the strategic plan:**

  – http://www.icann.org/strategic-plan/

- **See the initial FY09 Framework presented in New Delhi:**

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

- **See the draft FY09 Operating Plan and Budget:**

  – http://www.icann.org/financials/fiscal-30jun09.htm

- **View public comments:**

  – http://www.icann.org/public_comment/

Thank You