ICANN Proposed Fiscal Year 2008 Budget

Raimundo Beca, Board Finance Committee Chair
Doug Brent, COO
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Budget Summary

• Created with iterative senior staff process (significant CEO involvement) tying proposed expenses to operating plan

• Proposed budget anticipates
  – net revenue of $46.6MM (37% above 06/07 budget)
  – expenses of $41.6MM (32% above 06/07 budget)
  – capital budget allocation of $1.6MM
  – contribution to reserve of $3.4MM

• Expense growth driven by the highest priority initiatives

• At near-final proposal and data presentation/analysis; ready for consideration by Board
Budget Process

• Started with operating plan detail
  – Deliver on operating plan; eliminate some internal efficiency projects (capital and implementation expense)

• Department managers provided detailed line-item input on key controllable expense categories:
  – People, travel, professional services, capital, other

• Top-down review of this input
  – Ensure spending on key initiatives
  – Recognize cross-department savings opportunities
  – Hire only where needed, and in “customer”-facing roles

• Iterative process, with substantial budget improvement, and elimination of proposed spending
### Key Initiatives Drive Spending

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>gTLD Start-up</td>
<td>$1,647K</td>
</tr>
<tr>
<td>Outreach - Fellowship &amp; ALAC</td>
<td>$1,068K</td>
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<tr>
<td>IDN</td>
<td>$988K</td>
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<tr>
<td>IANA Automation</td>
<td>$735K</td>
</tr>
<tr>
<td>Compliance</td>
<td>$831K</td>
</tr>
<tr>
<td>Legal - major initiative support</td>
<td>$708K</td>
</tr>
<tr>
<td>Registrar Data Escrow</td>
<td>$536K</td>
</tr>
<tr>
<td>Economist/Market Analysis</td>
<td>$400K</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,913K</strong></td>
</tr>
</tbody>
</table>

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

**Note: No overhead allocated**
Budget Estimation Approach

• Actual department line item budgets add up to about $39.6MM in expenses
  – In general, at the “lean” end of manager comfort zone

• As agreed with Finance Committee, have identified separate contingency budget held in a single department (Ops) of $1.9MM

• With spending controls previously discussed, will manage to $39.6MM number; expect to spend some of the contingency amount

• Likely, some money currently budgeted for contingency will be applied to reserves
Revenue Sources for FY-08
(in thousands)

- gTLD Registry: $17,903 (38%)
- gTLD Registrar: $25,446 (55%)
- ccTLD: $1,800 (4%)
- RIR's: $823 (2%)
- Investment Income: $690 (1%)

Total: $46,662
## Major Capital Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNSSEC hardware (IANA)</td>
<td>$54K</td>
</tr>
<tr>
<td>Data Center Relocation</td>
<td>$160K</td>
</tr>
<tr>
<td>Storage Area Network (SAN)/Backup</td>
<td>$303K</td>
</tr>
<tr>
<td>Avaya Phone System (timed with move)</td>
<td>$120K</td>
</tr>
<tr>
<td>Web-based project management software</td>
<td>$17K</td>
</tr>
<tr>
<td>Inquiry processing system</td>
<td>$80K</td>
</tr>
<tr>
<td>Due Diligence Software</td>
<td>$25K</td>
</tr>
<tr>
<td>L Root</td>
<td>$650K</td>
</tr>
<tr>
<td>Furniture/Fixtures (new office)</td>
<td>$182K</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,591K</strong></td>
</tr>
</tbody>
</table>
ICANN Uses of Revenue for FY-2008
(in thousands)

- **PERSONNEL**: $18,053 (40%)
- **PROFESSIONAL SERVICES**: $9,324 (20%)
- **ADMINISTRATION & CONTINGENCY**: $6,239 (13%)
- **TRAVEL, OTHER MEETINGS**: $3,652 (8%)
- **ICANN MEETINGS**: $4,370 (9%)
- **CAPITAL**: $1,591 (3%)
- **RESERVE**: $3,433 (7%)

Total: **$46,662**

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Page 7
ICANN Planned Expenses for FY-2008
(in thousands)

- **PERSONNEL** $17,803 (45%)
- **PROFESSIONAL SERVICES** $9,324 (24%)
- **TRAVEL, OTHER MEETINGS** $3,652 (9%)
- **ICANN MEETINGS** $4,370 (11%)
- **ADMINISTRATION** $4,489 (11%)

**Total** $39,638 (exclusive of $1,913 Contingency)
FY-08 Key Project Areas
(in Thousands)

- **Outreach** ($10,902, 26%)
  - Media, Transparency ($1,040, 2%)
  - Ombudsman ($635, 2%)
  - Region based ICANN staff ($4,314, 10%)
- **Policy & IDN** ($4,233, 10%)
- **Registry & Registrar Support** ($2,692, 6%)
- **New gTLD Implementation** ($1,647, 4%)
- **IANA & L-Root** ($4,031, 10%)
- **Compliance** ($831, 2%)
- **Legal** ($4,505, 11%)
- **Other** ($12,797, 30%)
- **Outreach** ($41,638, Total)

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Page 9
Summary

• Moving into implementation phase on key initiatives, ICANN will spend approximately $41.6MM (including contingency) in FY 08
  – Driven by and consistent with three year strategic plan and proposed operating plan for FY 08

• Plan to improve efficiency and reduce spending on some internal functions; shift money to activities that directly benefit constituencies

• Assuming no exogenous shift in domain name market, revenue assumption is likely conservative (yielding more increase in reserve)

• The proposed budget supports the operating plan activities

• Careful fiscal management will allow for:
  – Some flexibility in execution through contingency
  – Ongoing improvement in reserve fund