Financial Update Report

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Chief Financial Officer

October 2009

Finance at ICANN – Brief Update

➤ FY09 Financials

➤ FY10 Budget update

➤ Financial spending controls

➤ Accountability and Transparency

➤ Process for Strategic and Ops Plans

➤ Question and Answer

Developing trust and being responsive to community requirements

FY09 Finances

- Enhanced accountability
  - Dashboard, more details, more organized
- Position strong
  - Cash – Moved $11 million to reserve fund
  - No debt
  - Reserve fund now over $44 million
- Revenue close to budget – planned growth
- Expenses close to budget – planned growth

Unqualified Opinion – "Clean" Audit
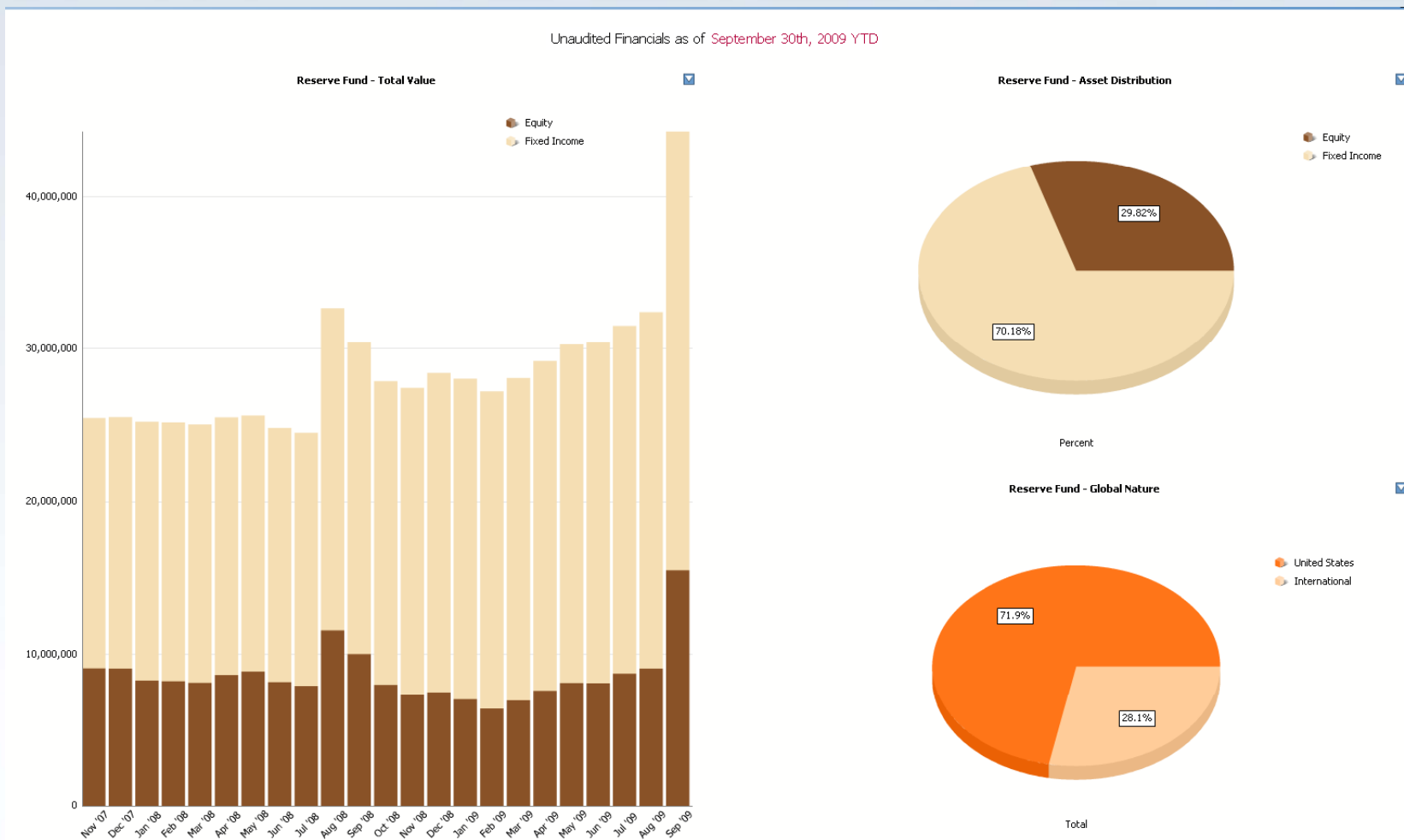
FY10 Budget Update

- Budget adopted in Sydney – community consultation
- More details, more views, more accessible
- Revenue – modest growth, .Com step
  - Sources of funds

	FY10 Budget	FY09 Budget	Change from FY09	
Registrar	27,268	30,947	(3,679)	-11.9%
Registry	32,451	25,104	7,347	29.3%
RIR	823	823	-	0.0%
ccTLD	1,600	2,300	(700)	-30.4%
Other	1,500	1,500	-	0.0%
Total Revenue	63,642	60,674	2,968	4.9%

- Enhance strategic plans to balance revenue sources

Reserve Fund – balance and compliance

Unaudited Financials as of September 30th, 2009 YTD

Next: Show Contributions to date: $44mil vs current value ($44.6mil as of 25 Oct 09)

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FY10 Budget

- $54.4 mil oper exp approved

- Track by organizational activities (new gTLD, IDN)

- Revisiting – security, new leadership

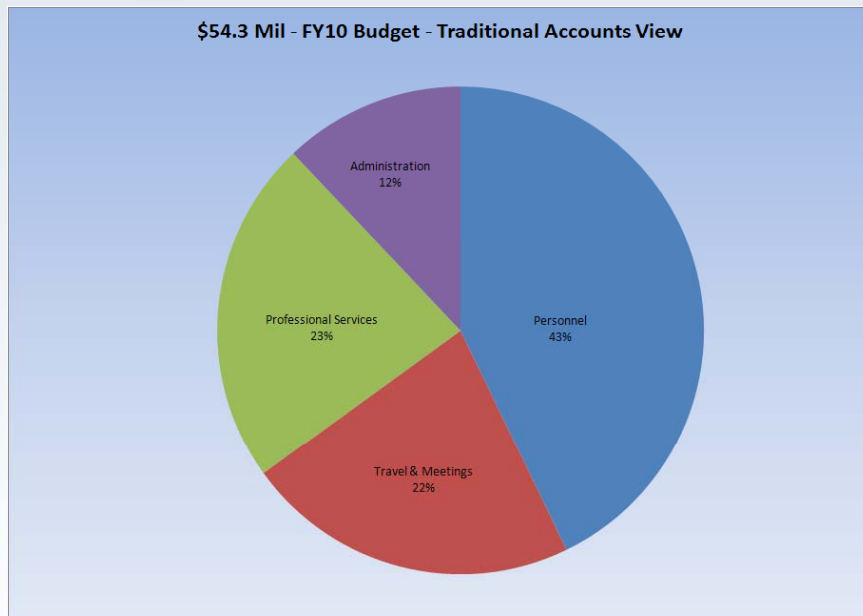| Operational Activities	Proposed FY10 Budget (US$000)
New gTLD Implementation and Delegation	7,448
IDN Implementation	1,250
New gTLD / IDN efforts	**8,698**
IANA and Technology Operations	5,079
Security, Stability and Resiliency (SSR)	5,483
Contractual Compliance	3,219
Core Meeting Logistics	5,289
Constituency Support	6,272
Policy Development Support	5,280
Global Engagement and Increasing International Participation	6,781
DNS Operations	1,242
Administrative improvement and other operations such as Board Support, NomCom support, Ombudsman and Community travel support	7,004
ICANN Core (w/o new gTLD)	**45,649**
Operating Expenses	**54,347**

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Progress on Spending Controls

Selected few examples:

- Investment Policy – Board endorsed with minor updates

- Staff travel guidelines – updated

- Board expense policy – BFC, then Board review

- Procurement guidelines – Staff and BFC review

- Community member travel support guidelines – Updated for FY10

- Cost accounting methodology – Draft in progress

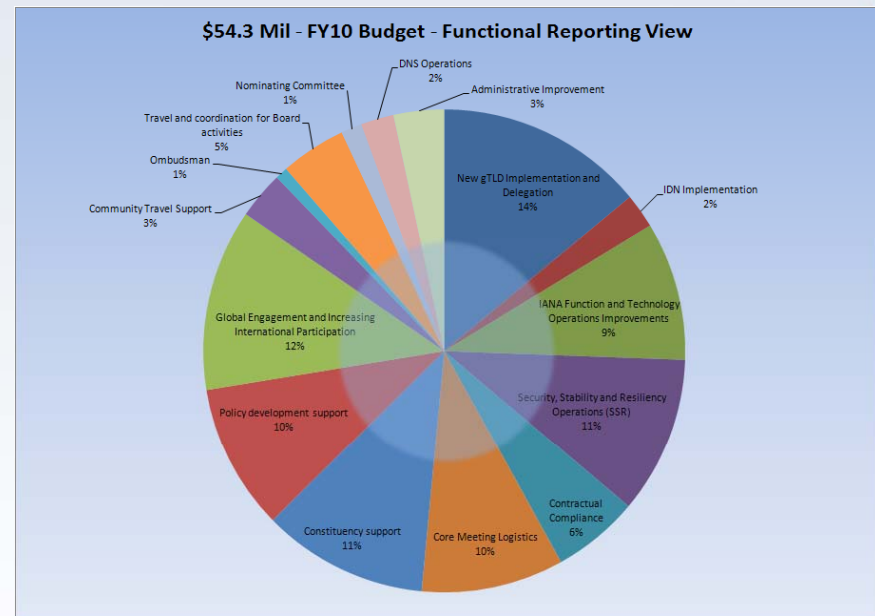- International currency management policy -- Board approved

Continued progress on all aspects of spending wisely – efficiency and proper priorities

Traditional View and Functional View
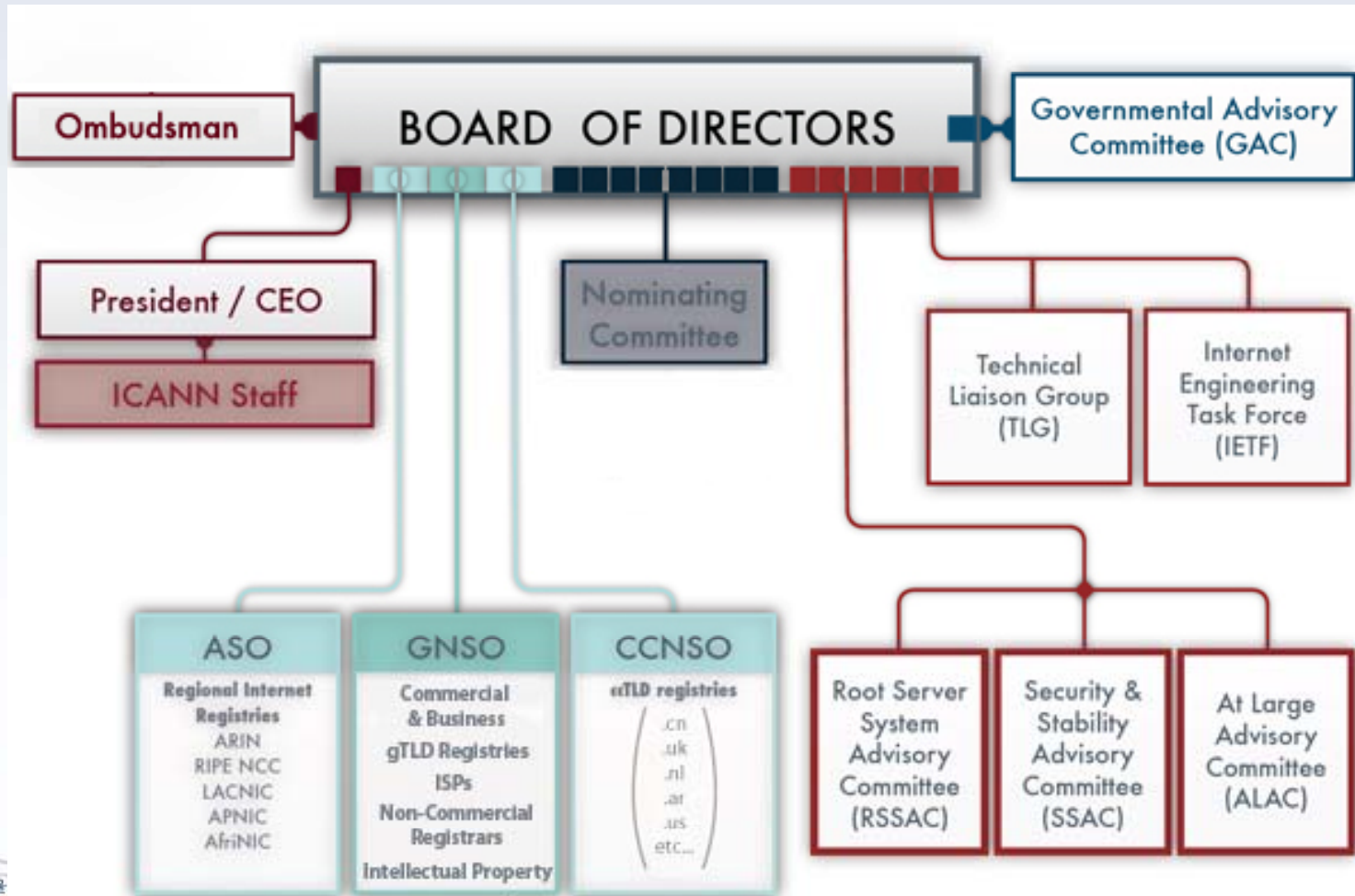
Traditional accounts view

$54.3 Mil - FY10 Budget - Traditional Accounts View

- Administration 12%
- Professional Services 23%
- Personnel 43%
- Travel & Meetings 22%

Functional view

$54.3 Mil - FY10 Budget - Functional Reporting View

- DNS Operations 2%
- Administrative Improvement 3%
- Nominating Committee 1%
- Travel and coordination for Board activities 5%
- Ombudsman 1%
- Community Travel Support 3%
- New gTLD Implementation and Delegation 14%
- IDN Implementation 2%
- IANA Function and Technology Operations Improvements 9%
- Global Engagement and Increasing International Participation 12%
- Security, Stability and Resiliency Operations (SSR) 11%
- Policy development support 10%
- Contractual Compliance 6%
- Constituency support 11%
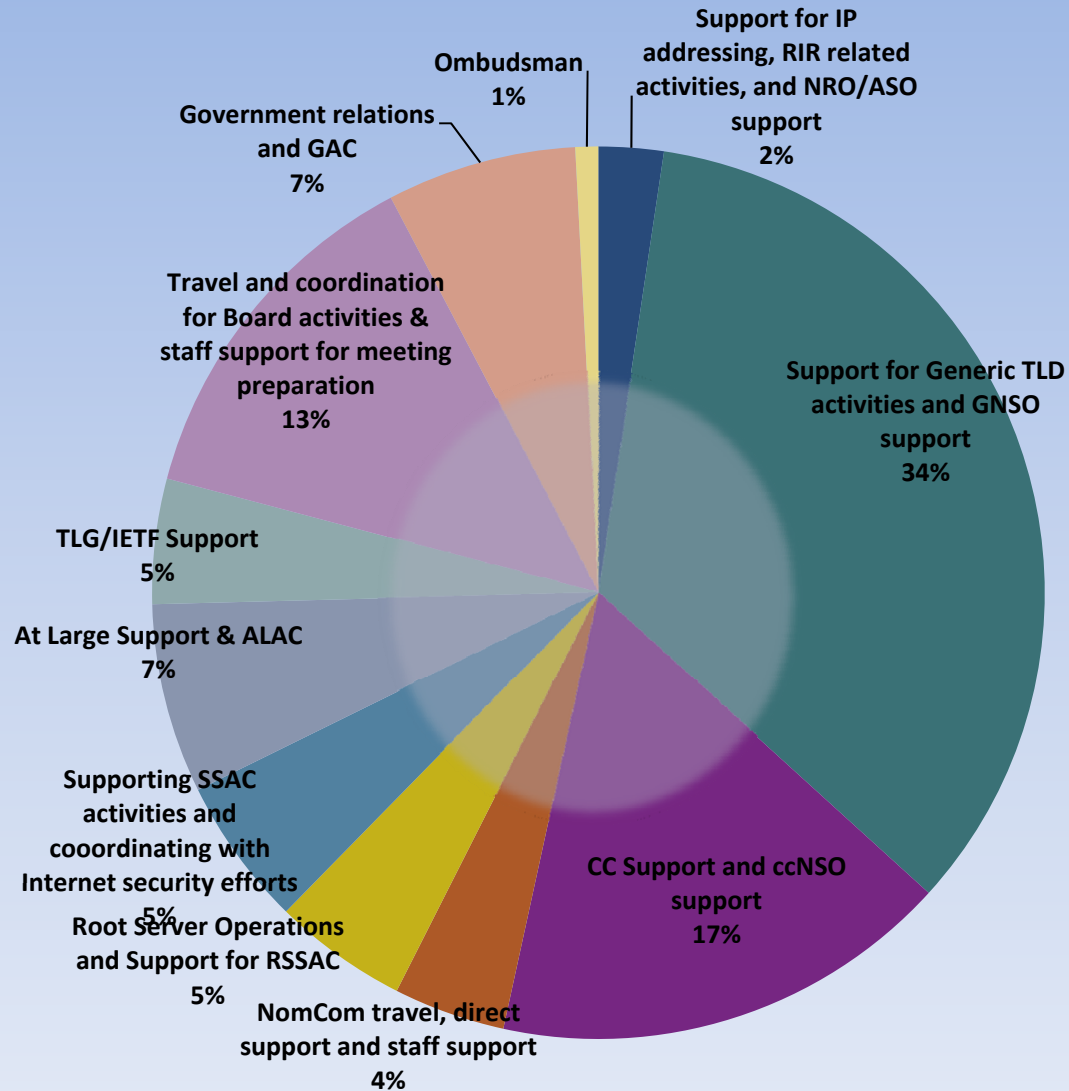- Core Meeting Logistics 10%

Functional reporting (by projects (new gTLD, IDN, etc.) part of ops plan/budget development and reported on dashboard
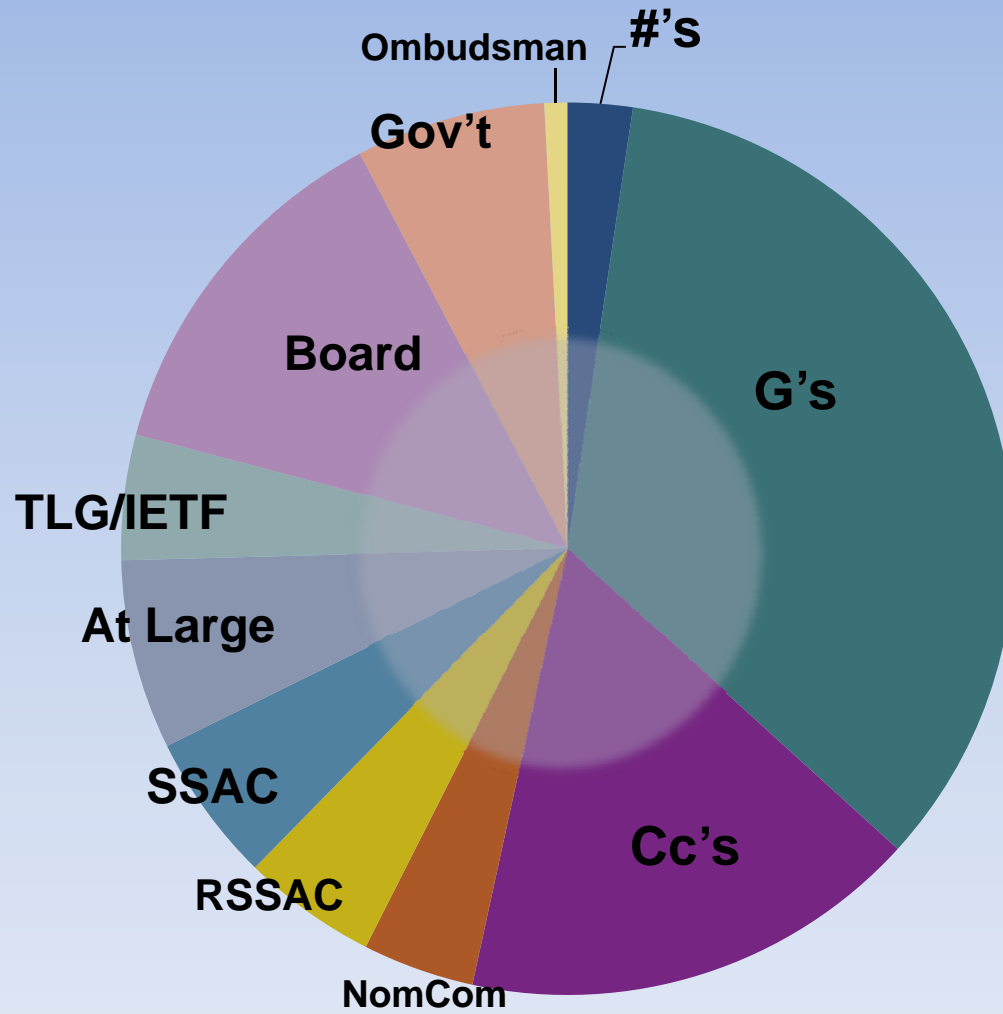
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Expense area group (EAG) reporting developed in response to community requests (uses organizational structure)

$54.3 Mil - FY10 Budget - Expense Area Group (EAG) View

Support for IP addressing, RIR related activities, and NRO/ASO support
2%

Ombudsman
1%

Government relations and GAC
7%

Travel and coordination for Board activities & staff support for meeting preparation
13%

Support for Generic TLD activities and GNSO support
34%

TLG/IETF Support
5%

At Large Support & ALAC
7%

Supporting SSAC activities and cooordinating with Internet security efforts
5%

Root Server Operations and Support for RSSAC
5%

NomCom travel, direct support and staff support
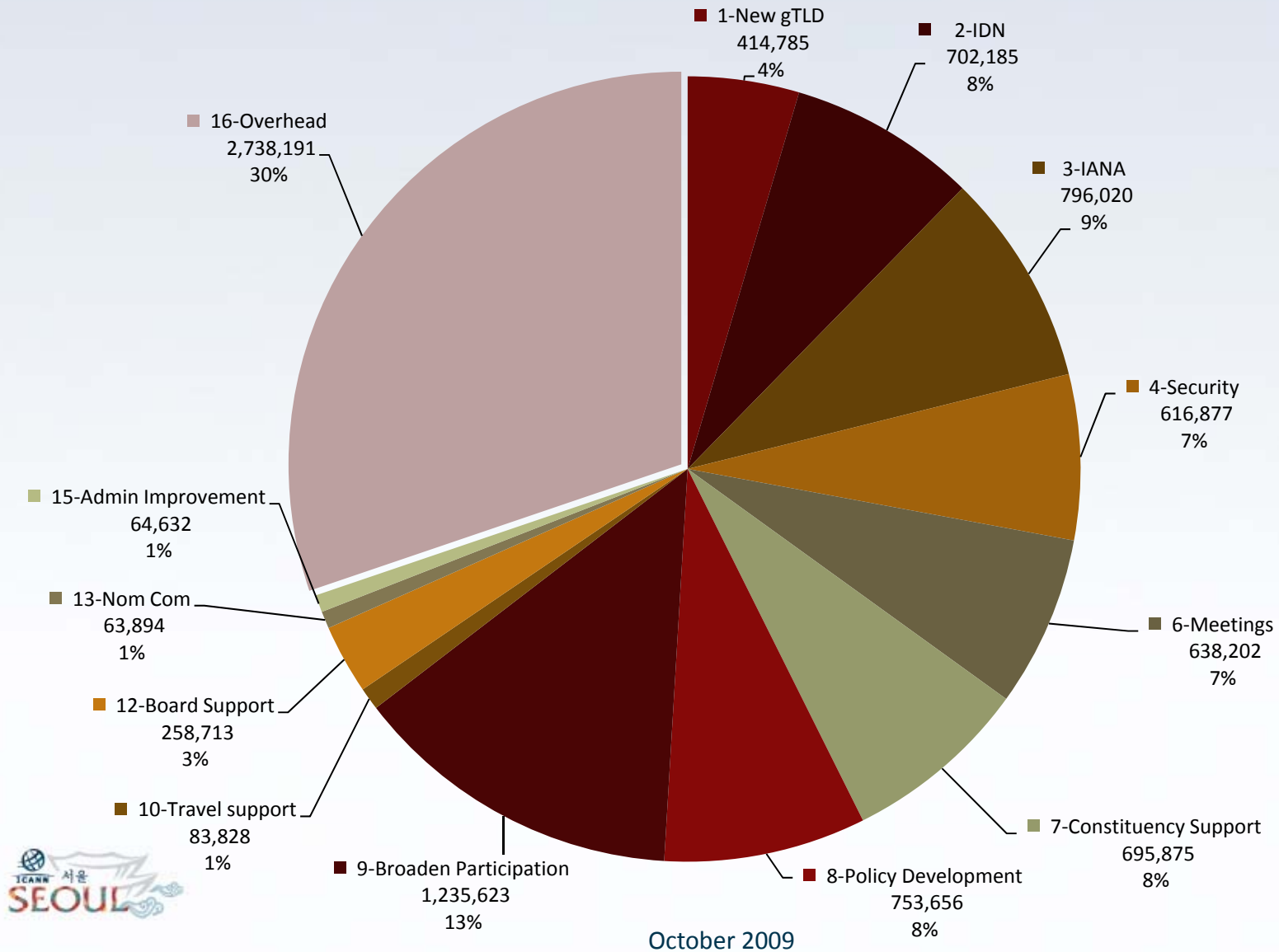4%

CC Support and ccNSO support
17%

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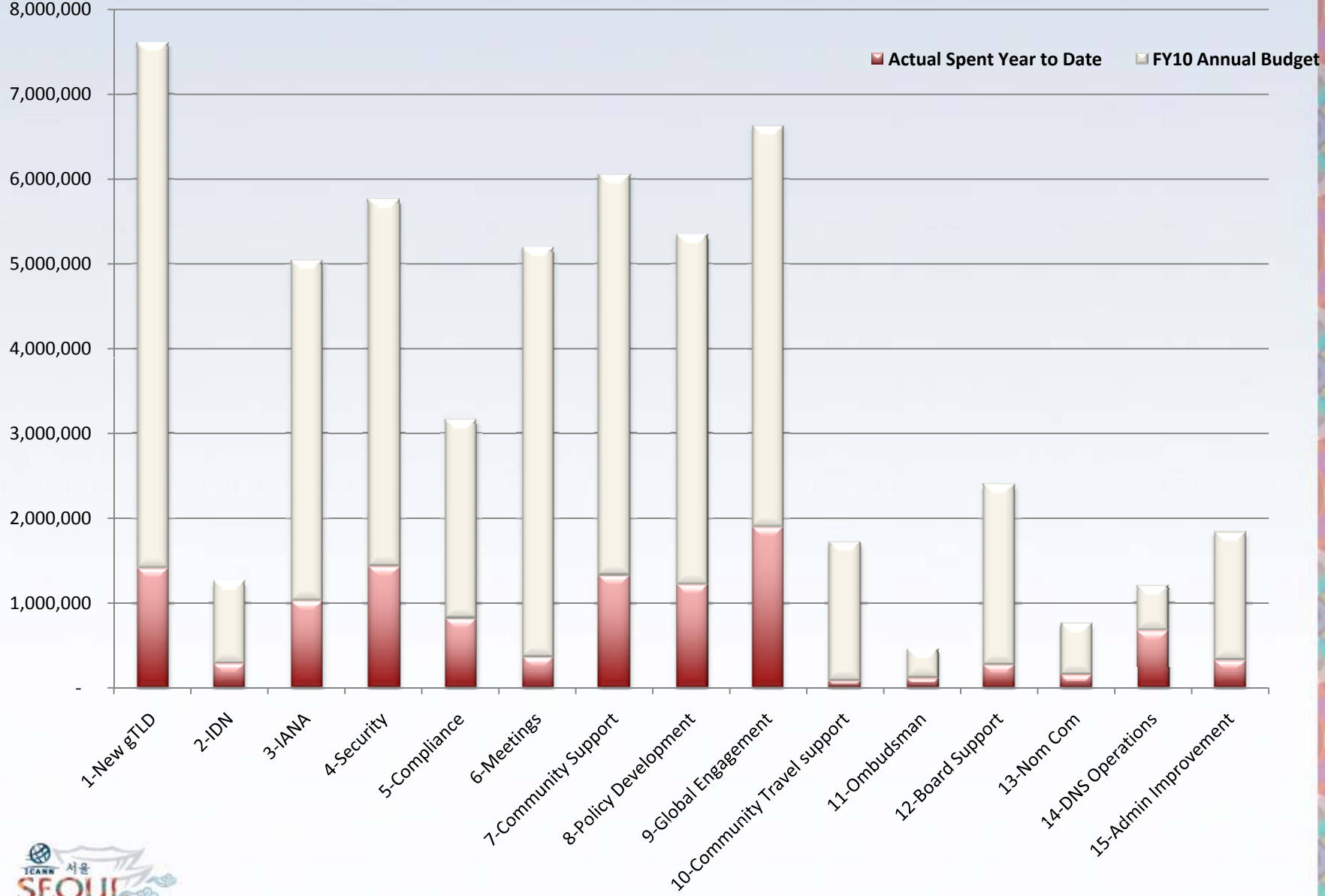$54.3 Mil - FY10 Budget - Expense Area Group (EAG) View

EAG reporting Follow up

- Extended public comment period
- Response was:
  - Appreciation
  - Question methods
  - Want more details
- Next
  - Report regularly
  - Work with methodology
  - Provide more details

EAG reporting broken down by functional categories in response to request

- 1-New gTLD 414,785 4%
- 2-IDN 702,185 8%
- 3-IANA 796,020 9%
- 4-Security 616,877 7%
- 6-Meetings 638,202 7%
- 7-Constituency Support 695,875 8%
- 8-Policy Development 753,656 8%
- 9-Broaden Participation 1,235,623 13%
- 10-Travel support 83,828 1%
- 12-Board Support 258,713 3%
- 13-Nom Com 63,894 1%
- 15-Admin Improvement 64,632 1%
- 16-Overhead 2,738,191 30%

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Functional Reporting - YTD

Legend: ■ Actual Spent Year to Date □ FY10 Annual Budget

Categories: 1-New gTLD, 2-IDN, 3-IANA, 4-Security, 5-Compliance, 6-Meetings, 7-Community Support, 8-Policy Development, 9-Global Engagement, 10-Community Travel support, 11-Ombudsman, 12-Board Support, 13-Nom Com, 14-DNS Operations, 15-Admin Improvement

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EAG Reporting - September 2009

Legend: Actual Spent Year to Date, FY10 Annual Budget

Categories: 1-ASO, 2-GNSO, 3-ccNSO, 4-NomCom, 5-RSSAC, 6-SSAC, 7-ALAC, 8-TLG/IETF, 9-Board, 10-GAC, 11-Ombudsman
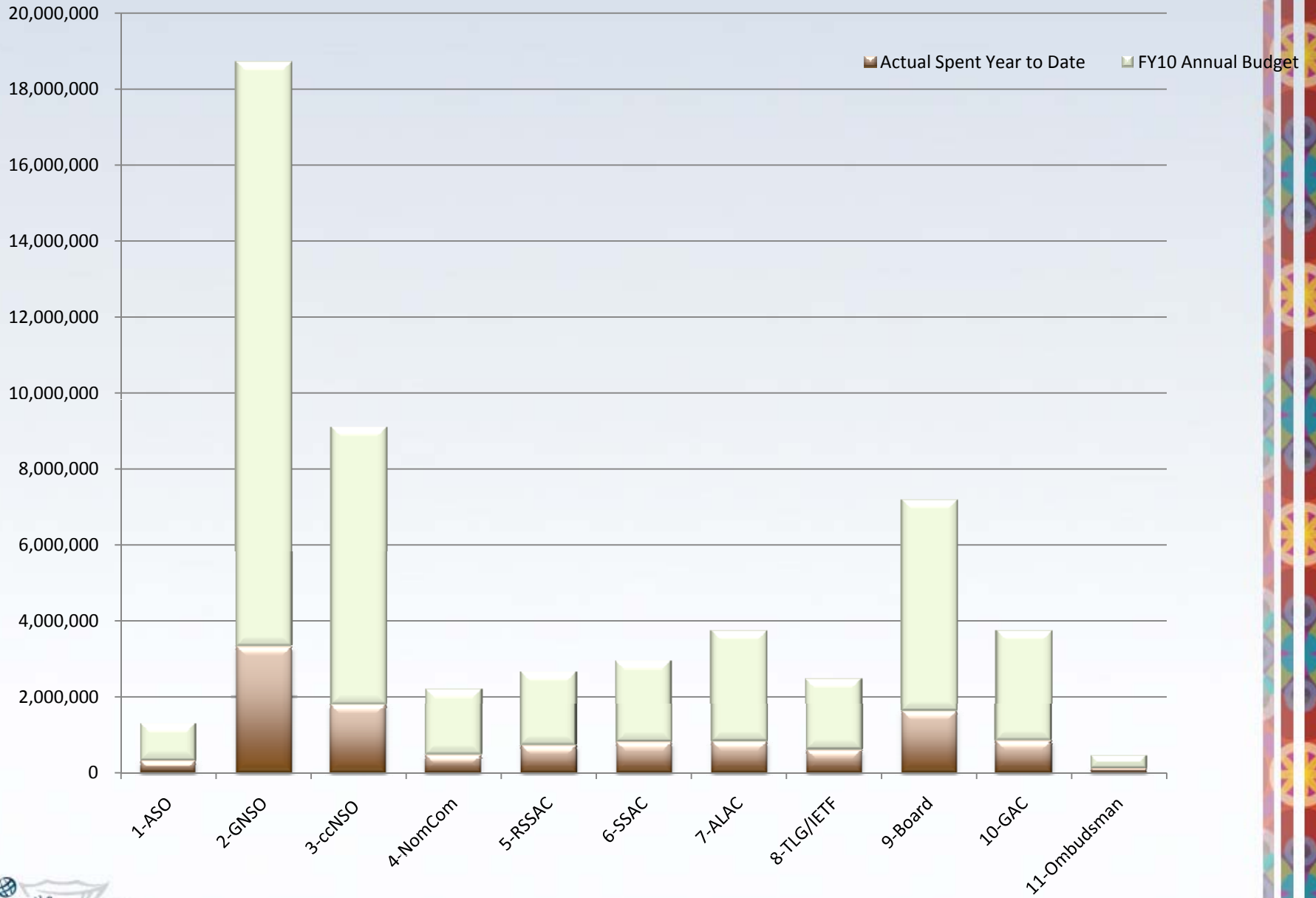
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Key principles in developing cost reporting

- Each view of budget is 100% of budget
- Cannot separate a slice from the rest, cross functional interdependencies
- No one view is better than another, each provides a perspective
- Cost estimates are based upon
  - Direct costs for a specific category
  - Indirect costs are allocations for staff time or meeting space based upon management estimates
  - Overhead such as rent, finance, and human resource costs are spread evenly across categories

Breakdown for each EAG category:

1) IP addressing support & ASO

2) Generic TLD & GNSO

Expenses Area Group (EAGs)

1-IP Addressing support & ASO	**1,276,442**	**2.3%**
10% of IANA personnel and other departmental costs		
Policy support for the ASO		
An allocation of overhead costs such rent, human resources, accounting		
2-Generic TLD support & GNSO	**18,687,532**	**34.4%**
Core services to support contracted generic TLDs such as:		
Personnel and other costs required to support gTLD registries		
Personnel and other costs required to support ICANN accredited registrars		
Contractual compliance for registrars and registries		
Policy support work for the GNSO		
Provide secretariat support for GNSO		
Data escrow services for registrants (through registrars)		
IANA functions services for generic registries		
Dedicated meetings such as regional meetings for registries and registrars and intercessional GNSO meetings		
A large portion of ICANN meetings (about 30%)		
Security, stability, and resiliency efforts for registry/registrar issues		
Provide travel support for selected GNSO councilors		
An allocation of overhead costs such rent, human resources, accounting		
Plus financially significant projects such as:		
New gTLD implementation project		
Compliance related projects (e.g., WHOIS accuracy, privacy/proxy study)		
Operational readiness for new gTLDs		

Breakdown for each EAG category:

3) cc Support & ccNSO

3-CC Support & ccNSO 9,062,481 16.7%

Core services to country code TLDs and the ccNSO such as:

IANA functions services for country code registries

Processing of redelegations

Conduct ccTLD capacity building courses

Policy support work for the ccNSO

Provide secretariat support for ccNSO

Provide constituency travel resources as needed to meetings

An allocation of overhead costs such rent, human resources, accounting

Plus financially significant projects such as:

Complete the IDN ccTLD Fast Track implementation plan

Conduct IDN Technical test and implement IDN Protocol

Facilitate the completion of the IDNA protocol

Draft and execute operational readiness plan to accommodate the

delegation of new ccIDNs

Breakdown for each EAG category:

4) NomCom Support

5) Root server Ops & RSSAC

6) Security activities & SSAC

4-NomCom support	2,197,637	4.0%

Provide travel resources as needed for NomCom members to meetings
Provide travel resources to candidates as needed
Provide secretariat and other administrative and technical support
Meeting and other support costs for NomCom meetings
solicit statements of interest from members of the global internet community
Conduct independent candidate evaluation and due diligence, using third party contractors as needed
An allocation of overhead costs such rent, human resources, accounting

5-Root Server Ops & RSSAC	2,650,241	4.9%

Technical and administrative support for RSSAC
Readiness building for DNSSEC for IANA-related zones
Operation and Maintenance of L-ROOT systems
Recurring bandwidth for colocation servers
An allocation of overhead costs such rent, human resources, accounting

6-Security activities & SSAC	2,924,278	5.4%

Technical and administrative support for SSAC
Provide Security Stability and Resiliency leadership efforts at ICANN
An allocation of overhead costs such rent, human resources, accounting

Plus financially significant projects such as:
Facilitate DNS stability review of applications for new gTLDs

Breakdown for each EAG category:

7) At Large Support & ALAC

8) TLG/IETF Support

9) Staff work for Board & Board Support

7-At Large Support & ALAC	3,735,206	6.9%
Secretariat support for ALAC		
Policy suport work for ALAC		
Outreach efforts to regional organizations		
Regional liaison efforts on behalf of the Internet community at large		
Translation of documents		
Interpretation costs for meetings and conference calls		
An allocation of overhead costs such rent, human resources, accounting		

8-TLG/IETF Support	2,463,846	4.5%
IANA functions		
IANA efforts to review Internet drafts		
An allocation of overhead costs such rent, human resources, accounting		

9-Staff work for Board & Board Support	7,164,604	13.2%
Travel support for Board members to ICANN meetings		
Travel support for Board members to workshops and other meetings		
Training for Board members		
Specialized software for Board		
Executive efforts to support Board actions and activities		
Staff support for Board members		
Conference calls		
An allocation of overhead costs such rent, human resources, accounting		

Breakdown for each EAG category:

10) Government relations & GAC support

11) Ombudsman

10-Government relations & GAC	3,733,409	6.9%

Secretariat support for GAC

Policy suport work for GAC

Outreach efforts for govermnental organizations

Regional liaison efforts with local governments

An allocation of overhead costs such rent, human resources, accounting

11-Ombudsman	451,376	0.8%

Salary, travel support, and administrative costs to operate office of the Ombudsman

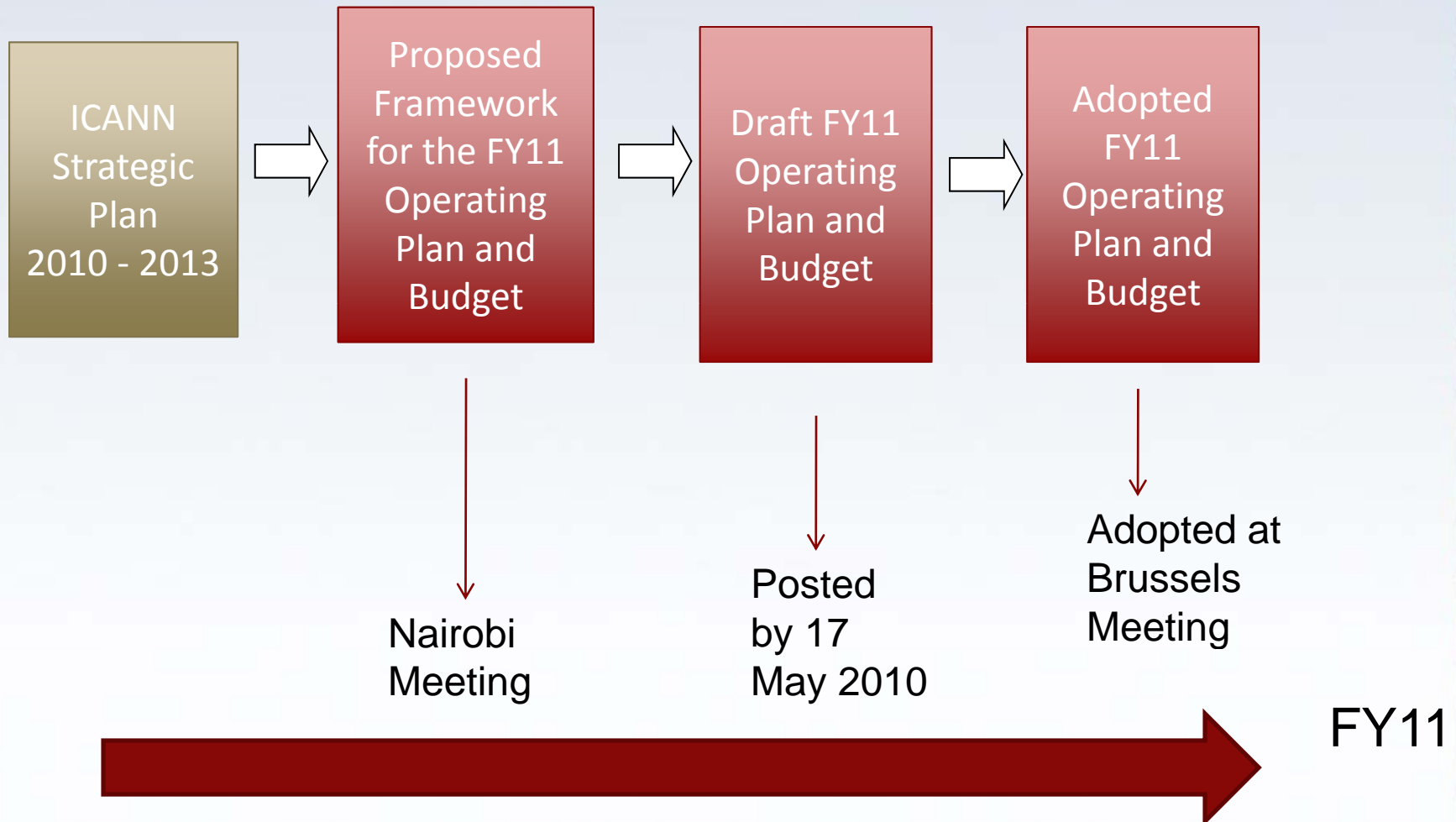| Cost Analysis for EAGs	Executive (%)	IANA Staff Member (%)	Registrar Support Staff Member (%)	Policy Staff Member (%)	GP staff member (%)
1 – Support for IP addressing, RIR related activities, and NRO/ASO support	5%	10%	0%	5%	15%
2 – Support for generic TLD activities and GNSO support	35%	10%	90%	5%	15%
3 – Country Code support and support for ccNSO activities	10%	20%	0%	75%	20%
4 – NomCom travel, direct support and staff support	0%	0%	0%	0%	0%
5 – Root Server Operations and support for RSSAC activities	0%	0%	0%	0%	0%
6 – Supporting SSAC activities and coordinating with Internet security efforts	5%	5%	0%	0%	8%
7 – At Large support & support for ALAC activities	5%	0%	0%	0%	7%
8 – TLG/IETF support	0%	50%	0%	0%	5%
9 – Travel and coordination for Board activities & staff support for meeting preparation	15%	5%	10%	5%	15%
10 – Government relations and support for GAC activities	25%	0%	0%	10%	15%
11 – Ombudsman	0%	0%	0%	0%	0%
Total Allocation	**100%**	**100%**	**100%**	**100%**	**100%**

Staff Labor Allocations for EAG categories

Expense Area Group Report Categories

Expense Area Group (EAG) Report categories	FY10 Budget	%
Support for IP addressing, RIR related activities, and NRO/ASO support	1,276,938	2.3%
Support for Generic TLD activities and GNSO support	18,694,791	34.4%
Country Code support and support for ccNSO activities	9,066,001	16.7%
NomCom travel, direct support and staff support	2,198,491	4.0%
Root Server Operations and Support for RSSAC activities	2,651,271	4.9%
Supporting SSAC activities and coordinating with Internet security efforts	2,925,414	5.4%
At Large Support & support for ALAC activities	3,736,657	6.9%
TLG/IETF Support	2,464,803	4.5%
Travel and coordination for Board activities & staff support for meeting preparation	7,167,387	13.2%
Government relations and support for GAC activities	3,734,859	6.9%
Ombudsman	451,551	0.8%
	54,368,164	100.0%

The Process

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│    ICANN     │   ⇨    │   Proposed   │   ⇨    │  Draft FY11  │   ⇨    │   Adopted    │
│  Strategic   │        │  Framework   │        │  Operating   │        │     FY11     │
│    Plan      │        │ for the FY11 │        │   Plan and   │        │  Operating   │
│ 2010 - 2013  │        │  Operating   │        │    Budget    │        │   Plan and   │
│              │        │   Plan and   │        │              │        │    Budget    │
│              │        │    Budget    │        │              │        │              │
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                               ▼                        ▼                        ▼
                           Nairobi                  Posted                  Adopted at
                           Meeting                  by 17                   Brussels
                                                    May 2010                Meeting
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FY11

The Process

ICANN Strategic Plan 2010 - 2013 → Proposed Framework for the FY11 Operating Plan and Budget → Draft FY11 Operating Plan and Budget → Adopted FY11 Operating Plan and Budget

Community Input
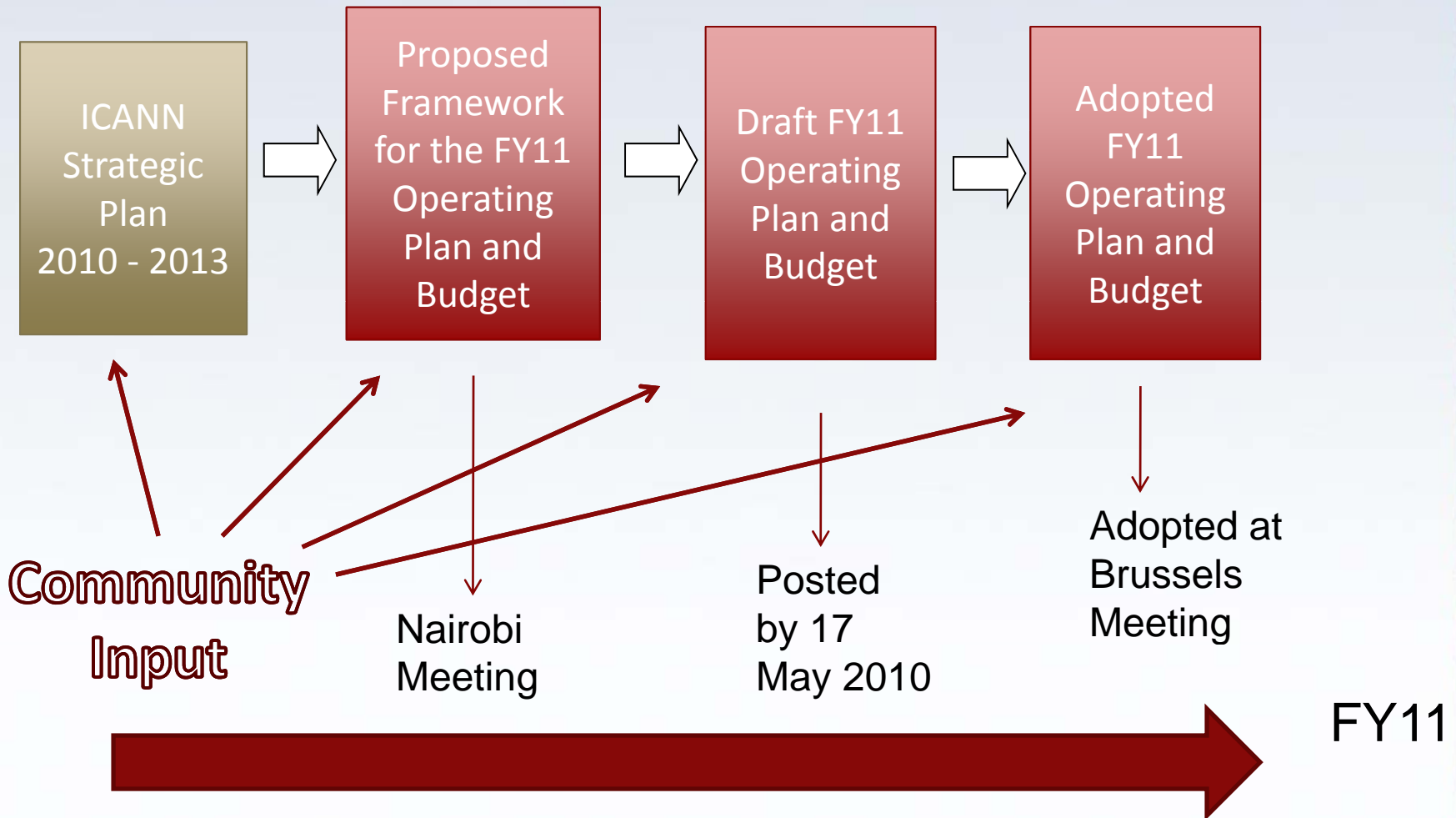
Nairobi Meeting

Posted by 17 May 2010

Adopted at Brussels Meeting

FY11

Next Steps

- Engage community into Strategic Plan and Operating Plan/Budget develop

- Continue progress made to enhance confidence and trust; reporting/controls

- Ensure feedback loop between plans and budget is robust

- Explore strategic revenue balancing efforts for all current sources and others

Questions?

감사합니다 **Thank You**