Expense Area Group (EAG) Reporting

23 June 2009

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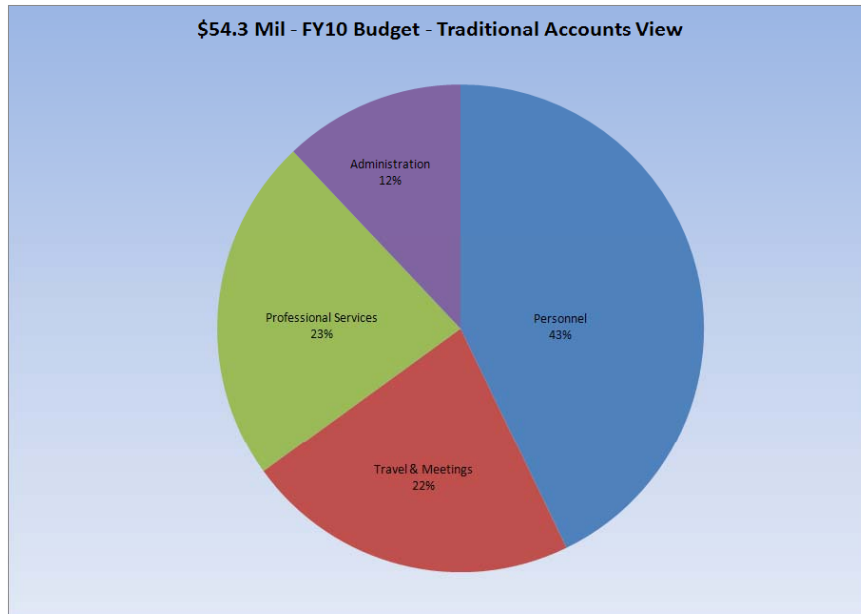
Chief Financial Officer

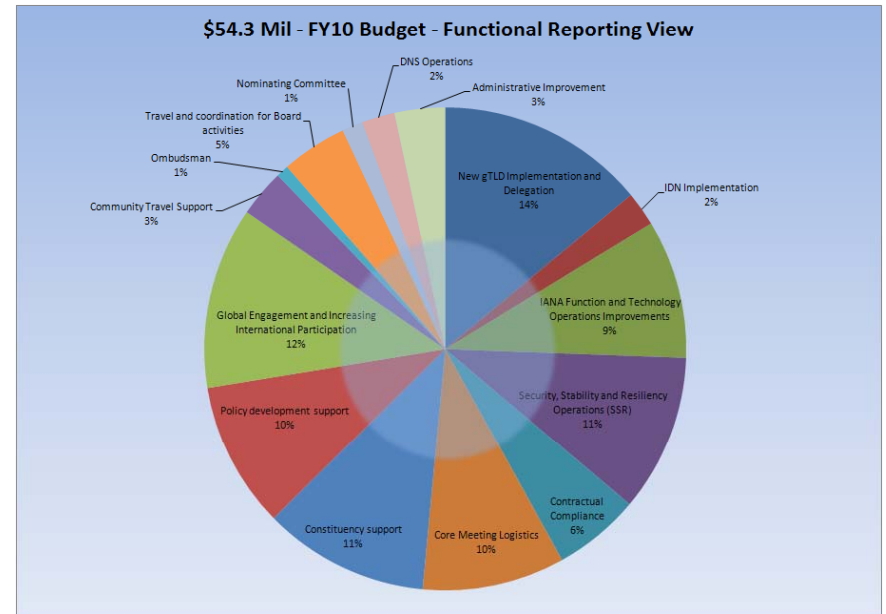# Expense Area Group (EAG) Reporting

- Traditional/natural account reporting, historically used

- Honoring goal for increased transparency, dashboard was introduced on ICANN's website.

- In FY09, in response to community, functional reporting view was added

- Now, in response to further community requests to show expenses by interest area, Expense Area Group (EAG) reporting is now open for public comment

Traditional View and Functional View
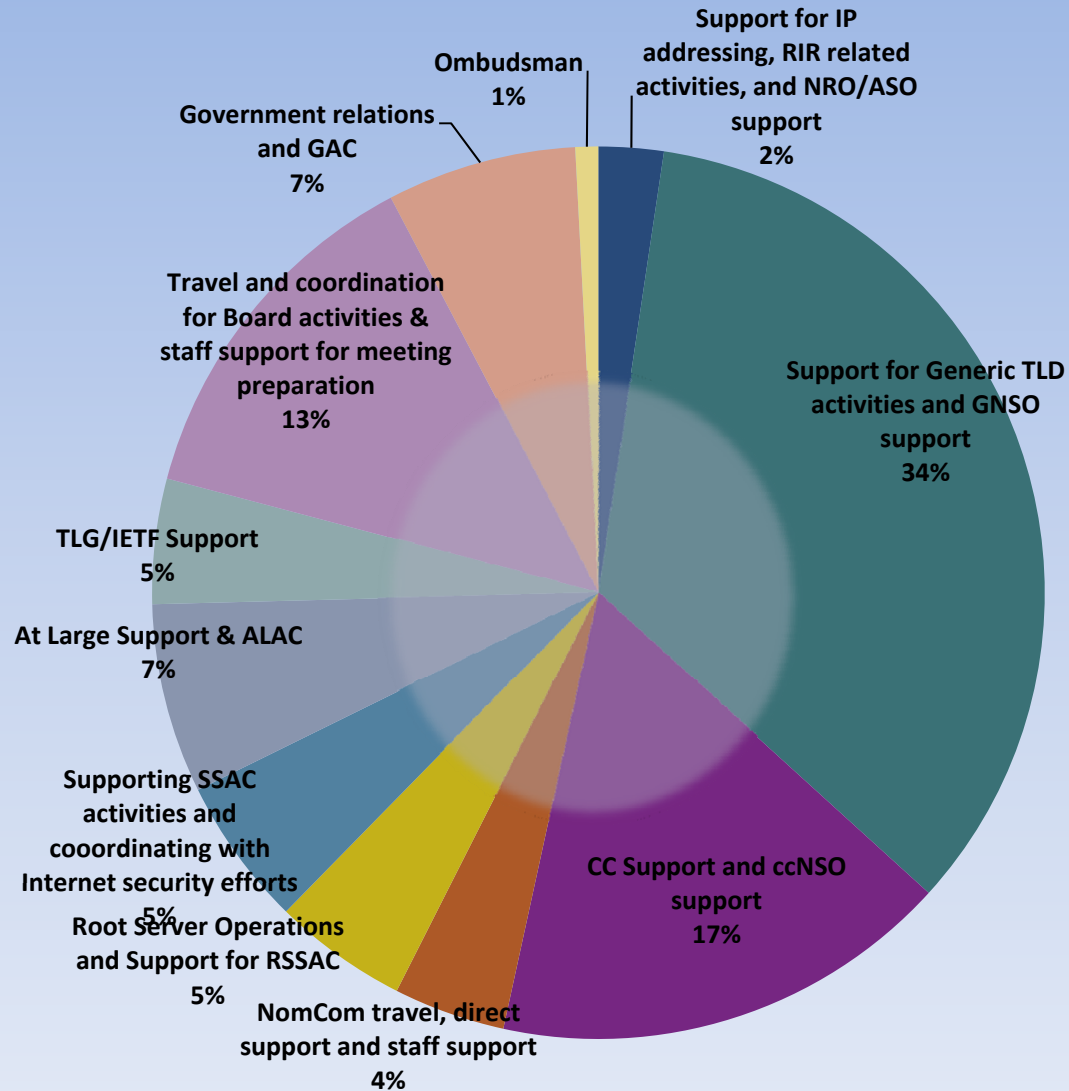
Traditional accounts view

$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**

- Nominating Committee 1%
- DNS Operations 2%
- Administrative Improvement 3%
- Travel and coordination for Board activities 5%
- Ombudsman 1%
- New gTLD Implementation and Delegation 14%
- IDN Implementation 2%
- Community Travel Support 3%
- 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 now on dashboard and budget

$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%

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%

Support for Generic TLD activities and GNSO support
34%

CC Support and ccNSO support
17%

5 EAG view open for public comment

Expense Area Group (EAG) Reporting

- Why? Brief historical background

- What? Identify categories of interest

- How?   Explain cost accounting methodology

- When? Next steps

Traditional accounts view (natural accounts) is the way ICANN's budget is viewed historically.

- Imagine a simple household budget: housing, food, clothing, transportation, etc.

	FY 2009		FY 2010
	BUDGET	FORECAST	BUDGET
Total Revenue	$ 60,674,000	$ 58,103,000	$ 63,641,600
EXPENSES			
Personnel	19,880,664	19,825,000	23,286,968
Travel & Meetings	12,481,605	9,787,000	12,065,305
Professional Services	11,885,616	11,490,000	12,455,864
Administration	7,566,468	5,775,000	6,558,660
Operating Expenses	$ 51,814,353	$ 46,877,000	$ 54,366,796
Non Cash Expenses			
Bad Debt Expense	1,200,000	1,022,000	1,400,000
Depreciation	865,000	430,000	1,500,000
Investment loss		2,500,000	-
	2,065,000	3,952,000	2,900,000
Total Expenses	$ 53,879,353	$ 50,829,000	$ 57,266,796
Contingency	$ 3,250,000	$ -	$ 1,500,000
Total Expenses w/ Contingency	$ 57,129,353	$ 50,829,000	$ 58,766,796
Change to Reserve Fund	$ 3,544,647	$ 7,274,000	$ 4,874,804

Functional reporting

- Functional reporting view shows the purposes behind spending, e.g., new gTLDs, IDNs, contractual compliance:
- Imagine a simple household budget:
  - entertainment (with cuts across categories to include transportation, food, and direct hotel), or
  - education costs (with cuts across categories to include transportation, books, and direct tuition)
- Monthly functional reporting now on dashboard.
- FY10 budget includes functional view.
- Plans for functional budget-actual variances in FY10

MAY-09 Functional Report

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On dashboard
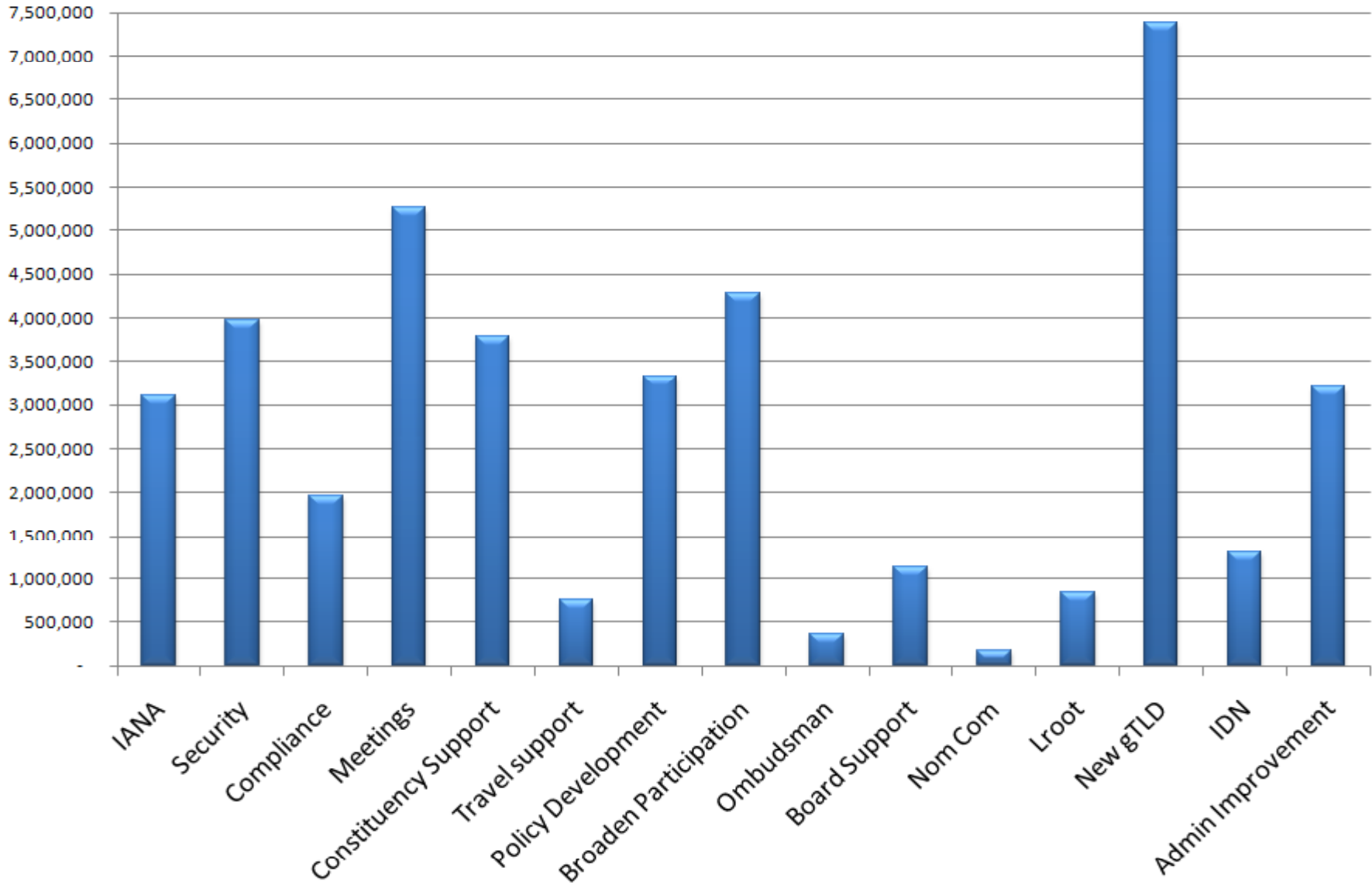
Expense Area Group (EAG) Reporting

- Community feedback is positive for functional reporting, but want more

- Requests for further breakdown, such as:
    - How much is spent for gTLDs and GNSO
    - How much is spent for ccTLDs and ccNSO

- Developed EAG reporting of spending for each interest area.

- Imagine a simple household budget: by household member cutting across categories such as rent, food, clothing.

- In order to account for 100% of ICANN spend, needed to select a model with mutually exclusive but complete categories

Expense area groups are based on posted ICANN organizational structure.
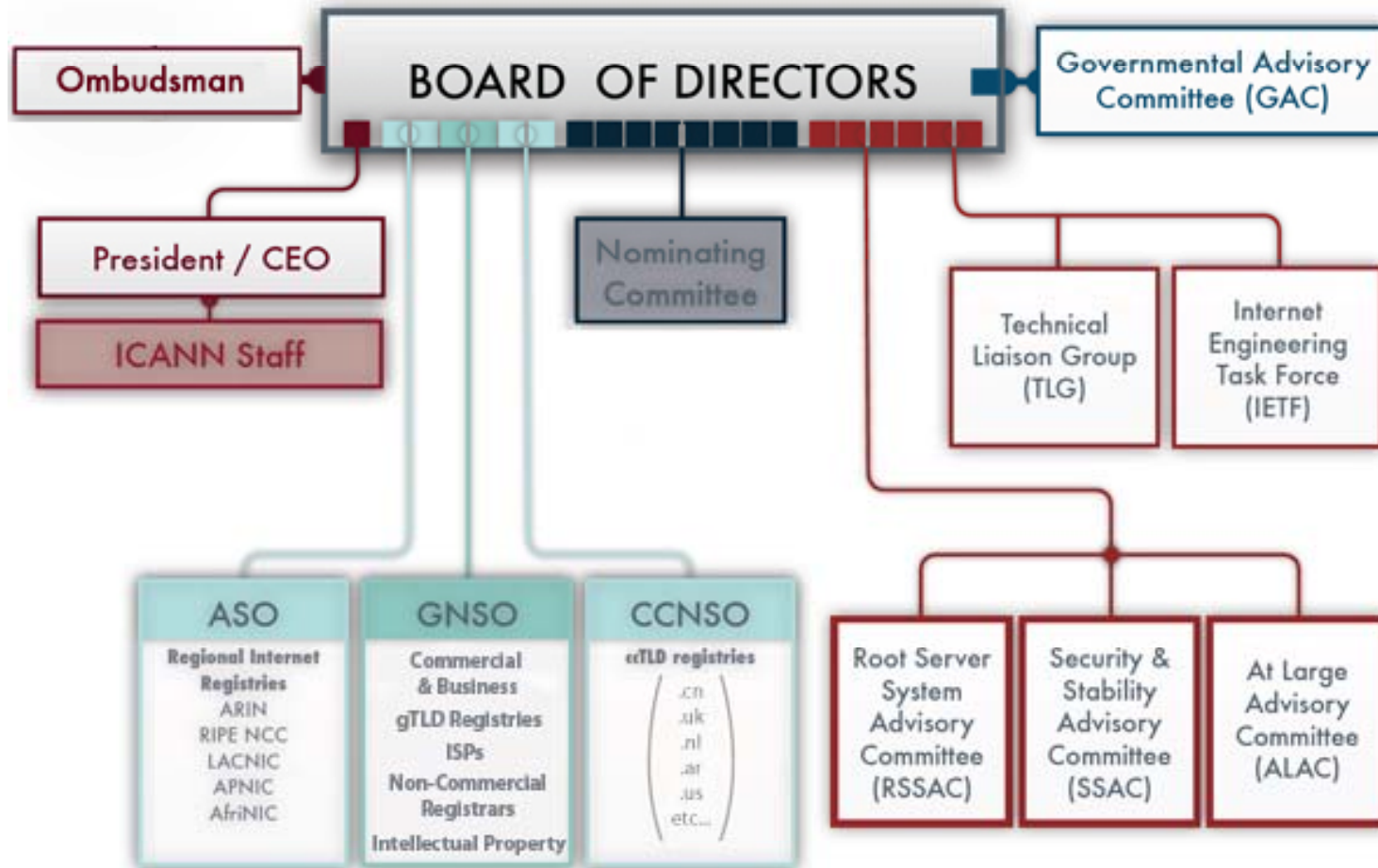
Expense Area Group (EAG) Categories

Expense Area Group (EAG) Report categories	FY10 Budget	%
Support for IP addressing, RIR related activities, and NRO/ASO support		
Support for Generic TLD activities and GNSO support		
Country Code support and support for ccNSO activities		
NomCom travel, direct support and staff support		
Root Server Operations and Support for RSSAC activities		
Supporting SSAC activities and coordinating with Internet security efforts		
At Large Support & support for ALAC activities		
TLG/IETF Support		
Travel and coordination for Board activities & staff support for meeting preparation		
Government relations and support for GAC activities		
Ombudsman		
	54.3 mil	100%

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%

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Next steps

- Community feedback encouraged on EAG reporting
    - Online fora
    - Meetings or conference calls
    - Meeting in Sydney

- Then, consider, with BFC, what, when and how to report

- Any questions?

Thank you