



FY13 Budget Initial Consultation

From Framework to Adopted Budget

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Mission of the Budget Process

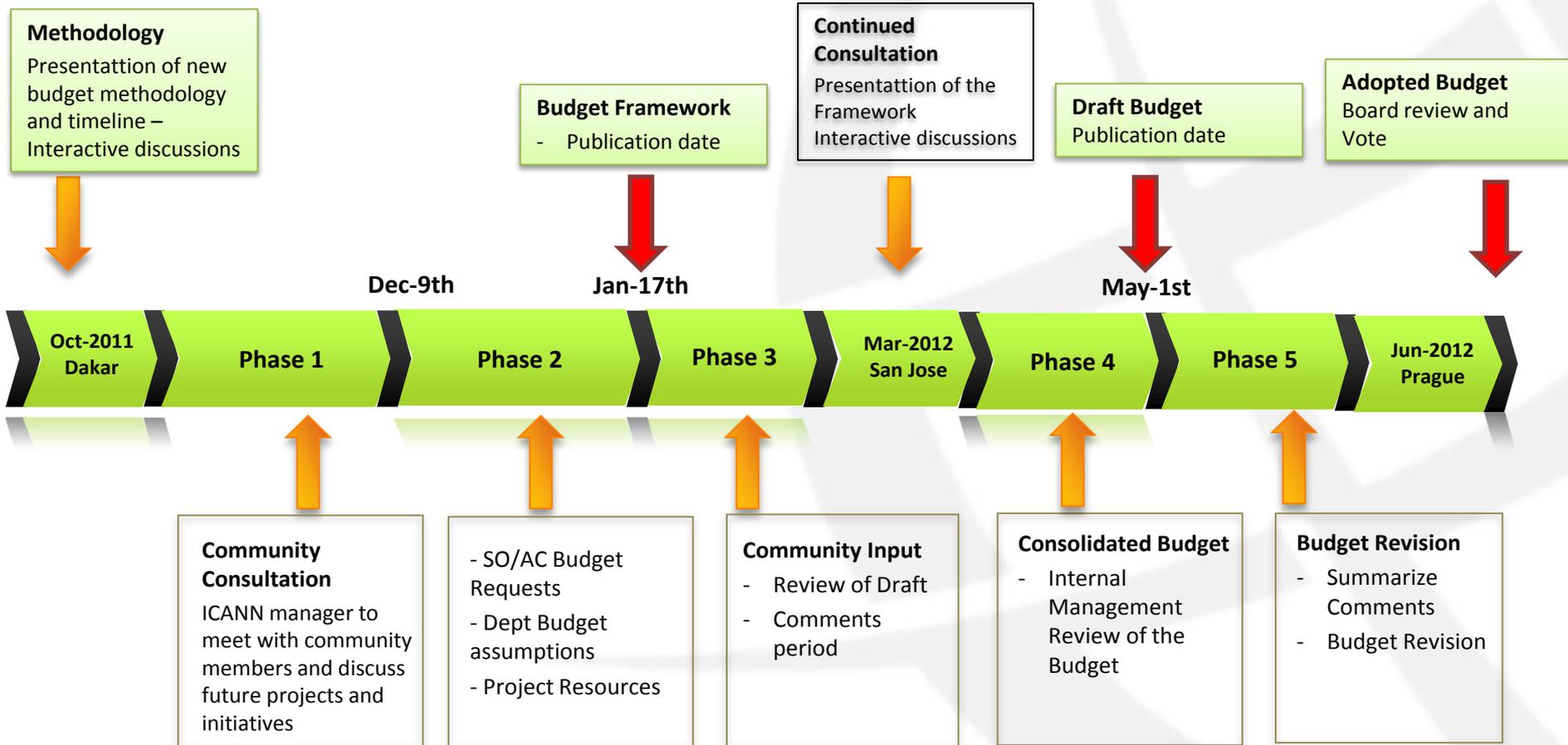
The budget process should accomplish the following:

- Allocate limited resources among competing demands
- Provide the ICANN community with the key components of the budget
- Discussion and Feasibility of Projects Prioritization by the Community
- Obtain stakeholders support for the overall budgeting process

FY13 Budget Milestones

- 23-28 Oct 2011 Dakar – Initial consultation with Community
- 9 Dec 2011 – Closing period for SO/AC Stakeholder support services request
- 17 Jan 2012 – Budget Framework posting
- 11-16 Mar 2012 San Jose – Continued consultation with Community
- 1 May 2012 – Draft Ops Plan and Budget posting
- 24-29 June 2012 Prague – Final consultation and adoption budget

Planning and Timeline



FY13 Framework Format

Introduction

- The Planning Process
- FY13 – FY15 Outlook
- FY13 Revenue Forecast
- FY13 Core Operations Forecast
- FY13 Community Special Requests (SO/AC/SG)
- FY13 Projects List / (incl. new gTLD)

Budget Structure

- Natural view: by expense categories
- Functional view: by organizational activities
- EAG view: by stakeholder groups
- Composite view: Core / Project / Major activities

Natural view

Natural view

Personnel

Compensation
Employee Benefit
Other Personnel Costs

Travel & Meetings

Airfare
Lodging & Meals
Other travel & meetings

Professional Services

Administration

Facilities
Other Administration costs

- This view focuses on the expenditures category and is prepared along the departmental lines
- The accountability is placed on the inputs/resources and not on the outputs/results

Functional view

Functional view

- 1-New gTLD pre-Launch
- 2-IDN Programs
- 3-IANA and Technology Operations Improvements
- 4-Security, Stability and Resiliency Operations(SSR)
- 5-Contractual Compliance
- 6-Core Meeting Logistics
- 7-Community Support
- 8-Policy Development Support
- 9-Global Engagement and Increasing International Participation
- 10 - Organization Effectiveness and Excellence
- 11-Ombudsman
- 12-Board Support
- 13-Nominating Committee (NomCom) Support
- 14-DNS Operations
- 15-Organizational reviews

- This view focuses on ICANN organizational activities
- This view enables the public to understand in service and activity terms what ICANN does and how to measure its performance

Expense Area Groups (EAG)

Expense Area Groups (EAG)

1-ASO
2-GNSO
3-CCNSO
4-NomCom
5-RSSAC
6-SSAC
7-ALAC
8-TLG/IETF
9-Board
10-GAC
11-Ombudsman

- The Expense Area Group (EAG) view allows stakeholders and others to have a better understanding of their impact on ICANN overall
- The view represents the expenses necessary to support the activities related to a stakeholder or interest group

Composite View

Strategic
Projects
(including New gTLD)

Community
Special
Requests

Core Operations

- The Composite view focuses on both inputs/resources and outputs/results
- This view allows stakeholders to review the spending implications of policy decisions

Core Operations Budget

Community Basic Support

Business Excellence

Organization Effectiveness and Improvement

Organizational Activities
(IANA, SSR, Policy, DNS, Compliance, etc...)

Administration & Infrastructure support

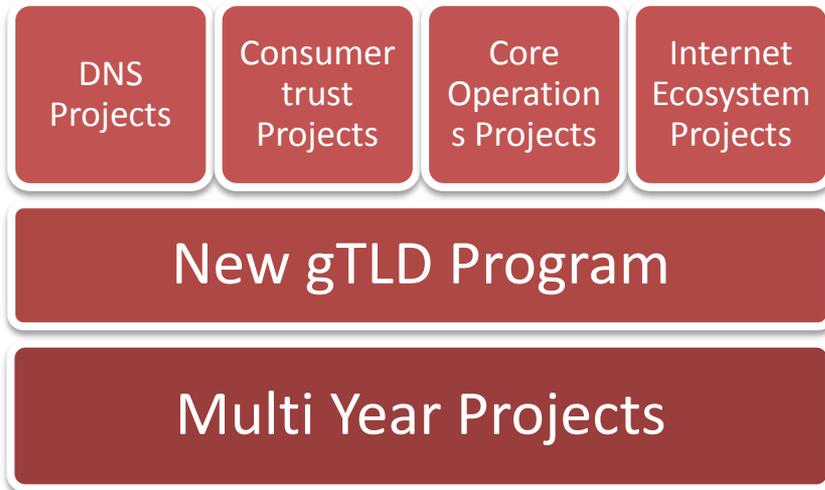
Strategic Projects
(including New gTLD)

Community Special Requests

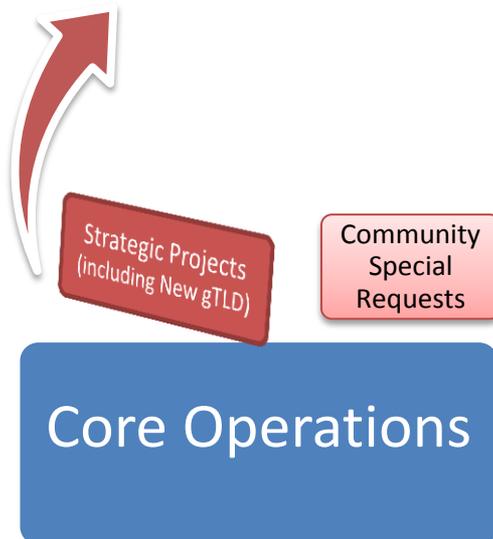
Core Operations

- The Core Operations Budget represents the recurring activities
- This is a reflection of costs to operate ICANN and can be assimilated as a base budget or the starting point

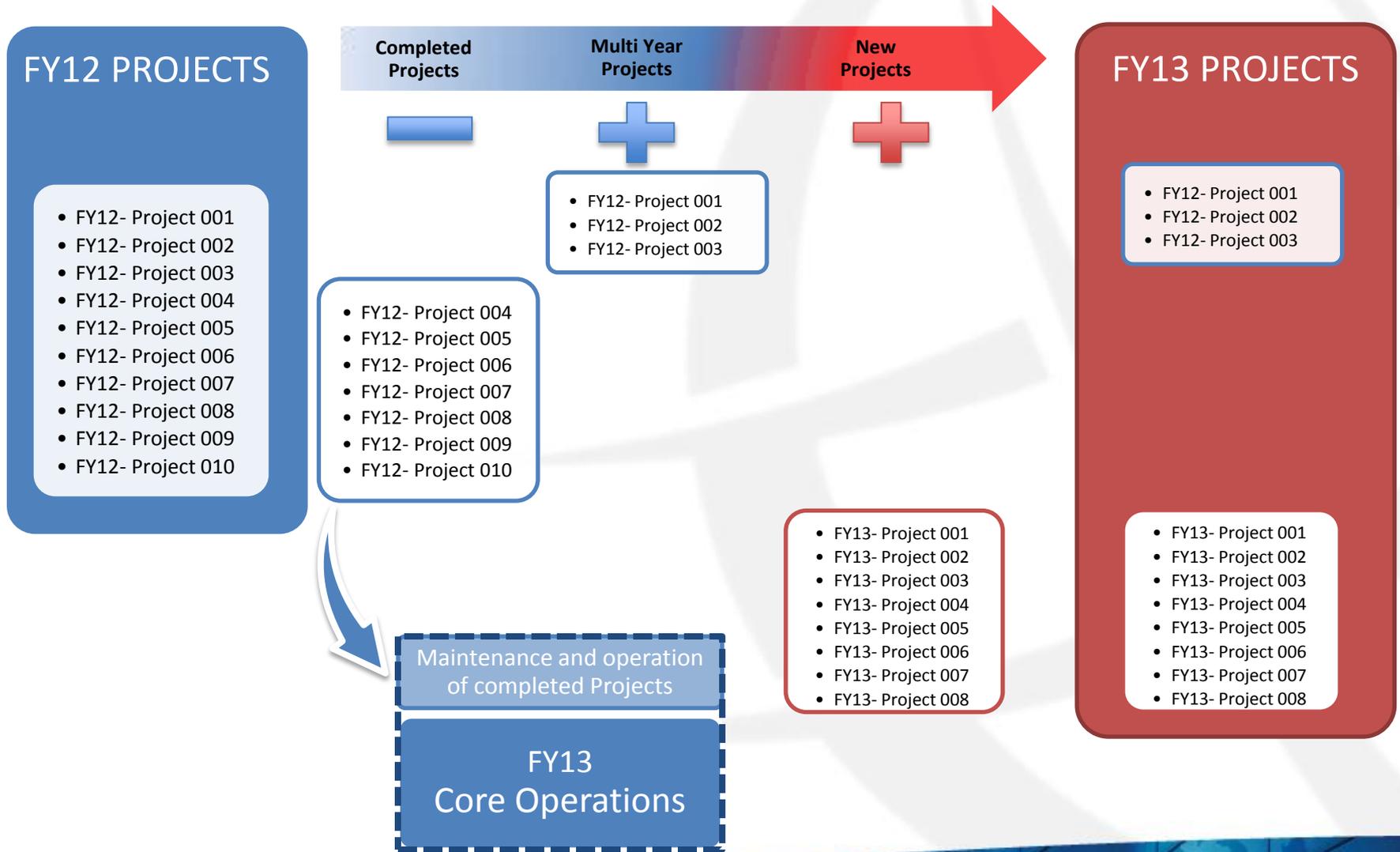
Strategic Projects



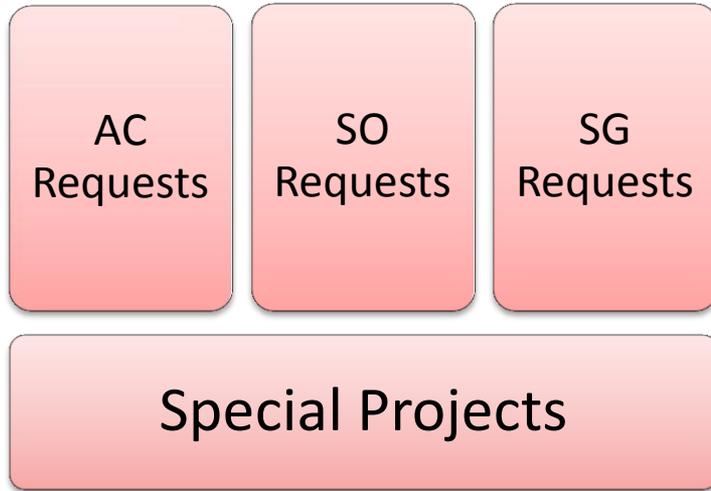
- A strategic project is a cross-departmental effort with a specific end that is undertaken to achieve a specific objective defined in the Strategic plan
- The Projects prioritization will involve the community via public comment and survey



Strategic Projects Roll Forward



Community Requests



- Budget requests for special projects and support services from various parts of the ICANN community are part of the budget process



Revenue and Funding Considerations

- **Financial resources from generic Registries and Registrars**
 - Registries fees are based upon individual contracts with fixed and transactions fees
 - Registrar fees consist of application, accreditation and transactions fees
 - Discussions should be held with Registry/Registrar community about appropriate transaction volumes estimates and transaction fee
- **Contributions from Regional Internet Registries (RIR)**
 - The amount has been steady for the last couple years
- **Contributions from the ccTLD**
 - Many ccTLDs have entered agreements with ICANN including exchange of letters, accountability frameworks, and sponsorship agreements
 - Voluntarily contributions from ccTLD managers are received based on a cost analysis to cover the Fast Track Process and the development of IDN activities
- **Meeting Sponsorships Revenue**
 - Meeting sponsorships are available for companies wishing to contribute to the ICANN meeting experience. The income is used to offset the overall costs of the meetings

Process Summary

- Consultative process on the timeline
- Solicit Community Input for support services
- New approach to Budget Framework
 - Ongoing work and core activities (base costs)
 - Strategic projects and initiatives (menu of items)
- Earlier and extended Community feedback period
 - Focus on early input/feedback
 - Prioritization of projects and initiatives
 - Operating Plan activities in more accessible format
 - Multi-year forecast
- Draft Budget available earlier by May 1st



Questions & Interactive Session

Community Input Period

- SO/AC Stakeholder support services request
From Dakar Meeting to 9 Dec 2011
- Comment and Projects prioritization
From Budget Framework to Draft Budget
17 Jan 2012 to 1 May 2012
- Comment and Projects prioritization
From Draft Budget to Board Review and Adopted Budget
1 May 2012 to 30 June 2012

Public Comments Process Enhancements

- **Stratification**

Categorize topics to assist the community understand the subject matter and inform a participation decision

- **Prioritization**

Assist community members in determining the importance or urgency of a solicitation by providing key information

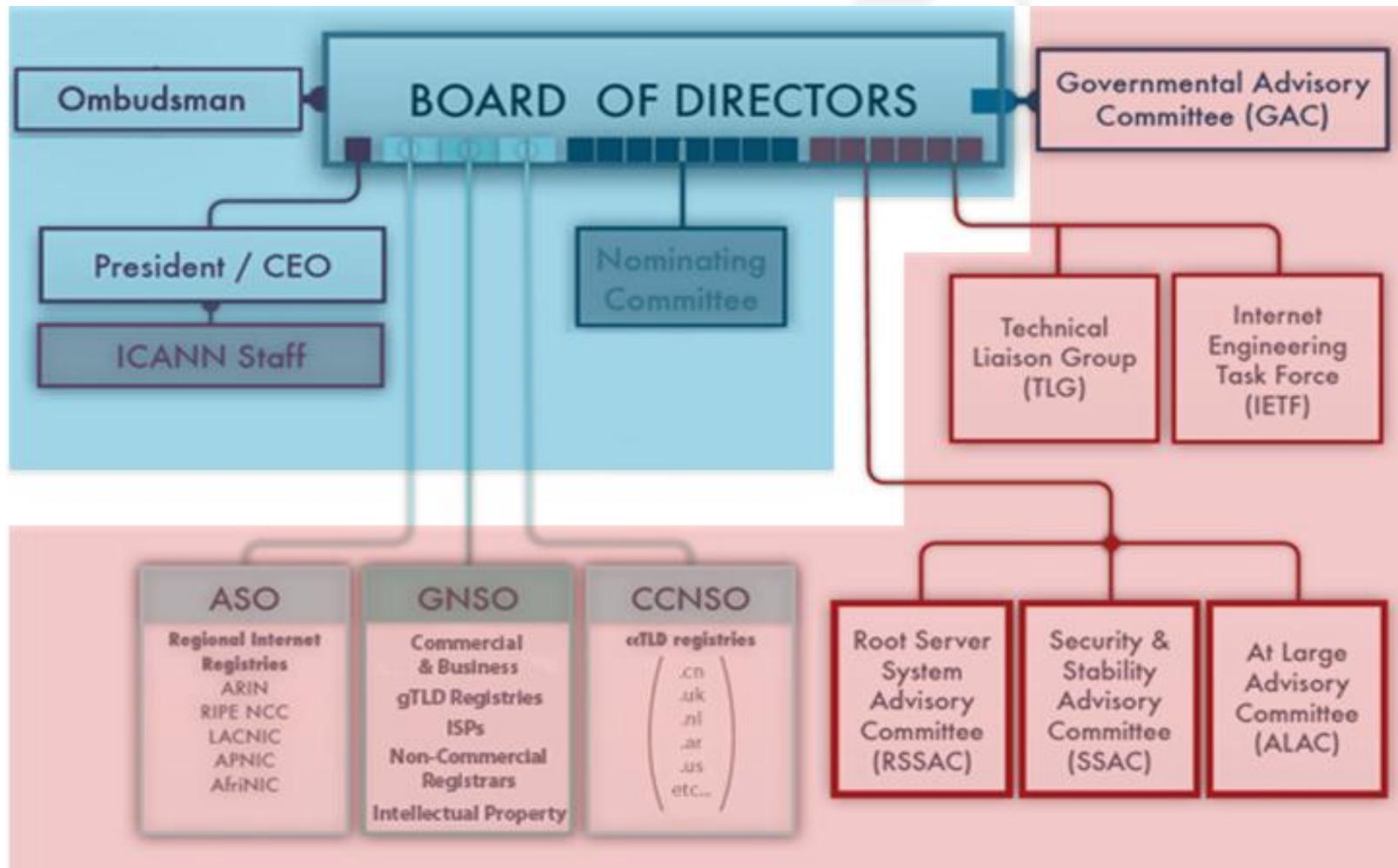
- **Comment/Reply Cycles**

Structure the community's input process into an initial period for submitting new comments followed by a separate reply period during which community respondents would be able to address and rebut arguments raised in opposing parties' previous comments

- **Technical Forum Improvements**

Implement a modern forum software interface that will allow instant interaction and threaded discussions between commenters if the participants would like to post their opinions in this manner

Stakeholders Report





Thank you

Appendices

FY12 Budget

Traditional View

(in US dollars)	FY12 DRAFT BUDGET	FY11 FORECAST	FY11 BUDGET
Registry	\$34,753,000	\$32,772,000	\$32,647,000
Registrar	\$30,902,000	\$29,803,000	\$29,159,000
RIR	\$823,000	\$823,000	\$823,000
ccTLD	\$1,600,000	\$1,600,000	\$1,600,000
IDN ccTLD	\$780,000	\$780,000	\$780,000
Meeting Sponsorships	\$900,000	\$1,283,000	\$500,000
Revenue	\$69,758,000	\$67,061,000	\$65,509,000
Compensation	\$23,844,000	\$19,847,000	\$20,846,000
Employee Benefit	\$2,857,000	\$3,286,000	\$2,512,000
Other Personnel Costs	\$2,508,000	\$2,880,000	\$3,088,000
Airfare	5,138,000	\$4,035,000	\$4,111,000
Lodging & Meals	3,404,000	\$2,950,000	\$3,048,000
Other travel & meetings	4,452,000	\$4,927,000	\$3,920,000
Professional Services	17,276,000	\$16,412,000	\$15,191,000
Facilities	\$2,100,000	\$1,950,000	\$2,109,000
Other Administration costs	\$5,421,000	\$4,877,000	\$4,462,000
Operating Expenses	\$67,000,000	\$61,164,000	\$59,287,000
Bad debt expense	\$900,000	\$781,000	\$1,400,000
Depreciation	\$1,800,000	\$1,408,000	\$1,200,000
Operating Income/ (Loss)	\$58,000	\$3,708,000	\$3,622,000
Investment Income/ (Loss)	\$2,600,000	\$5,000,000	\$1,000,000
Change in Net Assets before Contingency	\$2,658,000	\$8,708,000	\$4,622,000
Contingency	\$2,500,000	\$0	\$1,500,000
Change in Net assets	\$158,000	\$8,708,000	\$3,122,000

FY12 Budget

Functional View

Operating Expenses in Functional View(in Thousands of US Dollars)

Organizational Activities	FY12 Draft Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
1-New gTLD pre-Launch	6,185	7,568	6,683	(498)	-7.5%
2-IDN Programs	1,650	1,480	1,365	285	20.9%
3-IANA and Technology Operations Improvements	6,540	5,649	5,804	736	12.7%
4-Security, Stability and Resiliency Operations(SSR)	7,836	6,909	7,087	749	10.6%
5-Contractual Compliance	4,250	3,163	3,399	851	25.0%
6-Core Meeting Logistics	5,822	5,525	5,255	567	10.8%
7-Community Support	8,947	8,273	8,068	879	10.9%
8-Policy Development Support	6,825	6,246	6,421	404	6.3%
9-Global Engagement and Increasing International Participation	8,006	6,072	6,792	1,214	17.9%
10 - Organization Effectiveness and Excellence	455	189	-	455	n/a
11-Ombudsman	562	597	562	-	0.0%
12-Board Support	3,462	3,189	2,647	815	30.8%
13-Nominating Committee (NomCom) Support	844	785	820	24	2.9%
14-DNS Operations	2,645	3,131	2,185	460	21.1%
15-Organizational reviews	2,971	2,388	2,199	772	35.1%
Total Operating Expenses	67,000	61,164	59,287	7,713	13.0%

FY12 Budget

Consolidated Budget

(in US dollars)	No gTLD Launch		With gTLD Launch		FY12 Draft Budget With gTLD Launch
	FY12 Draft Budget No gTLD Launch		Core Operations & Projects	New gTLD	
Traditional Revenue	69,758,000		69,758,000	-	69,758,000
New gTLD Application Fees	-		-	27,565,000	27,565,000
Revenue	\$ 69,758,000		\$ 69,758,000	\$ 27,565,000	\$ 97,323,000
New gTLD Pre-Launch	6,185,000		3,932,000	-	3,932,000
Development finalization	-		1,880,000	-	1,880,000
ICANN Operations Readiness	-		3,973,000	-	3,973,000
Program Administration	-		-	1,528,000	1,528,000
Initial Evaluation	-		-	10,089,000	10,089,000
Quality Control	-		-	603,000	603,000
Fixed Costs	-		-	1,900,000	1,900,000
1-New gTLD Program	\$ 6,185,000		\$ 9,785,000	\$ 14,120,000	\$ 23,905,000
2-IDN	1,650,000		1,650,000	-	1,650,000
3-IANA	6,540,000		6,540,000	-	6,540,000
4-Security	7,836,000		7,836,000	-	7,836,000
5-Compliance	4,250,000		4,250,000	-	4,250,000
6-Meetings	5,822,000		5,822,000	-	5,822,000
7-Community Support	8,947,000		8,947,000	-	8,947,000
8-Policy Development	6,825,000		6,825,000	-	6,825,000
9-Global Engagement	8,006,000		8,006,000	-	8,006,000
10 - Organization Effectiveness	455,000		455,000	-	455,000
11-Ombudsman	562,000		562,000	-	562,000
12-Board Support	3,462,000		3,462,000	-	3,462,000
13-Nom Com	844,000		844,000	-	844,000
14-DNS Operations	2,645,000		2,645,000	-	2,645,000
15-Org Improvement	2,971,000		2,971,000	-	2,971,000
Operating Expenses	\$ 67,000,000		\$ 70,600,000	\$ 14,120,000	\$ 84,720,000
Bad debt expense	900,000		900,000	-	900,000
Depreciation	1,800,000		1,800,000	-	1,800,000
Operating Income/ (Loss)	\$ 58,000		\$ (3,542,000)	\$ 13,445,000	\$ 9,903,000
Investment Income/ (Loss)	2,600,000		2,600,000	-	2,600,000
Change in Net Assets before Contingency	\$ 2,658,000		\$ (942,000)	\$ 13,445,000	\$ 12,503,000
Contingency	2,500,000		2,500,000	-	2,500,000
Change in Net Assets before Reserves	\$ 158,000		\$ (3,442,000)	\$ 13,445,000	\$ 10,003,000
New gTLD Risk Reserve	-		-	(9,817,000)	(9,817,000)
New gTLD Historical Development Reimb	-		4,090,000	(4,090,000)	-
Reserves	\$ -		\$ 4,090,000	\$ (13,907,000)	\$ (9,817,000)
Change in Net Assets	\$ 158,000		\$ 648,000	\$ (462,000)	\$ 186,000



FY12 Budget

Community Requests

Request	SO/AC/SG	Activity	Approved Funding
FY12-6	SSAC	SSAC Retreat	\$ 80,000
FY12-7	SSAC	SSAC Meetings at IETF Meetings	\$ 10,000
FY12-8	SSAC	SSAC Member Travel	\$ 60,000
FY12-12	ALAC-AFRALO	Capacity Building and outreach for the AFRALO ALSes in Dakar	\$ 25,000
FY12-17	ALAC-NARALO	Regional survey research work on matters of policy importance to consumers in the NA region	\$ 5,000
FY12-21	ALAC-NARALO	Outreach video for YouTube, Blip.TV and other fora	\$ 1,000
FY12-22	ALAC-EURALO	Funding for EURALO F2F GA 2012 in Europe	\$ 25,000
FY12-23	ALAC-LACRALO	Funding for LACRALO GA: Core operations including IANA	\$ 25,000
FY12-37	GAC	ICANN meetings travel support	\$ 210,000
FY12-38	GAC	Outreach Support	\$ 250,000

FY12 Budget

Staffing Report

ICANN Staffing by Organizational Activities	FY12 Budget	FY11 Budget	FY10 Budget
1-New gTLD Implementation	15	14	16
2-IDN Programs	6	5	6
3-IANA and Technology Operations Improvements	18	17	18
4-Security, Stability and Resiliency Operations(SSR)	11	10	11
5-Contractual Compliance	15	13	15
6-Core Meeting Logistics	11	10	10
7-Constituency Support	17	16	17
8-Policy Development Support	22	20	20
9-Global Engagement and Increasing International Participation	19	16	19
10 - Organization Effectiveness and Excellence	2	2	2
11-Ombudsman	1	1	1
12-Board Support	6	5	5
13-Nominating Committee (NomCom) Support	2	2	2
14-DNS Operations	9	8	8
15-Organizational reviews	4	4	3
	158	143	153

FY12 Budget

Professional Services

Professional Services

Financial and administrative services	\$500,000
Legal services	\$2,715,000
Media and communication	1,500,000
Organization leadership support and others	700,000
WHOIS and other studies	1,000,000
Organization review and improvement	700,000
ATRT recommendations implementation	\$1,200,000
gTLD and IDN activities	\$2,540,000
IDN Variant analysis	\$900,000
IANA support	\$264,000
RDE & Registry services	\$1,974,000
Security & DNS activities	1,117,000
Technical support	580,000
Language services	\$1,586,000

FY12 Draft Budget

\$17,276,000

FY12 Budget

Administration Costs

Administration	FY12 Draft Budget
Facilities	\$2,100,000
Colocation & Insurance	\$1,280,000
Equipment & Software	\$530,000
Telecommunication & Network Connectivity	\$1,481,000
Office Administration	\$660,000
Contributions, Training & Conferences	\$1,020,000
Warranty & Support services	\$450,000
	\$7,521,000

FY12 Budget

Capital Budget

(in US dollars)	FY12 BUDGET	FY11 FORECAST	FY11 BUDGET	FY12 BUDGET change from FY11 BUDGET	
Business Applications	\$725,000	\$500,000	\$1,140,000	(\$415,000)	-36.4%
Infrastructure Improvement	\$430,000	\$200,000	\$290,000	\$140,000	48.3%
Business Continuity and Disaster Recovery	\$100,000	\$40,000	\$200,000	(\$100,000)	-50.0%
New TLD Application System	\$425,000	\$180,000	\$395,000	\$30,000	7.6%
IANA Automation	\$65,000	\$150,000	\$65,000	\$0	0.0%
Registry and Registrar Automation	\$125,000	\$50,000	\$115,000	\$10,000	8.7%
Participation and Engagement Infrastructure	\$250,000	\$55,000	\$110,000	\$140,000	127.3%
LRoot - Infrastructure Improvement	\$425,000	\$125,000	\$225,000	\$200,000	88.9%
Leasehold Improvement	\$1,530,000	\$0	\$0	\$1,530,000	N/A
Capital	\$4,075,000	\$1,300,000	\$2,540,000	\$1,535,000	60.4%

FY12 Budget

5 Years Historical Financial Report

(in US dollars)	FY12 BUDGET	FY11 FORECAST	FY11 BUDGET	FY10 Actual	FY09 Actual	FY08 Actual
Registry	\$34,753,000	\$32,772,000	\$32,647,000	\$31,915,000	\$24,536,000	\$19,636,000
Registrar	\$30,902,000	\$29,803,000	\$29,159,000	\$30,189,000	\$32,680,000	\$27,857,000
RIR	\$823,000	\$823,000	\$823,000	\$823,000	\$823,000	\$823,000
ccTLD	\$1,600,000	\$1,600,000	\$1,600,000	\$1,666,000	\$1,568,000	\$1,583,000
IDN ccTLD	\$780,000	\$780,000	\$780,000	\$236,000	\$0	
Meeting Sponsorships	\$900,000	\$1,283,000	\$500,000	\$939,000	\$637,000	\$834,000
Revenue	\$69,758,000	\$67,061,000	\$65,509,000	\$65,768,000	\$60,244,000	\$50,733,000
Compensation	\$23,844,000	\$19,847,000	\$20,846,000	\$19,040,000	\$14,439,000	\$12,064,000
Employee Benefit	\$2,857,000	\$3,286,000	\$2,512,000	\$2,952,000	\$2,513,000	\$2,142,000
Other Personnel Costs	\$2,508,000	\$2,880,000	\$3,088,000	\$2,966,000	\$2,816,000	\$2,540,000
Airfare	\$5,138,000	\$4,035,000	\$4,111,000	\$4,215,000	\$4,129,000	\$3,831,000
Lodging & Meals	\$3,404,000	\$2,950,000	\$3,048,000	\$2,984,000	\$2,608,000	\$2,665,000
Other travel & meetings	\$4,452,000	\$4,927,000	\$3,920,000	\$3,410,000	\$3,721,000	\$2,953,000
Professional Services	\$17,276,000	\$16,412,000	\$15,191,000	\$14,605,000	\$12,698,000	\$8,854,000
Facilities	\$2,100,000	\$1,950,000	\$2,109,000	\$2,245,000	\$1,580,000	\$1,281,000
Other Administration costs	\$5,421,000	\$4,877,000	\$4,462,000	\$4,605,000	\$4,845,000	\$3,417,000
Operating Expenses	\$67,000,000	\$61,164,000	\$59,287,000	\$57,022,000	\$49,349,000	\$39,747,000
Bad debt expense	\$900,000	\$781,000	\$1,400,000	\$140,000	\$837,000	\$259,000
Depreciation	\$1,800,000	\$1,408,000	\$1,200,000	\$1,485,000	\$1,105,000	(\$462,000)
Operating Income/ (Loss)	\$58,000	\$3,708,000	\$3,622,000	\$7,121,000	\$8,953,000	\$11,189,000
Investment Income/ (Loss)	\$2,600,000	\$5,000,000	\$1,000,000	\$4,316,000	(\$2,107,000)	\$0
Change in Net assets	\$2,658,000	\$8,708,000	\$4,622,000	\$11,437,000	\$6,846,000	\$11,189,000
Contingency	\$2,500,000	\$0	\$1,500,000			
Change in Net assets after Contingency	\$158,000	\$8,708,000	\$3,122,000	\$11,437,000	\$6,846,000	\$11,189,000

FY12 Budget

EAG Report

Analysis for Expense Area Groups (EAGs)		Amount	%
1-Support for IP addressing, RIR related activities and NRO/ASO support		1,340,000	2.00%
Portion of IANA personnel costs			
Policy support for the ASO			
Global engagement with regional RIRs			
An allocation of overhead costs such as rent, human resources and accounting			
2-Support for Generic TLD activities and GNSO support		23,290,000	34.90%
Personnel and other costs required to support gTLD registries and registrars			
Contractual compliance for registrars and registries			
Policy work and secretariat support for the GNSO			
Data escrow services for registrants (through registrars)			
IANA functions services for generic registries			
Security, stability, and resiliency efforts for registry/registrar issues			
New gTLD implementation project			
An allocation of overhead costs such as rent, human resources and accounting			
3-Country Code support and support for ccNSO activities		10,444,000	15.59%
IANA functions services for country code registries			
Local presence in regions, engagement with ccTLDs, regional organizations			
Policy work and secretariat support for the ccNSO			
Manage the IDN ccTLD Fast Track operations			
An allocation of overhead costs such as rent, human resources and accounting			
4-NomCom travel, direct support and staff support		2,278,000	3.40%
Provide travel resources for NomCom members and candidates			
Provide secretariat and other administrative and technical support			
Develop informational materials, conduct outreach, event coordination to 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 as rent, human resources and accounting			
5-Root Server Operations and Support for RSSAC activities		3,201,000	4.78%
Technical and administrative support for RSSAC			
Readiness building for DNSSEC for IANA-related zones			
Operation and Maintenance of L-ROOT systems			
Recurring bandwidth for co-location servers			
An allocation of overhead costs such as rent, human resources and accounting			

FY09 Framework

~ 20 PowerPoint slides

- Planning cycle and process
- Budget Building blocks
- Key Initiatives summary table
- Summary Budget table

FY10 & FY11 Framework

~ 40 Pages Document

- Planning cycle and process
- Detailed work Plan
- Detailed Operating expense budget
- Financial Reports
 - Forecast statement of Revenues and Expenses
 - Historical Comparison of Budgets and Actuals
 - Budget Allocation by Strategic Priority and Principle

FY12 Framework

~ 20 PowerPoint slides

- Community Budget Requests (process)
- Budget Building blocks
- Forecast statement of Revenues and Expenses
- Core Operations activities list
- Key Projects list
- New gTLD Application process activities list