
Good afternoon everyone and welcome to the session for the Framework for The FY12 Operating Plan and Budget. We would just like to let everyone know that this session will be recorded and if there are any remote participants, please do chat your questions or comments and we will address those at the end of the session. Thank you.

Juan Ojeda:

Good afternoon everyone, thank you for joining us here in person at the ICANN meeting as well as everybody who is on Adobe connect. I'll just take a couple of minutes and introduce myself for some of those who may not know me. My name is Juan Ojeda and I'm the Controller for ICANN; and I'd also like to present the rest of the team. Joining me today is Aba Diakite, who is our finance manager in ICANN staff; as well as Miss Janice Douma Lange, who really is the car that keeps all of us together; so thank you for our team that's joining us here today.

So today we're here to speak about the framework for the Fiscal Year 12 Operating Plan and Budget. This was posted on the 18th of February, and hopefully some of, if not all of you, have had a chance to take a look at it. And right off the bat you may notice that it looks a little bit different than it has in the past. The primary driver for that has been based on community feedback.

The input that we've received in the past has been that the framework to the draft process was pretty much a half baked; the

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framework was pretty much a half baked version of the draft and the community felt that they needed more input; they wanted more input, not just into the budget, but into the actual development of the draft budget.

So hearing that input, that advice, we've decided to provide more of a true framework for the budget development going over some of the bigger issues, the bigger topics – core operations and other initiatives and projects that we're taking on to allow community to provide input and commentary and some prioritization into those projects; rather than commenting on the draft budget.

So with that, we'll go over the agenda. First item we'll be discussing is the enhanced approach that finance has taken on in the development of the budget framework; allowing for more input and earlier input from communities, as well as a revised look at how we're looking at our budget. The individual elements of the fiscal year 12 budget framework – we'll be going over revenue, expenses as well as the new gTLD launch scenarios.

I know there were some community questions on that so we'll be addressing those in this meeting as well. And finally, we'll be addressing how to go over the next steps – how to engage the community, more involvement from them and finally at the end we'll open it up for a Q&A.



So, to honor ICANN's commitment to allow for earlier and more active participation from the community, we have opened up the period to one meeting earlier into community involvement into the development of the budget. Back in late last year, October or November of last year we had community kickoff sessions with all the SO, and AC and constituency groups to ensure that the process was understood and where the role of each constituency group fell into the development.

Policy staff liaisons have been working with each of these groups to validate and adequately assess the level of basic support services that we've been providing to all the constituency groups; to take a fresh look at them and ensure that the services that we are providing on a year to year basis provide the adequate support they need to be able to perform their function.

We also had one on one community sessions in Cartagena with the community and I believe tomorrow we'll also be having some more one on one sessions with the community. So what we're trying to do here is promote the engagement of the community into the development, not just provide commentary on the results.

One way that we're revising the budget view at ICANN is we'll be looking at it more from a core operations – how much does it cost, how many resources does ICANN need to be able to support all these other projects and initiatives that we take in response to community input. We'll be presenting the budget in this view. So



as you can see on the screen, if you look at the total budget on a graphic basis, core operations will be a big piece of the resource allocation.

Once we've established what the proper core operation support level is, then we'll be adding on additional resources to take on these projects that again, are in response to community need and input. On top of that, for this coming Fiscal year, we'll be having the new gTLD. And as we'll cover in a future slide, there are a couple of scenarios that we've presented for next year's Fiscal year framework; basically two different cases if assuming there is no new gTLD launch during fiscal year 12 and assuming that the new gTLD launch does in fact go live in fiscal year 12; so we'll be going over that in more detail. Any questions so far?

So this is the big picture of the fiscal year 12 budget framework. I'll take a couple of minutes to explain this – I know there was community confusion in regards to this. So the middle column on fiscal year 12 framework without new gTLD launch – this is a scenario again that assumes nothing happens in terms of going live with the new gTLD launch.

You'll notice, right towards the middle, new gTLD projects. If the New gTLD Program does not launch in fiscal year 12 there will still be a cost that needs to be allocated to the continued development of the process to ensure that we go live. So I know there may be some confusion, so that's what that line item is and



that's consistent with prior years in terms of continuing to develop and ensure the operability of the processing of applications.

The right hand column – that assumes that there is a new gTLD launch. So for sake of clarity, we've carried over the \$6.79 million and combined it with an additional \$35.97 million, which we're projecting or we're budgeting will be the total cost we'll be incurring in processing the new gTLD launches. So if you do the quick math, it's about \$42 million.

First we'll be going over the revenue framework. We met, in the development of this we met with the registry and registrar liaison team as well as with the senior vice president of stakeholder relations to develop this. This reflects a modest 2% growth in registrations as well as assuming that the registrar agreements are fully adopted at 2009 levels, which again I won't go over, I won't regurgitate the actual framework that's posted on the website, but that's the essence of the revenue assumption so that's the culmination of these discussions that we've had.

And between now and the development of the draft budget, and into the final proposed budget for adoption in June, we'll continue analyzing this information with various registries and registrars to ensure that we have the most current data to provide more accurate information. You have a question?



Chuck Gomes: Chuck Gomes from VeriSign. What's the run rate on the increase in registry/registrar revenue for the current fiscal year and is that what you based the 2% on?

Juan Ojeda: I don't – in terms of quantity, I don't have that with me but I can certainly circle back with you. But what we've included up there is we have the actual fiscal year budget and the current forecast for fiscal year 11. So if you're looking at it from a dollars perspective, we are slightly above the budget numbers; again, based on an analysis that we made with the registry and registrar liaisons. In terms of number of registrations, overall we're projecting we're going to be up 2%. So if you need more additional information we can certainly...Thank you.

Now looking at operating expenses and we have them broken out by the traditional line items that we report on our financial audit, financial report. You'll see on the right hand column fiscal year 11 budget – that was approved by the Board, including the \$1.5 million contingency. Current fiscal year 11 forecast – you can tell that it's pretty much running on line with the fiscal year budget; and then the new framework assuming no new gTLD launch.

And consistent with how we discussed in an earlier slide about the different view that we have, that we're taking on with the budget – in the framework we're allocating or budgeting \$51.9 million to fund ICANN core operations. That just basically means the finance team for example, HR, legal team, rent, facilities – things



of that nature, things that are not necessarily project specific. On top of that on the framework we've allocated \$11.1 million to take on various projects, which you'll see in a future slide. And then again, the \$6.8 million, assuming no new gTLD launch in fiscal year 12 that is allocated for the continued development of the processing to ensure that we're ready to go live.

Chuck Gomes:

It's Chuck Gomes again. Do core operations include the policy development team or are they incorporated into projects?

Juan Ojeda:

The policy team is included in core operations. So now what are some of the tasks that are included in core operations – perfect segue Chuck, so thank you. Right under policy development – IANA function for example, support for the ICANN public meetings, nom com, ombudsman, and Board support. Now what projects are included in this \$11.1 million projects?

Things from IANA Business Excellence, the ATRT recommendations implementation, the IDN Variant panel study, the new gTLD project which we've discussed. At this point, and again in honoring our commitment to engage the community input, this is a perfect example of the areas where I would invite you to provide input.

Looking at this list of projects, which is not a non exhaustive but it's major and the principle projects – I would invite you to provide input such as which of these projects are a higher priority for the



community; are there any projects on there that you would like to see on there; things of that nature.

So again, when we issue the draft budget by the 17th of May, we'll have the ability to synergize all the community input and be able to provide a draft that will hopefully address most if not all of communities questions and concerns.

Paul Diaz: Yeah, it's Paul Diaz, Network Solutions. Juan what is the SLA monitoring system?

Male: I imagine its service level agreement.

Juan Ojeda: I can juggle back with you on that.

Chuck Gomes: Can I take a stab at it even though I don't know?

Juan Ojeda: Sure, I'm a finance guy; I couldn't guess.

Chuck Gomes: I'm guessing, Paul, that it's a measurement, a monitoring system of the SLAs that registrars and registries have in our agreements with ICANN. And since I jumped in on that I would just suggest that there is plenty in there, that that system, there should be plenty of funds for that system to also monitor ICANN's responsiveness in terms of responding to registry and registrar requests in IANA, etc.



Juan Ojeda: That's a great point and like I said, Chuck, I would invite you – not that I'm not listening to you, but if you could provide that input on the public comment for a matter of record that would be great. Thank you. I think we had another question over there.

Chris Chaplow: Yes, thank you it's Chris Chaplow from the business constituency. It seems obvious, it seems a sensible approach this time around to split the core costs and the project costs and we can understand the philosophy that the projects can accelerate or decelerate sort of separating a variable cost from fixed cost. Are you going to publish, at this time, the projected amounts, the actual cost on these projects so that we can see where the threshold will be for something to go on the list?

Juan Ojeda: For purposes of the framework it won't be posted, however, it will be line itemized when we post the draft, which at that point again will be open for public comment. Again, for now the purposes of the framework is to engage community input in terms of what is important to the community and what is not, what kind of things should we be looking at in terms of inclusion in the draft. Thank you.

So now what we'll go over – oh there's no amounts up there – the second scenario, assuming new gTLD launch. Now there are certain assumptions that we've made with the new gTLD launch budget scenario. Keep in mind that these are just assumptions for budgeting and in no way, shape, or form should be construed as



any kind of time line that we're committing to. What we tried to do is try to do the worst case scenario, or best case scenario I guess from whatever your perspective may be, in terms of capturing the greatest possible spend with the new gTLD launch.

So along those lines, the first assumption we made was that the Board approves the launch of the communications plan during this meeting at the earliest possible time – that new gTLD applications would be received beginning four months after the launch of the communications plan – and that in the first round or the first phase of application period, that we receive 500 applications for a cost of \$185,000 per application. Yes Chuck?

Chuck Gomes:

And I think you guys already know this, but there's already indications that the four month communication period may be a little longer than four months but that can all be factored in. We'll probably know more about that even the end of this week. And of course the GNSO recommended minimum four months, so that's consistent.

Juan Ojeda:

Great points Chuck, and yeah I mean this will be an ever evolving process as I'm sure you know it will be. By the time we develop and post a draft budget I'm sure some of these scenarios may in fact change. And even between the 17th of May and July 1st I'm sure there will be some more changes so I appreciate the input. So now to roll forward – no I'm sorry to then break out this new budget scenario, assuming new gTLD launch into the fixed cost of



core operations and projects, this is a new view. Core operations stay the same \$51.9 million; projects are still at \$11.1 million but now total new gTLD launch costs are \$42.8 – again to reconcile back to the previous scenario, this is taking the 6.8 that was allocated for the development of the process system in addition to an additional 35.9 million.

Now, some of the processes, some of the functions that will take place in terms of processing new gTLD applications – so what the \$42.8 million is supporting are all of these processes. Okay, this is a non exhaustive list, but big picture everywhere beginning from applicant registration to extended evaluation, community priority, final approval and delegation, all the way up to and including application support.

Yes?

Jim Prendergast:

Yeah, Jim Prendergast. On those costs, have you determined or have you selected the outside evaluators yet and are those numbers locked down or are they still moving?

Juan Ojeda:

We're still in the stages of finalizing that John, we're not ready yet to make an announcement on that nor have the amounts been locked down. As soon as we will we'll post that for the community. Oh, yes?

Chris Chaplow:

On the income side for the gTLD project, I know there's been a special budget worked out on this, the element that I struggle to understand just looking at it simplistically is it must be so



dependent on the number of applications and at this stage we really don't know how many applications there's going to be. And if the four months of communication campaign is extremely successful, I'm one of the few people that think we could get up to thousands of applications. How do you manage to budget for that with that degree of uncertainty?

Juan Ojeda:

So there are certain items that are being included in the cost budget. Those expenses are, again are based on a 500 applicant round. If there's 1000 applications for example, the expense budget will not necessarily double because there is a fixed element in that, but the variable piece of it would definitely expand with that. And within there, within the \$185,000 per application there are other items in there that aren't necessarily fixed or variable cost. For example, there is a risk contingency in there built in for any possible litigation as well as some historical development recouping of prior expenses incurred.

Chris Chaplow:

Just to come back on that though – but certainly the whole project was cost neutral; that was the whole philosophy wasn't it and there's a large part of development cost almost like software really. So a large – if we have a large number of applications then it certainly won't be cost neutral.

Juan Ojeda:

I'd love to address it right now but before I do that I'd like to introduce Mr. Ramaraj who is the Chair of our Board Finance Committee.



Ramaraj: So let me try and answer both those questions. We took for a budgeting exercise purpose a number of 500 and looked at the cost neutral and said the cost incurred up to that date – there’s a line drawn – and said that that would be divided by 500. And that’s how the \$185,000 came up. So this is just an exercise for budget.

So let’s assume that we get 1000 applications. In the first round we are going to treat only 500 and treat that as cost. The benefit will go to future applications; that’s the current thinking. And so the first \$185,000 would offset the number. And if it is less than it will be carried over a larger number. That’s the thinking at the moment.

Chuck Gomes: I don’t think you meant in the first round – the first round would be broken up into...

Ramaraj: First round is a dangerous term, there’s no round. It’s the first phase maybe, and second phase. Thanks, Chuck, for...

Juan Ojeda: So how to engage – the two primary ways of engaging into the development of the draft budget are to provide comments on the actual framework for the budget that’s posted on our public comment page; so again I invite and I encourage community to provide input into its continuing development.



In addition to that as we had communicated and as we posted up on our public comment webpage as well, is we engaged SO, AC, and stakeholder groups to submit additional budget items that they would like to see included into our budget for consideration to inclusion. That has been posted; that was also posted on our webpage on the 18th of February and again I would encourage and I would invite the community to provide input to ensure that as much community feedback is captured as possible.

In addition to that, the finance team will seek input from the community through various conference calls with ICANN constituency groups, SOs and ACs throughout the entire process. As well as I'm always available if anybody has any question that they'd rather address one on one prior to providing a comment I would invite you to do so. Just keep in mind that ultimately I'd love to have that concern or that questions be included on the public comment side to ensure that it's on the record.

So the next steps are continuing community consultations; the ICANN financial team will continue analyzing the budget forecasting submitted by staff; public comment period both on the draft budget as well the SO/AC, NSG additional request. So we'll close by the 4th of April. Once we synergize those comments we will provide a summary on that in the near future, soon thereafter.

We'll continue, as we were discussing Chuck, we'll continue analyzing the new gTLD expense scenarios to update we have



more update there if needed. By the 17th of May, per the bylaws, we will be posting the draft operating plan and budget, which again will be open for public comment at that point. As well as, final consultation to consideration of community at the June ICANN meeting if not before.

Well, that concludes our presentation. I'll open it up now for any additional questions/comments anybody may have.

Chuck Gomes:

Sure, Chuck Gomes again. And by the way, I'm kind of speaking individually today because the registry stakeholder group is reviewing draft comments that we will submit, but there hasn't been a finalization of those yet so I can't speak on behalf of them. But the plan is to submit comments as a stakeholder group and that will happen. And it may include the comments I'm going to bring up right now and the questions I've asked so far.

First of all, with regard to the revenue – now it's no surprise anyone that's been around very long that over 94% of the revenue comes from registrant fees on the GNSO side of the house. And one of the projects is GNSO improvements or at least there may be several projects in that but there are a lot of things that were recommended by the Board for GNSO improvements.

And there's a tremendous amount of policy work going on in the GNSO and one of the things we're discovering, and I've already been informed by staff, is that many of the GNSO improvements



will have to be pushed out to subsequent years even beyond fiscal year 12.

And a reality in the GNSO right now, and the policy staff who are doing tremendous work – no criticism at all – but they're overloaded. So considering that over 94%, and that's actually gone up in the last couple of years a little bit, of revenue comes from GNSO sources, in particular the fees that registrants pay, it just doesn't seem to make sense that we have to put off so many of these things.

And so my suggestion is that a larger amount, I'm not saying all of it, but a larger amount of funds be devoted to GNSO projects and GNSO core operations – thanks for clarifying where some of those things were – be devoted to that so that we don't have to put off so many activities because of resource limitations considering the overwhelming majority of funds in the revenue line are coming from the GNSO side of the house. So that's my input that will be included in writing. I'm sure the registries will support that. So that's my first suggestion. And for those that haven't been around very long, and that includes some of you, GNSO improvements, that effort has been going on for years and years.

And to put some of those off for more and more years would be really unfortunate. So that's my input in that regard; you will see that in writing.



The second point has to do with the recouping of the historical new gTLD costs. Now again those that have been around for a while, you've heard me talk about this one before. I'm not going to say the same thing this time because some of have questioned whether that needed to be doen or not and I know the importance of the reserve and beefing that up; so I'm not even going there.

But what I would like to suggest, one of the groups that the Board has initiated in the GNSO and the ALAC have initiated is the JAC working group – the joint applicant support working group – for new gTLDs. Now, hopefully in the next month or two they're coming forward with some recommendations as to how needy applicants for new gTLDs could get some support. And some of those things may or may not be in time to be in the New gTLD Program, we don't know.

But it seems to me one quick thing that could be done would be to take some of those funds devoted to historical costs and assign it to help needy applicants. Now the JAC working group is developing criteria for that right now and hopefully in a month or two will have that, so that's one of the big challenges with that that needs to be solved, but I think they will help us on that.

And not only needy applicants but – and this is also a topic that the JAC working group has talked about – is also devote some of those funds to allow for IDN TLDs for underserved language



communities. I think everybody's in agreement that that's a legitimate goal.

The problem is, the way the New gTLD Program is structured right now, they won't get any IDN TLDs because not only can't they afford it, but businesses like ourselves in the case of VeriSign, there's no business case for it; the volume is too low. So if you have to fork out \$185,000 you're not going to do it now; it would be suicide, especially to our shareholders.

So those two things with regard to those funds – I don't know what the amount is, but it's something that I think could be done fairly quickly even if the JAS recommendations aren't in time and there could be at least some support given to needy applicants and some devoted to the idea such as bundling applications if they include underserved language communities.

So that would be my second major recommendation and again, I'm sure that will be in the registry comments once we get those approved. So, thanks a lot and by the way, thanks for the good work.

And again, maybe I should just close by saying, and Ram knows this, that it's great to see the budget broken out so that we can see where the funds are coming from and where they're going – we don't see all that yet, we will in the budget because there's been a



nice precedent set for that in recent years. So I thank you for that and thanks for your good work.

Juan Ojeda:

Well thank you for your kind words Chuck. All excellent points that you make – I hope, and based on what you said, those comments will be included as part of the registry. So I encourage that and any other comments of that sort. Like I said, right now it's a framework, it's an evolution, it's a development process so community input is extremely valuable towards that development. So I appreciate your input. Thank you.

No one else? Okay. Well that concludes are meeting. Oh, yes?

Chris Chaplow:

Yes, Chris Chaplow from the business constituency. Just again to add our thanks for breaking it down a little bit more detail than we've had in the past, particularly by project because I think that's a sort of thing, it's an angle, if you like, that the community can focus on; I think that's beneficial for everybody. And also for the opportunity for the community leaders to fill in those forms.

There was one element – just some feedback – that I struggled a bit on the forms because from our point of view there were two types of priorities that we wanted to focus on. One's that were almost internal activities, like the tool kit, that were things that we're doing in the constituency.



And others were project activities for the community in general; the ones that we thought were important. And it was a little bit difficult; it was almost as if it should be two forms, slightly different one for one and the other. But we can talk about if I can possibly have a half an hour of your time on Thursday to go through in a little bit more detail our submission and clarify a few points that would be most helpful. Thank you.

Juan Ojeda:

Great, thank you. And yes we plan to meeting over the next couple of days with different constituency groups; it's funny you say that, we actually, in analyzing the request, that's exactly how we broke out all the requests that were received. There were definitely some requests received that were geared more towards items that would be considered part of the core operations for example; trying to assess if there's a proper level of that particular allocation of resources as well as new initiatives or new projects that the individual stakeholder groups were interested in.

So let's definitely touch base and if there's any way we can meet to address that I would be more than happy to. Well thank you once again, that concludes our meeting. I appreciate your attendance and if you have any follow up questions I encourage you to do so. Thank you.

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