Framework for the FY12 Operating Plan and Budget

Draft for Public Comment

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One World

One Internet

Everyone

Connected

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Mission and Vision

ICANN's bylaws require that 45 days before adoption of the annual budget, a draft of the annual budget be posted to allow for community feedback.

ICANN posts a Framework of the fiscal year Operating Plan and Budget several months earlier to engage active dialog and feedback with the community, and to solicit community input on the priorities, plans, and resource requirements for ICANN's activities for the fiscal year.

Community feedback of the Framework is a critical process in the development of the FY12 Operating Plan and Budget.

The focus of the FY12 Framework is to provide the ICANN community with the key components of the budget: Core Operations and Projects, and allow for public comment to provide guidance on the prioritization of the work of ICANN as it relates to the overall vision, mission and strategic work laid out for the Community, Staff and Board.

Mission and Vision (cont'd)

The Operating Plan and Budget outlines the goals to be accomplished and the resources required to implement ICANN's strategy.

ICANN's 2011 – 2014 Strategic Plan is pending adoption by the Board; here is the draft overview:

full version "Strategic Plan"

DRAFT ICANN Strategic Plan 2011 to 2014 – Four Strategic Focus Areas
Supporting… One World. One Internet.

	DNS stability and security	Consumer choice, competition and innovation	Core operations including IANA	A healthy internet eco-system
Strategic Objectives	• Maintain & drive DNS uptime • Enhance DNS risk management • Broad DNSSEC adoption • Enhanced international DNS cooperation • Improved DNS resiliency	• Maintain single authoritative root • Increased TLD options in more languages • New gTLDs including IDNs • Lower registration abuse • Increased industry competition	• Flawless IANA operations • Resilient L-Root operations • Continual improvements (TQM) • Internationalization • Long-term IANA functions responsibility	• Continuing role in internet governance • Stakeholder diversity • World-class accountability and transparency • Enhanced trust in ICANN's stewardship • Focus on global public interest • Cross stakeholder working groups
Community Work	• Local DNSSEC adoption • Whois Internationalized Registration Data • Develop solutions for DNS security • IPv6 rollout	• IDNA protocol implementation • New TLD rollout • Registrar Accreditation Agreement amendments • gTLD Registrant Rights Charter	• Monitoring of performance • Key committee participation • Engagement within technical community • Final IPv4 address allocation • Root Zone Management (RZM)	• Increased multi-stakeholder participation • Contributing to international fora • Review SOs and ACs
Strategic Projects	• DNSSEC propagation • Facilitate work on DNS security • Full business continuity planning • IPv4 exhaustion risk management • Advocate IPv6 adoption • RPKI deployment	• Internationalized Domain Name (IDNs) expansion • Implement new gTLDs • Whois program improvements • Improve policy processes • Registrant protection	• IANA infrastructure upgrade • IANA services outreach • Monitoring root zone performance • IANA excellence efforts • Organizational Effectiveness Initiative (OEI) • Strengthening regional presence	• Affirmation of Commitments & organizational reviews • Retain & support existing community while attracting new & diverse community members • Build global support for single authoritative root • Enhanced cooperation in Internet Governance
Staff Work	• Collaborative business continuity planning (BCP) • Collaboration with RIRs & technical groups • DNSSEC operations & propagation • IPv4 & IPv6 engagement • Cooperative TLD training in developing countries	• Compliance improvements • Support SO & AC work • Global outreach • IDN ccTLD Fast Track • New gTLD implementation • ICANN regional footprint	• IANA request processing • Board support • Security and contingency operations • L-Root operations • Improve financial system and controls • Staff retention and engagement	• Thought leadership • Wider international engagement • Strengthen corporate, government & other stakeholder partnerships • Decision impact analysis & reporting • Enhance communications & better accessibility via improved web site • Enhanced translation strategy

Multi-stakeholder – Collaborative – International – Transparent - Accountable

Vision of FY12 Budget

Core Operations   **Projects**   **New gTLD**

= **Total ICANN activities and expenses**
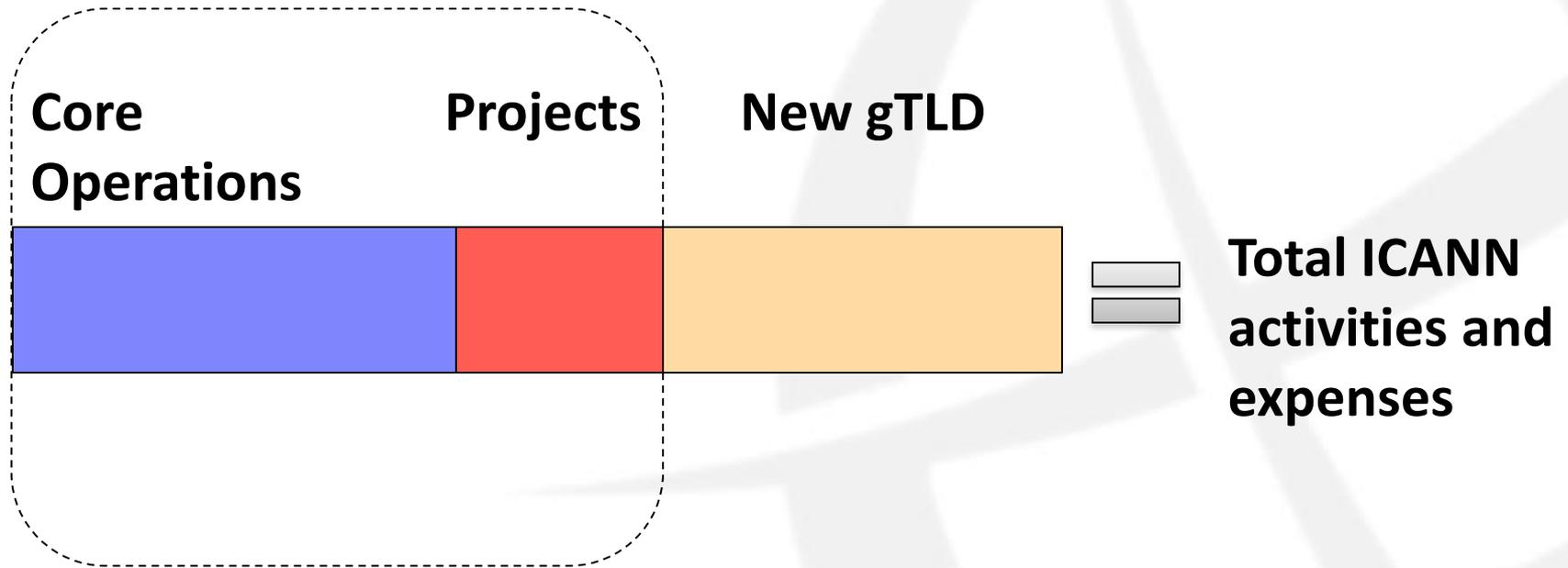
Planning Process

Earlier and more targeted outreach to the Supporting Organizations, Advisory Committees, Constituencies and Stakeholder Groups was implemented, to provide an opportunity for input in the process at a stage where basic services, priorities and resources could be openly discussed and modified as needed for inclusion in the draft budget framework posted for public comment.

Although we are posting the FY12 Framework for community feedback, we will also post the draft FY12 Operating Plan and Budget 45 days before adoption of the budget in accordance with ICANN's by-laws.

The proposed FY12 Operating Plan and Budget will be considered at the ICANN meeting in June.

The adopted FY12 Operating Plan and Budget will cover the period from 1 July 2011 through 30 June 2012.

FY12 Development Cycle

Nov 2010

2011-2014 Strategic Plan

Feb 2011

FY12 Framework

FY11 Meeting III Asia Pacific

FY11 Meeting I Cartagena

FY11 Meeting II Silicon Valley

FY12 Adopted Budget

May 2011
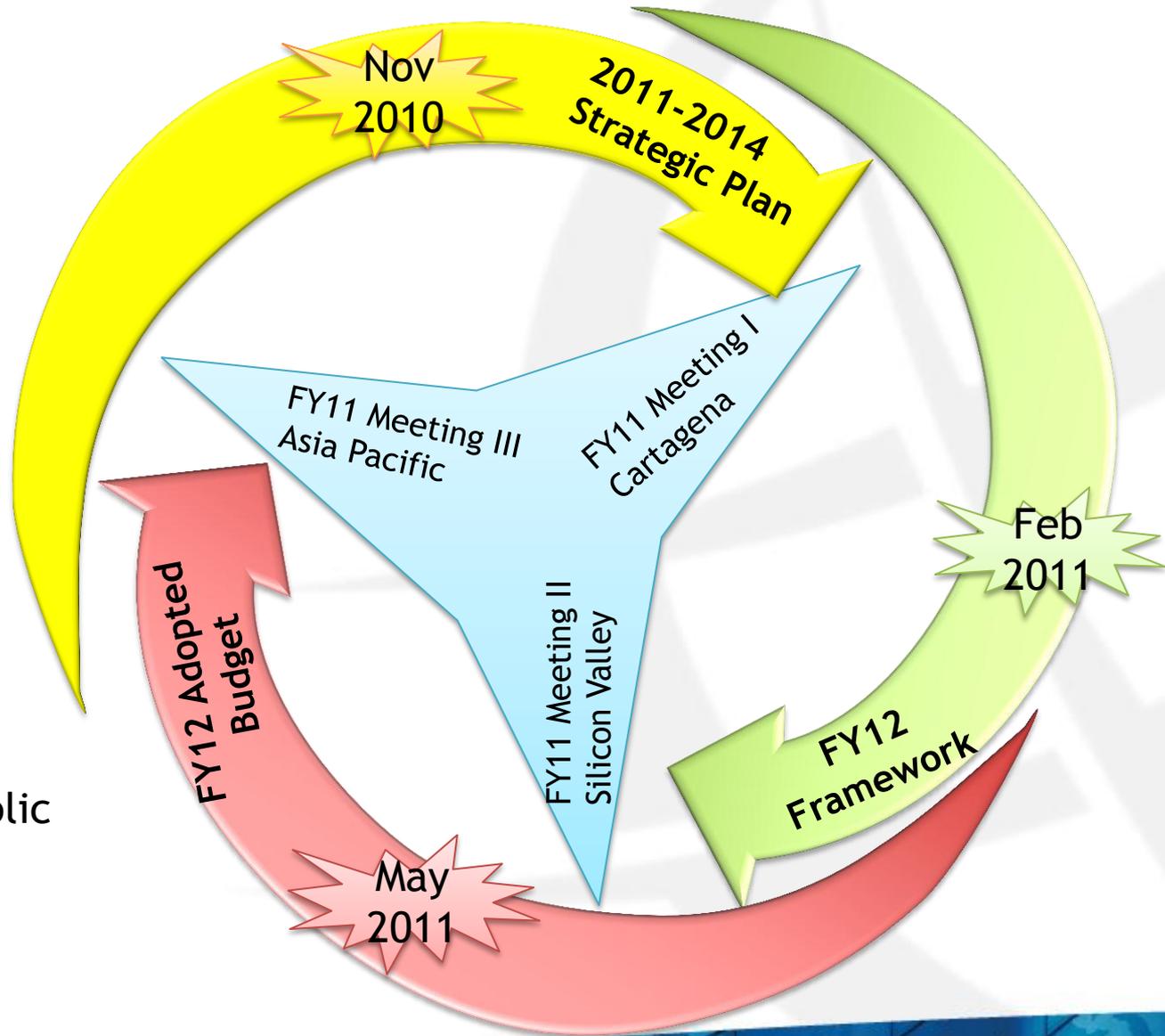
Posting for Public Comments

FY12 Budget Framework

(in US dollars)	FY12 FRAMEWORK w/o New gTLD Launch	FY12 FRAMEWORK w/ New gTLD Launch
Revenue	$ 68,525,000	$ 68,525,000
New gTLD Application Fees	$ -	$ 92,500,000
Core Operating Expenses	51,911,000	51,911,000
Projects Expenses	11,111,000	11,111,000
New gTLD Projects	6,790,000	6,790,000
New gTLD Application	-	35,970,000
Total Expenses	$ 69,812,000	$ 105,782,000
Application Refund	-	8,260,000
Historical Development Refund	-	11,480,000
New gTLD Contingency	-	30,000,000
Contribution to Reserve	$ (1,287,000)	$ 5,503,000
Investment Income	$ 1,000,000	$ 1,000,000
Non-Cash Expenses	2,600,000	4,000,000
Change in Net assets	$ (2,887,000)	$ 2,503,000

Revenue assumptions

- Registrar
  - Accreditation fees and Variable fees are budgeted at the same amount as for FY11
  - Application fees represent an increase of $1,000 per application
  - Transaction fees remain at $0.18 per transaction year with a modest growth of about 2% in registrations
- Registry
  - Registry revenue is based on individual contracts with each accredited Registry which include Fixed fees, Transaction fees, or both
  - Fixed fees are budgeted at approximately the same amount as for FY11
  - Transaction fees represent a modest growth of about 2% in registrations
- New gTLD
  - Assuming a FY12 launch, we are anticipating 500 applications at $185,000 each for a total fee of $92,500,000

FY12 Revenue Framework

(in US dollars)	FY12 FRAMEWORK	FY11 FORECAST	FY11 BUDGET	FY12 FRAMEWORK change from FY11 BUDGET	
Registry	$ 34,178,000	$ 32,596,822	$ 32,647,000	$ 1,531,000	4.7%
Registrar	30,244,000	29,897,244	29,159,000	1,085,000	3.7%
RIR	823,000	823,000	823,000	0	0.0%
ccTLD	1,600,000	835,113	1,600,000	0	0.0%
IDN ccTLD	780,000	637,000	780,000	0	0.0%
Meeting Sponsorships	900,000	1,067,973	500,000	400,000	80.0%
Revenue	**$ 68,525,000**	**$ 65,857,152**	**$ 65,509,000**	**$ 3,016,000**	**5%**
New gTLD Application Fees	**$ 92,500,000**	**$ 0**	**$ 0**	**$ 92,500,000**	**n/a**

FY12 Operating Expense Framework

(in US dollars)	FY12 FRAMEWORK w/o New gTLD Launch	FY11 FORECAST	FY11 BUDGET	FY12 FRAMEWORK change from FY11 BUDGET	
Personnel	$ 28,544,000	$ 25,868,000	$ 26,703,000	$ 1,841,000	6.9%
Travel & Meetings	15,101,000	11,875,000	11,086,000	4,015,000	36.2%
Professional Services	17,212,000	16,302,000	14,928,000	2,284,000	15.3%
Administration	7,455,000	6,664,000	6,571,000	884,000	13.5%
Contingency	1,500,000	0	1,500,000	0	0.0%
Operating Expenses	$ 69,812,000	$ 60,709,000	$ 60,788,000	$ 9,024,000	15%

FY12 Operating Expense Framework (cont'd)

(in US dollars)	FY12 Core Ops	FY12 Projects	FY12 New gTLD Project	FY12 FRAMEWORK w/o New gTLD Launch
Personnel	$ 23,040,000	$ 0	$ 5,504,000	$ 28,544,000
Travel & Meetings	11,448,000	3,610,000	43,000	15,101,000
Professional Services	9,151,000	6,818,000	1,243,000	17,212,000
Administration	6,772,000	683,000	0	7,455,000
Contingency	1,500,000	0	0	1,500,000
Operating Expenses	**$ 51,911,000**	**$ 11,111,000**	**$ 6,790,000**	**$ 69,812,000**

■ **Core Operations $51.9**   ■ **Projects $11.1**   ■ **New gTLD Project $6.8**

FY12 Operating Expense Framework (cont'd)

Core Operations

- IANA Function
- IDN Fast Track
- Security, Stability and Resiliency
- Contractual Compliance
- ICANN Public Meetings
- AC, SO and SG Support
- Policy Development

- Community Travel support
- Ombudsman
- Board Support
- Nom Com
- DNS Operations
- Facilities and Staff Support

FY12 Operating Expense Framework (cont'd)

Projects

- IANA Business Excellence
- DNSSEC Deployment and Training
- WHOIS Studies
- Affirmation of Commitments reviews and Recommendations Implementation
- IDN Variant
- SLA Monitoring System Development
- Global DNS SSR Symposium
- Security Program Certifications
- DNS Measurement & Metrics

FY12 Framework with New gTLD Launch

For purposes of the FY12 budget development and to prepare for the largest possible spend, the following assumptions were made:

- Board approves launch of the Communications plan during the Silicon Valley meeting
- New gTLD program's first applications can be accepted 4 months after launch of Communications plan
- Assume 500 applications @ $185,000 per application fee

FY12 Framework with New gTLD Launch(cont'd)

(in US dollars)	FY12 New gTLD Application	FY12 New gTLD Project	FY12 Core Ops	FY12 Projects	FY12 FRAMEWORK w/ New gTLD Launch
Personnel	$ 2,278,000	$ 5,504,000	$ 23,040,000	$ 0	$ 30,822,000
Travel & Meetings	80,000	43,000	11,448,000	3,610,000	15,181,000
Professional Services	33,003,000	1,243,000	9,151,000	6,818,000	50,215,000
Administration	609,000	0	6,772,000	683,000	8,064,000
Contingency	0	0	1,500,000	0	1,500,000
Operating Expenses	**$ 35,970,000**	**$ 6,790,000**	**$ 51,911,000**	**$ 11,111,000**	**$ 105,782,000**

■ Core Operations $51.9   ■ Projects $11.1   ■ New gTLD Project $6.8   ■ New gTLD Application $36.0

$42.8 New gTLD Launch

FY12 Framework with New gTLD Launch(cont'd)

New gTLD Application

- Applicant Registration

- Administrative Completeness Check

- Initial Evaluation

- Extended Evaluation

- Dispute Resolution

- Community Priority

- Auction

- Final Approval and Delegation

- Applicant Support

Non-Cash Expenses

Other expenses include depreciation of capital expenses and bad debt expense as follows:

- Depreciation is based upon ICANN's depreciation policies and capital expenditures in recent years and proposed in FY12
- Bad debt expense is set up as a reserve based upon an estimate of uncollectable receivables

(in US dollars)	FY12 FRAMEWORK w/o New gTLD Launch	FY12 FRAMEWORK w/ New gTLD Launch
Depreciation	1,500,000	2,900,000
Bad debt expense	1,100,000	1,100,000
Non-Cash Expense	$ 2,600,000	$ 4,000,000

Contingency Fund

Individual FY12 budget items are estimated based upon the most recent information available.

In order to allow for the possibility of costs exceeding original estimates, an overall contingency of $1.5 million is included in the budget framework for FY12, consistent with the level set in FY11.

The Board Finance Committee will review the contingency levels to ensure that financial risks are managed appropriately.

The contingency covers items such as unplanned litigation/dispute resolution, unanticipated expenses and actual costs exceeding budget estimates.

Contributions to Reserve Fund

The Strategic Plan indicates that the Reserve Fund should be set at a *minimum* of one year of operating expenses.

This level was primarily based upon studies of comparable organizations with ICANN's risk profile.

A total of $44 million has been contributed to the Reserve Fund, with a current balance of $50.2 million.

When the new gTLD program is launched, some portion of the recovered historical development costs included in the application fees will be used to increase the Reserve Fund.

Staff is working with the Board Finance Committee on establishing a Reserve Fund Policy, including a target balance cap, and a policy for excess working capital once the target cap has been met. Community will be consulted in the development of this policy.

Community Input

Community input for the FY12 Framework development started with outreach to the SO/AC and SG constituency leaders in Oct/Nov 2010 to understand basic services, support, and role in the process.

Policy staff liaisons continued work with SO/AC/SG community to validate services and support levels.

One-on-one Community sessions in Cartagena communicated the budget framework development process, outlining the basic set of support services and the additional support request process.

Community Requests

Finance Staff is in the process of estimating additional budget requests received from SO/AC/SG input through 4 February 2011.

The requests are summarized into the following categories:

- ICANN Staff support
- Studies
- Regional Assembly Meetings / Retreats
- Representation at Regional and International Internet events
- Capacity Building Events
- Outreach/In-reach Material
- Other Outreach activities
- Language Services
- Other

These requests are summarized and posted with the Framework for public comment.

Community Feedback

Community feedback on the Framework for the FY12 Operating Plan and Budget is encouraged in a number of ways:

- Post a comment on the FY12 Operating Plan and Budget via the [ICANN website public comment page](#)
- Post a comment on the SO/AC/SG additional budget requests for prioritization via the [ICANN website public comment page](#)
- Provide feedback at the scheduled FY12 Framework public session at ICANN's meeting in Silicon Valley (13th to 18th of March 2011)

In addition, the Finance team will formally seek feedback from the community by requesting conference calls with ICANN constituency groups, supporting organizations, and advisory committees throughout the nearly five-month process.

Next steps

- Community consultations
- Continued detailed ICANN budget forecasting by staff
- Public Comment on the Framework closes 4 April; summary provided with follow up activities
- More detailed analysis of new gTLD expenses and revenues
- Post updated Operating Plan and Proposed budget in May
- Final consultations and consideration of budget at June meeting