



Framework for the FY13 Operating Plan and Budget

17 January 2012

FY13 Budget Process

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 on the Framework is a critical process in the development of the FY13 Operating Plan and Budget.

The focus of the FY13 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.

FY13 Budget Process

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

ICANN's 2012 – 2015 Strategic Plan is pending adoption by the Board; here is the draft overview:

<http://www.icann.org/en/strategic-plan/draft-strategic-plan-2012-2015-clean-03oct11-en.pdf>

FY13 Budget Milestones



FY13 ICANN Priorities

- The following slide lists the FY13 ICANN Priorities. This list was determined based on:
 - The 2012-2015 Strategic Plan (3 year plan)
 - Discussions and input from the community, gathered in Dakar,
 - The ICANN Operations Planning sessions
- The FY13 Priorities list is used as a guidance and reference throughout the budget process, to ensure permanent consistency of information produced (i.e. projects, new department activities,...) with the overall ICANN mission and strategy

FY13 ICANN Priorities

FY13 Priorities

1. Execute IANA contract follow up
2. Launch New gTLD Program
3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters
4. Build on Contractual Compliance
5. Strengthen globalization of Operations
6. Enhance infrastructure, processes and systems for effectiveness and efficiency
7. Integrate ATRT Recommendations into day-to-day culture
8. Enable effective and constructive early participation of the GAC in the policy development process
9. Effectively support SO/AC and Board increasing activities
10. Engage new stakeholders into the multistakeholder model
11. Support Law Enforcement engagement with Community
12. Advance Whois database policy and procedures
13. Evolve ICANN meetings

FY13 ICANN Priorities by strategic pillar

DNS stability and security

3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters

4. Build on Contractual Compliance

5. Strengthen globalization of Operations and

7. Integrate ATRT Recommendations into day-to-day culture

8. Enable effective and constructive early participation of the GAC in the policy development process

10. Engage new stakeholders into the multistakeholder model

11. Support Law Enforcement engagement with Community

Competition consumer trust and consumer choice

2. Launch New gTLD Program

3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters

9. Effectively support SO/AC's and Board's increasing activities

12. Advance Whois database policy and procedures

13. Evolve ICANN meetings

Core operations including IANA

1. Execute IANA contract follow up

3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters

6. Enhance infrastructure, processes and systems for effectiveness and efficiency

7. Integrate ATRT Recommendations into day-to-day culture

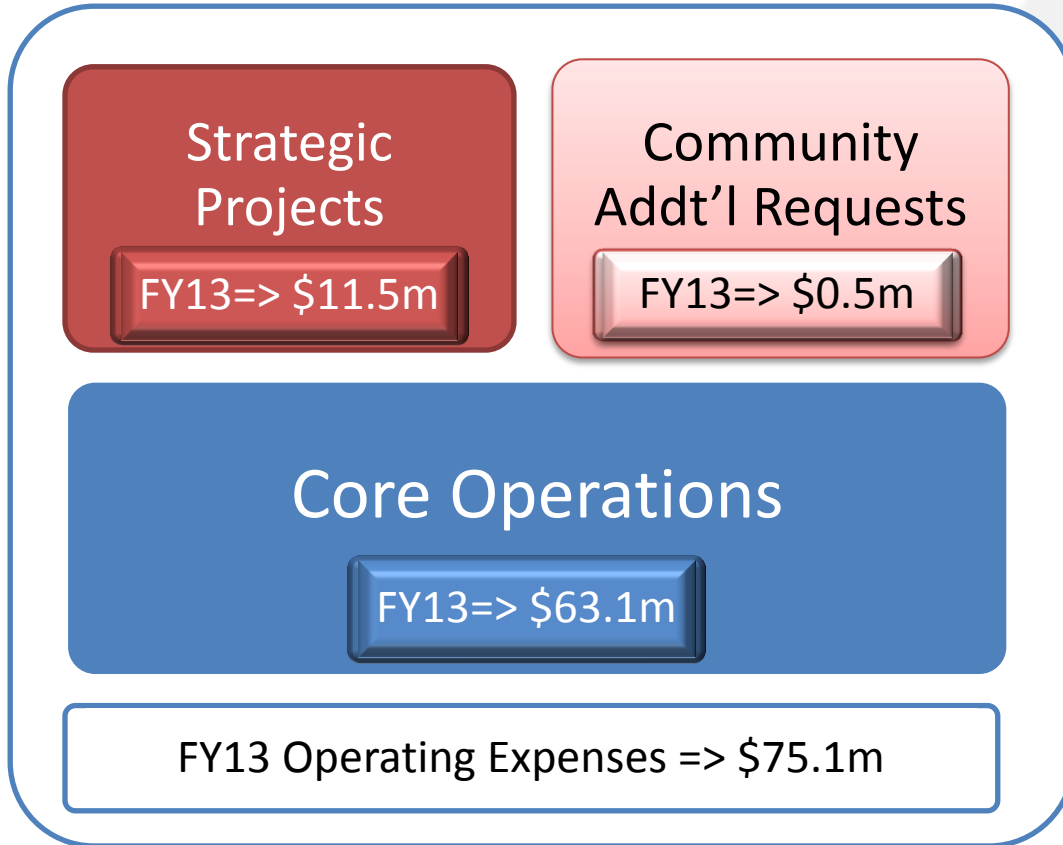
A healthy Internet governance ecosystem

3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters

10. Engage new stakeholders into the multistakeholder model

12. Advance Whois database policy and procedures

Composite View of Budget



- As a rule, the Core Operations include all of the staff costs (and the projects do not include any), with the exception of staff that is entirely dedicated to projects
- Community Additional Budget requests are for special projects and support services from ICANN community not already covered in Core Operations

Composite View of Budget Expenses

(in thousands US dollars)	FY12 Budget	FY13 Framework
Core Operations	\$ 60,403	\$ 63,137
Strategic Projects	9,600	11,466
Community Requests	597	500
Operating Expenses	\$ 70,600	\$ 75,103
New gTLD Application Processing Expenses	\$ 14,120	\$ 35,025

Core Operations

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

Core Operations cont'd

- IANA Function
- IDN Fast Track
- Security, Stability and Resiliency
- Contractual Compliance
- ICANN Public Meetings
- AC, SO and SG Support
- Policy Development
- Community Travel Support
- International Relations
- Ombudsman
- Board Support
- Nom Com
- DNS Operations
- Facilities and Staff Support

Strategic Projects - Overview

FY12 Projects

- P1210 IDN Variant Mgmt
- P1211 New gTLD Implementation
- P1213 New gTLD Communication
- P1215 IANA Services Renewal
- P1224 icann.org Redesign
- P1226 FSR (Financial syst)
- P1227 RPKI
- P1228 IANA Business Excellence
- P1229 IDN
- P1232 IDN ccTLD Review
- P1234 IDNA Protocol
- P1236 SLA Monitoring Development
- P1201 DNSSEC Propagation
- P1202 DNS Security
- P1204 Advance Whois Program
- P1207 Advocate IPv6 Adoption
- P1212 New gTLD Appl Support
- P1214 New gTLD Operations
- P1218 OEI Elad Levinson
- P1219 ATRT Recommendations
- P1220 AOC Reviews
- P1221 Policy PDP
- P1222 Compliance Improvements
- P1223 Information Security Plan
- P1225 DMS (Doc Mgmt Syst)
- P1231 Restful WHOIS
- P1235 CRM

Completed/
Closed
Projects

Carryover
Projects

Proposed FY13 Projects

- P1201 DNSSEC Propagation
- P1202 DNS Security
- P1204 Advance Whois Program
- P1207 Advocate IPv6 Adoption
- P1212 New gTLD Appl Support
- P1214 New gTLD Operations
- P1218 OEI
- P1219 ATRT Recommendations
- P1220 AOC Reviews
- P1221 Policy PDP
- P1222 Compliance Improvements
- P1223 Information Security Plan
- P1225 DMS (Doc Mgmt Syst)
- P1231 Restful WHOIS
- P1235 CRM
- new* Intercessional Meetings
- new* EBERO
- new* Enhance Community Wikis
- new* Enhance Multi-Lingual Strategy
- new* Enhancement to Measurable Metrics
- new* HRMS
- new* IANA Contract - PEN Automation
- new* IANA Contract - RZM
- new* IDN Variant Management - Further Studies
- new* IDN Variant Management - Implementation Phase
- new* Implement Rights Protection Mechanisms
- new* Independent Objector
- new* L-Root Expansion of Operations
- new* Ops Readiness Impact
- new* Outreach
- new* Registry/Registrar Gathering
- new* Root Zone Scaling Monitoring
- new* System Enhancements
- new* TLD Delegation Acceptance
- new* Trademark Clearinghouse
- new* URS (Uniform Rapid Suspension)
- new* Widen International Engagement

Strategic Projects
(including New
gTLD)

Community
Special
Requests

Core Operations

Strategic Projects

In thousands, US dollars

FY13 Projects	FY13 Budget	Slide #	FY13 Priority
		*	
P1214 New gTLD Operations	\$ 2,640	15	2. Launch New gTLD Program
P1212 New gTLD Appl Support	800	15	2. Launch New gTLD Program
P1204 Advance Whois Program	622	15	12. Advance Whois database policy and procedures
P1202 DNS Security	400	15	3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters
P1222 Compliance Improvements	400	16	4. Build on Contractual Compliance
P1223 Information Security Plan	355	16	3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters
P1219 ATRT Recommendations	300	16	8. Enable effective and constructive early participation of the GAC in the policy development process
P1235 CRM	250	16	6. Enhance infrastructure, processes and systems for effectiveness and efficiency
P1201 DNSSEC Propagation	210	17	11. Support Law Enforcement engagement with Community
P1218 OEI	195	17	6. Enhance infrastructure, processes and systems for effectiveness and efficiency
P1221 Policy PDP	120		3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters
P1225 DMS (Doc Mgmt Syst)	120		6. Enhance infrastructure, processes and systems for effectiveness and efficiency
P1220 AOC Reviews	50		7. Integrate ATRT Recommendations into day-to-day culture
P1207 Advocate IPv6 Adoption	10		10. Engage new stakeholders into the multi-stakeholder model
P1231 Restful WHOIS	10		12. Advance Whois database policy and procedures
new IDN Variant Management - Implementation	1,850	17	2. Launch New gTLD Program
new IDN Variant Management - Further Studies	950	17	2. Launch New gTLD Program
new Widen International Engagement	560	18	5. Strengthen globalization of Operations, and 11. Support Law Enforcement engagement with Community
new Trademark Clearinghouse	300	18	2. Launch New gTLD Program
new System Enhancements	275	18	6. Enhance infrastructure, processes and systems for effectiveness and efficiency
new IANA Contract - RZM v2	150	18	1. Execute IANA contract follow up
new URS (Uniform Rapid Suspension)	150	19	2. Launch New gTLD Program
new Root Zone System Monitoring	145	19	3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters
new Intercessional Meetings	130	19	10. Engage new stakeholders into the multi-stakeholder model
new Additional Rights Protection Mechanisms	110	19	2. Launch New gTLD Program
new Enhance Community Wikis	75		2. Launch New gTLD Program
new IANA Contract - PEN Automation	68		9. Effectively support SO/AC's and Board's increasing activities
new HRMS	65		6. Enhance infrastructure, processes and systems for effectiveness and efficiency
new Enhancement to Measurable Metrics	61		6. Enhance infrastructure, processes and systems for effectiveness and efficiency
new TLD Delegation Acceptance	50		2. Launch New gTLD Program
new Outreach	45		10. Engage new stakeholders into the multi-stakeholder model
Total	\$11,466		

* See comments for top 10 projects in terms of proposed FY13 budget amount for both carryover projects and new projects. The FY13 Draft budget will include descriptions for all projects contained therein.

Strategic Projects

- The following projects, included in the list of proposed FY13 projects, currently do not have associated budget amounts but have been included here for discussion purposes. Staff is working on quantifying a proposed FY13 budget amount

FY13 Projects	FY13 Budget	FY13 Priority
<i>new</i> EBERO	TBD	6. Enhance infrastructure, processes and systems for effectiveness and efficiency
<i>new</i> Enhance Multi-Lingual Strategy	TBD	7. Integrate ATRT Recommendations into day-to-day culture
<i>new</i> Independent Objector	TBD	2. Launch New gTLD Program
<i>new</i> L-Root Expansion of Operations	TBD	3. Ensure excellency in the management of DNS Stability, DNS Security, IP addresses and parameters
<i>new</i> Ops Readiness Impact	TBD	2. Launch New gTLD Program
<i>new</i> Registry/Registrar Gathering	TBD	13. Evolve ICANN meetings

FY13 Carryover Project Summaries

(top 10 projects by budget amount)

New gTLD Operations – \$2,640K

- Resources required to fund operational matters related to the New gTLD program, including:
 - Provide technical, legal, and security support for the Program
 - Provide communication updates of the Program

New gTLD Appl Support – \$800K *

- Program assists potential New gTLD applicants seeking financial or non-financial support
- Qualified applicants may receive reduced evaluation fees
- Resources include support for communication and operation of the program

Advance Whois Program – \$622K

- Facilitate and promote discussion about technical evolution of Registration Data Directory Services and potential use of new protocol
- Resources required to carry forward continuing policy work and to complete GNSO Council requested studies

DNS Security – \$400K

- Includes training and support for DNSSEC adoption and deployment by TLD operators, ISPs and with law enforcement and regional partners
- Resources for DNS collaboration and train-the-trainer activities with law enforcement
- DNS capability building initiatives

* Represents resources for the operation and communication of the New gTLD Applicant Support program and are separate from the \$2M fund for applicant support.

FY13 Carryover Project Summaries

(top 10 projects by budget amount)

Compliance Improvements - \$400K

- Improvements and Expansion to the Compliance function, including:
 - Design and implement a consolidated and integrated “Compliance Intake, Management and Reporting System” to improve compliance data collection, operational efficiency, measuring and reporting to the community
 - Design, implement and rollout annual audits for registrars and registries using industry best practices

ATRT Recommendations - \$300K

- ATRT’s final report contained 27 recommendations to improve ICANN
- Improvements focus areas include Board and Policy development
- Resources required to continue implementation in Board support & Policy functions

Information Security Plan - \$355K

- ICANN Information Security governance follows the framework and best practices standards set forth in the ISO-IEC 27002 framework and the guidelines published by the National Institute of Technology Standards (NIST)
- The ICANN Information Security Plan includes FY13 objectives to improve security for IANA, root zone management processes and internal corporate services such as email, digital signing and encryption and mobile device management

Customer Relationship Management (CRM) - \$250K

- Obtain a new solution to replace, upgrade, and improve ICANN’s customer management systems and supporting processes
- Provide the scalability to support ICANN’s future growth and the increased workload resulting from new programs
- Provide a system that is more responsive to ICANN’s current and future needs while supporting its open and transparent business environment

FY13 Carryover Project Summaries

(top 10 projects by budget amount)

DNSSEC Propagation - \$210K

- Support DNSSEC signing and adoption by large ISPs, organizations and governments worldwide
- DNSSEC key signing ceremonies and participation by trusted community representatives

Organizational Effectiveness Initiative (OEI) - \$195K

- Program resulting from Board's recommendation that ICANN improve:
 - Operations and Processes
 - Staff development, culture, morale, and leadership
 - The impact of globalization on ICANN

FY13 New Project Summaries

(top 10 projects by budget amount)

IDN Variant Management: Implementation Phase - \$1,850K

- An integrated team of representatives from the six individual teams will provide a single report identifying issues to six common scripts studied
- FY13 work will include development and implementation of solutions to those issues

IDN Variant Management - Further Studies - \$950K

- Proposed Internationalized Domain Name (IDN) Variant studies on:
 - Visual similarity rules
 - Whole string variants
 - Mirroring

Widen International Engagement - \$560K

- As a result of the widening of international participation and engagement, it is expected that attendance to ICANN meetings will increase
- Represents a scaling up of services provided to attendees, including meeting rooms, language services, audio/visual, etc.

Trademark Clearinghouse Implementation - \$300K

- In connection with the New gTLD Program, ICANN will establish a Trademark Clearinghouse to support trademark protection during registration of domain names in the New gTLD space
- The Clearinghouse model was developed by IP rights experts

FY13 New Project Summaries

(top 10 projects by budget amount)

System Enhancements - \$275K

- System infrastructure enhancements to:
 - Radar
 - Fellowship
 - Nominating Committee
 - Community wiki
 - Dashboard automation
 - Project management tool

IANA Contract: RZM v2 - \$150K

- Enhance Root Zone management software to support adding/removing TLDs as part of the built-in process
- This project was developed in response to feedback and requests received from the National Telecommunications and Information Administration (NTIA) and VeriSign, and is included in the IANA contract

Uniform Rapid Suspension (URS) - \$150K

- Developed to address trademark protection concerns in the New gTLD Program
- Provides trademark holders with a cost effective remedy to trademark protection in addition to those available under the Uniform Dispute Resolution Process (UDRP) and applicable law

Root Zone System Monitoring - \$145K

- Establish baseline measurements for performance of the Root Server system and related Root Zone Management systems
- Publish statistics and identify trends in performance

FY13 New Project Summaries

(top 10 projects by budget amount)

Intercessional Meetings - \$130K

- Non-contract community members have expressed a desire for opportunities to discuss/resolve specific issues and conduct outreach/recruitment efforts at events other than ICANN Public Meetings
- Will explore these types of opportunities with a number of "pilot" regional intercessional community meetings

Additional Rights Protection Mechanisms - \$110K

- Program is being developed in connection with the New gTLD Program to address defensive registrations
- Continuing initiatives concerning rights protection issues in the New gTLD Program, including defensive registrations or other relevant topics

FY13 New gTLD Applications

■ Updated Views

- A view of the multi-year Statement of Operations for the New gTLD Application Processing was provided with the FY12 Adopted Budget (FY12 Adopted Budget View on the following schedule)
- This view was developed on the basis of several accounting assumptions
- During the development of the FY13 Framework, Staff initiated a review of such assumptions and has initiated a validation process. While such validation is undergoing, updates were made to the assumptions and projections
- These updates primarily affected the timing of recognition of revenue and expense, primarily affecting professional fees
- An updated view of the multi-year Statement of Operations for the New gTLD Application Processing is provided herein based on these updated assumptions (Current View on the following schedule)

FY13 New gTLD Applications

(in thousands, US dollars)

	FY12 Adopted Budget View			Current View		
	FY12 Budget	FY13 Forecast	Total	FY12 Forecast	FY13 Forecast	Total
Application Fees						
500 applications @ USD \$185K/appl.			92,500			\$ 92,500
Refunds *			(8,260)			(8,260)
Net Application Fees	\$ 27,565	\$ 56,675	\$ 84,240	\$ 14,623	\$ 69,617	\$ 84,240
Operating Expenses						
Variable						
Program Administration	1,528	708	2,236	\$ 1,468	\$ 768	\$ 2,236
Evaluation Panels	10,089	11,837	21,926	3,915	18,011	21,926
Quality Control	493	1,670	2,163	-	2,163	2,163
Independent Objector	110	4,578	4,688	74	4,614	4,688
Pre-delegation	-	6,300	6,300	-	6,300	6,300
Fixed						
gTLD Team	780	1,302	2,082	780	1,302	2,082
ICANN Staff Allocation	1,085	1,807	2,892	1,085	1,807	2,892
Office Space	30	53	83	30	53	83
Supplies	5	7	12	5	7	12
Total Operating Expenses	\$ 14,120	\$ 28,262	\$ 42,382	\$ 7,357	\$ 35,025	\$ 42,382
Net Operating Change in Net Assets	\$ 13,445	\$ 28,413	\$ 41,858	\$ 7,266	\$ 34,592	\$ 41,858

* Based on:
 10 applications at 80% in FY12
 15 applications at 70% in FY13
 25 applications at 35% in FY13
 87 applications at 20% in FY13

Reserves						
Risks Costs (@ \$60K/appl.)	(9,817)	(20,183)	(30,000)	\$ (5,208)	\$ (24,792)	\$ (30,000)
Historical Dev Costs (@ \$25K/appl.)	(4,090)	(8,410)	(12,500)	(2,170)	(10,330)	(12,500)
Total Reserves	(13,907)	(28,593)	(42,500)	\$ (7,378)	\$ (35,122)	\$ (42,500)
Total Cash Surplus / (Deficit)	\$ (462)	\$ (180)	\$ (642)	\$ (112)	\$ (530)	\$ (642)

FY13 New gTLD Applications

- Net Application Processing Fees
 - Net revenue is based on 500 applications
 - We have elected to reflect concurrent timing of revenues and expenses under GAAP matching principals. The accounting treatment of revenues and expenses is currently being reviewed and will be finalized in a few weeks
 - Revenues are net of application fee refunds based on an assumption of applications not completed at each milestone of the application process
- Application Operating Expenses
 - Variable expenses are based on 500 applications
 - Expenses are budgeted based on projected timing of services to be performed by panelists, independent objectors, and other consultants
 - Fixed costs include ICANN staff allocation and overhead
- Reserves
 - Reserves are based on 500 applications
 - Risk = \$60K/app Historical Dev Costs = \$25K/app

FY13 Framework:

	FY12 ADOPTED BUDGET			FY13 CURRENT VIEW		
	Core Operations & Projects	New gTLD	ICANN Core + New gTLD	Core Operations & Projects	New gTLD	ICANN Core + New gTLD
(in thousands US dollars)						
Traditional Revenue	69,758	-	69,758	74,987	-	74,987
New gTLD Application Fees	-	27,565	27,565	-	69,617	69,617
Revenue	\$ 69,758	\$ 27,565	\$ 97,323	\$ 74,987	\$ 69,617	\$ 144,604
Personnel	28,036	1,900	29,936	30,192	3,102	33,294
Travel & Meetings	12,246	-	12,246	13,345	-	13,345
Professional Services	23,266	10,692	33,958	22,103	31,095	53,198
Administration Costs	6,455	1,528	7,983	8,963	828	9,791
Community Special Requests	597	-	597	500	-	500
Operating Expenses	\$ 70,600	\$ 14,120	\$ 84,720	\$ 75,103	\$ 35,025	\$ 110,128
Bad debt expense	900	-	900	400	-	400
Depreciation	1,800	-	1,800	2,000	-	2,000
Change in Net Assets before Contingency	\$ (3,542)	\$ 13,445	\$ 9,903	\$ (2,516)	\$ 34,592	\$ 32,076
Contingency	2,500	-	2,500	3,800	-	3,800
Change in Net Assets	\$ (6,042)	\$ 13,445	\$ 7,403	\$ (6,316)	\$ 34,592	\$ 28,276
Investment Income/ (Loss)	2,600	-	2,600	(500)	-	(500)
Net from Investment Activities	\$ 2,600	\$ -	\$ 2,600	\$ (500)	\$ -	\$ (500)
new gTLD Risks Reserve	-	(9,817)	(9,817)	-	(24,792)	(24,792)
Historical Costs	4,090	(4,090)	-	10,330	(10,330)	-
Change in Net Assets	\$ 648	\$ (462)	\$ 186	\$ 3,514	\$ (530)	\$ 2,984

FY13 Framework: Main assumptions

Scope change

- ICANN donation/contribution (expense) to New gTLD Applicant Support Fund: \$2m.
- Implementation of Board compensation, and 3rd Board workshop
- SO/AC additional requests placeholder envelope of \$500k
- New gTLD Application assumptions:
 - separate entity in accounting system, separate bank accounts
 - Assume 500 applications (consistent with FY12 budget assumptions)

FY13 Framework: Main assumptions

Expense trends

- Headcount (including New gTLD department):
 - FY12 ending FTE: 159 HC (vs 173 HC budgeted, Jan 2012 actual: 141HC)
 - FY13 ending FTE: 194 HC
- Compensation increase of 2% to reflect salary increase and promotions
- Increase of travel costs in line with headcount increase
- Stable Professional fees:
 - Decrease driven by reduction of New gTLD readiness costs
 - Increase driven by projects (system implementation, language policy development, compliance process,...)

FY13 Framework: Main assumptions

Infrastructure

- Increase in facilities costs driven by growth (expansion in Marina Del Rey / expansion in Brussels) and international presence (2 HC hosted in temporary Singapore office)
- Increase in HR/Finance/Admin/Legal/IT support to reflect an increase in activity and overall headcount supported (including conversion of contracted resources into permanent headcount)
- Security: increase of activity and resources driven by increase risk management (framework, continuity planning)

FY13 Framework: Main assumptions

Departments (1/2)

- Increase in compliance activity
 - Perform compliance audits
 - Implement and improve automation through systems: dispute, management, reporting & metrics, webpage
- Increase in language services: to support the internationalization development of ICANN
 - Increase in demand for simultaneous interpretation, live scribing, transcription and translation (ICANN meetings and conference calls)
 - Develop a comprehensive and permanent set of internal capabilities to translate information in the 6 UN languages

FY13 Framework: Main assumptions

Departments (2/2)

- Registry operations expansion, notably in perspective of New gTLD delegation:
 - Onboarding, coordination of contract negotiation, SLA monitoring, EBERO monitoring
 - Regional management/coordination of registries
 - RSTEP review
- IANA, notably in perspective of New gTLD delegation:
 - Process implementation of automated information for delegation
 - IANA contract follow up (secure communication, implement RZM v2)

FY13 Revenue Framework

(in thousands, US dollars)	FY13 Framework	FY12 Budget	FY13 Framework change
Registry	\$ 35,926	\$ 34,753	\$ 1,173
Registrar	33,453	30,902	2,551
RIR	823	823	-
ccTLD	1,900	1,600	300
IDN ccTLD	-	780	(780)
Meeting Sponsorships	900	900	-
New gTLD Registry/Registrar	1,985	-	1,985
Traditional Revenue	\$ 74,987	\$ 69,758	\$ 5,229
New gTLD Application Fees	\$ 69,617	\$ 27,565	\$ 42,052

FY13 Revenue assumptions

■ Registrar

- Application and Variable fees are budgeted at the same amount as FY12
- Accreditation fees represent an increase in accredited Registrars
- Transaction fees remain at \$0.18 per transaction year with a growth of about 4% in registrations, including .xxx, based on a historical trending analysis of quarterly transaction growth rates

■ 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 FY12
- Transaction fees represent a modest growth of about 4% in registrations

■ ccTLD

- Increase to FY13 Budget is derived from actual collections in FY11 and expected collections in FY12

FY13 Revenue assumptions (cont.)

- RIR & Meeting Sponsorship
 - FY13 revenue is budgeted at the same amount as FY12
- IDN Fast Track
 - Fast track revenue is budgeted at \$0 based on reduced applications received
- New gTLDs' Registry/Registrar assumptions
 - 500 New gTLD applications will be received in the initial application window
 - 120 TLDs will be delegated from Jan 2013 to Jun 2013 (60 per quarter)
 - 20 TLDs delegated each quarter (1/3) will reach 50,000 transactions in their first quarter of their first year

Contingency Fund

Individual FY13 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 \$3.8m is included in the budget framework for FY13, corresponding to 5% of operating expenses. The increase in the contingency is considered reasonable as a result of (i) the budget being established long in advance of the period considered therefore reducing the accuracy of the estimates, (ii) the ICANN environment becoming more unpredictable, notably in the circumstances of the New gTLD Program, (iii) common practice on project contingencies.

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.

Community Input

Community input for the FY13 Framework development started with outreach to the SO/AC and SG constituency leaders in Dakar, where the concept of basic services, additional requests for support, and role in the process were discussed.

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

Scheduled telephone conferences with each community are scheduled following the posting of this FY13 Framework, and a public session will be held in Costa Rica in March 2012.

Next steps

- Community consultations
- Continued detailed ICANN budget forecasting by staff
- Public Comment on the Framework closes 28 February; 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