
SINGAPORE – ICANN Planning and Finance Update
Thursday, February 12, 2015 – 09:00 to 10:30
ICANN – Singapore, Singapore

CAROLE CORNELL: Outcome of that, first, there was very positive feedback on the development of the initial Five-Year Operating Plan, specifically the process and the format.

One of the things that we're going to do is maintain the format for both the Strategic Plan and had very similar for the Operating Plan, both the Five-Year and the Annual. There'll be an easy connection and continuity of communication between the three, and that was pointed out, and we will be following that.

Secondly, the whole five-year planning process leading to an annual plan and showing the result and incorporating those results into the next Five-Year Operating Plan.

The second key point that was brought up is the Key Performance Indicators, and there were 20 in the plan, one or two per goal, and there are 16 goals in the Five-Year Operating Plan. There was a need that those still need more refinement specifically in the areas of specificity in order of defining what we mean in one case like health metrics.

Secondly, if you will, defining some of the terms so it's better and more understood clearly what the KPI truly is showing. The Key Performance Indicators are something that is evolving for us and we're going to continue to evolve it even after we put out the Five-Year Operating Plan, and we'll share that as we go, from lessons learned and improvements and things of that nature.

Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.

The third key point that came out of the draft Five-Year Operating Plan Public Comments is the introduction of a Five-Year Financial Model because it helps understand ICANN’s approach going forward.

Xavier is going to talk a little bit more about that in the next couple of slides later and it will help us explain what’s in that financial model.

The Public Comment analysis was broken into six parts and this shows the eight groups that participated and where the comments lied when we looked at the analysis. The six areas were Planning and Process, Key Performance Indicators, Dependencies, Phasing, Financial Model, and Other. What really fit into the Other category had a lot to do with some clerical typos, things like that, but it also had a lot to do with some of the suggestions for revising the Strategic Plan.

I’m now going to go for each one of those six areas. I’m going to give you a brief highlight and some of what we’re doing about [inaudible] given.

Regarding the Planning and Process comments, once we’ve put it out, it was the first time putting it out. There was a lot of questions about what is the update process going to be since we have now introduced this new element?

The answer is it’s going to be updated on a yearly basis and the process we’ll use for updating, and what is the mechanism we’re going to do, is the little diagram that you can see on the right-hand side here that shows that we are going to monitor and report, explaining the variances, review and update, present that, and get consultation with

the community and submit it to the board. Then, once it's approved, do that cycle again on an annual basis.

The second section was the Key Performance Indicators. I've kind of highlighted some of that when I was giving the overview, but I just think it's really important to kind of make sure we're clear which one. One was to request clarifications and definitions of KPIs and their phrasing, and we are continuing to do that, and we'll revise it.

In fact, there is a red line Five-Year Operating Plan that was reposted based on some of the comments received of all of these. We will be updating that one more time after consultation here from Singapore, and then our idea and suggestion is to present it to the Board is on the plan by the end of March, and then the board will probably approve it in April when they have their meeting.

The second Key Performance Indicator was using a number of mechanisms. What they're talking about here is, what process are we going to use to refine the Key Performance Indicators, study them?

When you look at some of the Key Performance [inaudible] setting some targets, setting a little bit better definition, and we're going through and reviewing that by a cross-functional organizational management team now, and as we continue to develop those, we will be sharing that information.

The third one is comments on the quality of the KPI. The answer is we are going to continue to evolve and develop them. Each individual question is individually answered on the formal report that is posted.



With respect to dependencies, specifically, 4.3 wanted us to incorporate and adjust the phasing, and we have rewritten the wording of 4.3 to make it more specific to phasing, as it was not clear in the original.

The second one is the community bandwidth is not necessarily a dependency just for 2.3, so we are going to revise it to incorporate that across all areas and we are going to revise it in the final draft.

With respect to phasing, this is for everyone. When I am talking about phasing in the Operating Plan, it says, FY16, FY17, '18, '19, '20, and what happens in each individual year for each one of the specific 16 goals. And so this says we're going to go ahead and revise some of those wording and phrasing, and there are specifics in the plan.

The second one, which I'm going to ask Xavier to highlight, which is comments on the SO/AC request process. The question is the elimination of that process.

XAVIER CALVEZ:

Thank you, Carole. In the Five-Year Operating Plan draft that has been reviewed, we have indicated in FY17 a wind-down of the current SO/AC special request budget process, which as a reminder is simply to offer a request mechanism from the SO/ACs for funding on specific types of activities that suit them better even though they may not be of interest to all organizations.

We have been carrying out this process for a few years. The idea in the plan is to wind down this process under the presumption that it would be replaced by an alternative that's suitable to all the organizations and our intent would be that the activities that are currently submitted for



funding requests would be integrated into the base budget of ICANN, simply making the process easier and more flexible for those specific activities.

The elimination will only be the result of a collaborative work with the communities that currently use this process to find a suitable alternative and it will not be wind down until we have done that.

Thank you.

CAROLE CORNELL:

Since it's in this area, please feel free to go ahead.

[UNIDENTIFIED MALE]:

I'm delighted to do that. [Inaudible] speaking from [inaudible]. Just a question to that. Do [we] have a draft or do you come with [inaudible] a timeline for the new process in mind?

XAVIER CALVEZ:

We don't as of yet. Again, it's in two years and the plan is simply to give ourselves enough time to get to that point, so we do not yet have a draft alternative process. It does need some work for sure, and consultation, and we've had very preliminary discussions in the staff and there's definitely benefits to the current process that are considered both by the community and the staff as well, and we just need to find the right alternatives.

It has not been done yet.



CAROLE CORNELL: Thank you, Xavier.

Next section here is the Financial Model comments, and Xavier, why don't you go ahead and answer those as well?

XAVIER CALVEZ: Thank you, Carole.

The comments on the Financial Model, we're first positive on the fact that it exists, that it is included in the Five-Year Operating Plan and that the Five-Year Operating Plan will be associated with five-year financials.

One of the main comments is, for now, it is – and this is a comment that was provided by I know the ccNSO and I think one or two other organizations as well – that it is currently difficult to be able to relate the activities in the plan to the level of income and expenditures of ICANN.

The Financial Model that we will provide that's been described in the Five-Year Plan is a model that provides high-level revenues and expenses and cash contributions to reserves over a five-year period. The current information that this model is not providing is visibility on how each of the set of activities that are in the plan translate into detailed resource requirements and how those requirements aggregate into the high-level financial aggregates.

This is a step that is ahead of us. We are not set up today to be able to have that direct link link at a granular level that then consolidates into the financials, so the Financial Model for now is an overview of the resources.



We are working through the steps that lead to the ability to have a detailed granular set of resource requirements associated with each activity. It will take several months and steps to be able to complete because it requires that we are able to plan and quantify resource requirements at a very granular level.

That's what this comments was about. There was also few, more minor comments on clarifying the description of expense evaluation and assessment.

CAROLE CORNELL:

All right, thank you, Xavier.

The last section here is on the other comments. As I mentioned, it range from typographical, I noted minor changes. The second part is requests for more information about aspects of the plan.

The best way to say this is if you go to the actual posting, it's a more detailed report of each one of the requests and with very specific answers, which was one of the feedbacks we got, is people wanted a specific line-by-line answer to their input, and we've gone ahead and done that.

The third one had to do with a lot of – there was quite a few requests to change the Strategic Plan, either combined, like 4.1 and 4.2, which have to do with public responsibility, or they wanted in 2.1, there were four and they thought they should be revised.

At this point in time, we are not going to be changing the Strategic Plan. It was developed over 18 months and some Board approved it back in



October, and so we will be carrying forward that Strategic Plan as written. We will of course go back and look at it if something significant were to change or critical. But at this point in terms of wording changes and revising, which combining sections, we are not going to make those changes.

The next time, we will explore that would be in FY19 because we took about 18 months to develop the first Five-Year Plan that we have in place now. We will do it again at that time – again, barring any critical developments. Okay?

What takes us to the finish line? To finalize the Five-Year Operating Plan, we're going to continue to get consultations and in this discussion now, if there's areas of specific areas that you'd like to bring up with regards to the Key Performance Indicators, we'll certainly take more additional information down and incorporate that and look at that, and analyze it to be put into the plan.

The second is we're going to update it, and the third is we're going to submit it to the Board, as I said, in March, with the idea that they would approve it in April during their meeting.

The links here is for the Public Comment Report itself, and we have been updating the webpage with more clarity and information about the planning process, and that can also be seen here.

In the meantime, we're still operating within the FY15 Operating Plan and Budget that was approved previously, and that's what we're monitoring and reporting against now.



This is the timeline and schedule that we shared for developing the Five-Year Operating Plan. The answer to this is we are on track to complete it in March.

This is a slightly bigger picture of the update process in which I mentioned. I'm just sharing with you that this is a little bit easier to read, and it does talk about monitoring and reporting on performance, explanation of any variances, reviewing it, and then approving.

Now, I'm going to pass it on to Xavier to share about the stakeholder presentation.

XAVIER CALVEZ:

Thank you, Carole. You may be aware of the fact that we have performed so far two different Quarterly Stakeholders presentations. The last one was held on the 29th of January. It was a public presentation and conference call. We had about a bit less than 200 participants.

The previous one was held on November 20th. It covered the first quarter of our fiscal year that went from July through to September of 2014. This last call on January 20th covered the period of October through December.

This call and presentation have the purpose to provide a comprehensive reporting of the activities of the entire organization for their preceding quarter. Those of you who are familiar with shareholder or investor presentations in the corporate world may find similarities here. This is our version. It's our stakeholder's presentation, and I will provide a view



on, selfishly, the financial section of the information that was presented, but I will start by indicating the overall agenda of that presentation.

There's a link of that presentation, as well as its audio recording is available on our website if you would like to look at them if you didn't have a chance to attend live. If you do search on ICANN.org on Quarterly Presentation, you will find immediately the link to the section where those two presentations' materials are present.

We intend to continue using this process and communication tool as a tool to communicate on the activities of the organization and reporting on it, which is an opportunity as well to save time and use the meetings, the face-to-face meetings, for substantive work rather than updates.

Next slide, please.

The calls have included the same structure so far with a President's Overview by Fadi for approximately ten minutes. Then, David Olive provides an overview of the policy work that has been completed during the preceding quarter across all policy development.

There is then a management update that covers all the other activities of the organizations other than policy that was provided last time by Sally Costerton. The previous management update was presented by Akram Atallah, and the next one will be presented by another global leader of the organization as a rotation mechanism. The management update covers all areas of the organization each time. There is then a financial update that no one else but me wanted to do, and then a Q&A session.



I will go over the few slides that correspond to the financial updates now.

Next.

This is a strange format, but this is an overview of our revenues at ICANN. The dollar figures that appear on this slide correspond to the revenues for the first six months of the year from July 2014 to December 2014, corresponding to the first six months of our fiscal year.

You can see, horizontally, that our revenue comes from registries at the top and registrars at the bottom.

The leftmost column shows that our revenue is driven, one, by the number of domain name registrations, which are simply each registration of a domain name on the Internet reported by the registries to us, allow us then to use that information, multiplied by the price per transaction, which is 25 cents for the registries and 18 cents for the registrars and invoice their registries and registrars as a consequence.

That is our revenue that is driven by the number of domain name registrations. It aggregates to approximately 75% of our revenue on an ongoing basis.

On the right, you have the part of our revenue that is driven by the number of contracted parties that are in contract with ICANN, the number of registries or the number of registrars. The revenue there is driven by fixed fees either by registry by year or by event. For their registries, the 5.1 million there for the first six months of the year corresponds to the per-registry \$25,000 per year fixed fee that each registry and each new TLD pays to ICANN.



The registrars' fees per event or per registrar, the application fees, each time a new registrar applies to be accredited by ICANN, there's an application fee of \$4,000, and there was also, once a registrar has been accredited, there is an annual accreditation fee of also \$4,000.

There is then a per-registrar variable fee, which is a fee fixed in total for ICANN that's \$3.4 million and has been fixed for a while.

That makes up 97% of our revenue. So the fees driven by the number of contracted parties represents approximately 25% or slightly less of our revenue.

The rest of our revenue is made up of the contributions from the ccTLDs, which is a voluntary contribution both in terms of timing and amount. We have also contributions from the RIR, the Regional Internet Registries. Also, a certain amount of revenue from sponsorships at ICANN meetings, the sponsors that have booths or they have their names on the – there's banners that you can see across the venue and provide sponsorship fees to ICANN as well.

Next.

This is an overview of how each of the component of revenue that we have just looked at compares to our budget. The budget was approved early in the fiscal year in September 2014, and we here compare how each component of the revenue is compared to the budget for the same period.

After six months, their registry transaction fees are slightly above budget, driven by the volume, as we have just seen, the volume of transactions. The registry fixed fees, the \$25,000 that I mentioned a

little bit earlier, are a bit below budget as we know that the number of the TLDs delegated into their root is currently slower, ramping up slower than was originally planned as per the budget, and we expect that that trend of being lower than budget to continue through the rest of the fiscal year.

The registrar fees are higher than budget by approximately \$1 million, largely driven by a large number of applications for accreditation that we have received over the last two months of the quarter that has driven higher the registrar fees revenue. The other revenue has a number of timing differences, mainly, that lead that revenue to be slightly above budget.

In total, we're simply a bit above budget by \$2 million, \$48 million versus a budget of \$46 million. This is overall a bit of timing and a bit of variances left and right, but this is simply a good place to be at this stage having revenue slightly above budget.

Next.

Expenses – where are expenses after six months? The full bar that you see here indicates the full year budget. For example, our operating expenses at the top have a budget of approximately \$101 million. After six months, the budget assumed that we would have had expenses of approximately \$46 million, and the actual expenses incurred were at \$45 million, so slightly below.

Capital expenses – our investments, our assets that we purchase, are also a bit below budget at \$3 million versus \$4 million. This is reasonably a good place to be to have – and if you think about it, to



have a revenue a little bit above budget, expenses a little bit under budget. Fadi indicated during the opening ceremony that this was a relatively safe place to be and this is the result of a certain amount of cost control that we'll see on the next slides.

At the bottom of this slide, we're indicating the costs of the USG Transition program that, in the budget, that was approved a few months ago, it was assumed to be approximately \$7 million. It's a large amount of money to support the USG Transition Project. It was a relatively high-level estimate of the time, very difficult to predict what the activities driven by the community consultation and work would trigger.

At this stage, we have had about a \$1.5 million of expenses incurred versus approximately \$3 million that we were expecting to have incurred by that time of the year, so simply a slower rate of spend in the first six months. It is expected that the rate of spend would increase over the next few months.

ANDREAS: Xavier, one question.

XAVIER CALVEZ: Yes.

ANDREAS: Andreas [inaudible] from [inaudible]. I have a question. USG, can you explain a bit farther what it stands for?



XAVIER CALVEZ: The U.S. Government.

ANDREAS: U.S. Government.

XAVIER CALVEZ: Right.

ANDREAS: Okay, and what is the Transition Project? Is it IANA or what does it?

XAVIER CALVEZ: Well, there's more than just IANA, but yes, it's the Accountability Track.

ANDREAS: Okay, Accountability, both.

XAVIER CALVEZ: Absolutely.

ANDREAS: Okay.

XAVIER CALVEZ: Yeah, there's four tracks. I just mentioned one of those, but that's what you are describing, correct.



Next slide.

That didn't load. If you can give us just a minute, we'll – yes.

BILL GIBSON: Xavier, my name is Bill Gibson. I'm with the Canadian Internet Registration Authority. I missed the annual revenue budget for FY15. I see the expenses at \$116 million, but I didn't see the revenue. Could you elucidate me, please?

XAVIER CALVEZ: Correct. Sure. The full year revenue for ICANN is budgeted at \$104 million.

UNIDENTIFIED MALE: That is [inaudible].

XAVIER CALVEZ: Yes, except that not exactly, simply because you're adding together a few pieces that are not funded in the same fashion. The USG transition Project, for example, is funded through the reserve fund and not through our revenue, but yes, the total expenses budgeted for the year are the \$116 million. Yes, \$105 million plus \$7 million is \$112 million I think.

UNIDENTIFIED MALE: [Inaudible]



XAVIER CALVEZ:

No problem. Okay.

Any other questions while we are – okay. We’re going to pause for a second while we update the presentation. While we’re doing that, Charla, you had the flyers, no? No? Okay. Give us just a second, please.

The next quarterly call, while we’re loading the updated presentation, is scheduled for April 23rd, and you can register ahead of time for the call so that you can obtain the information to be able to connect. It has happened so far at 6:00 A.M. California time, 9:00 A.M. Eastern U.S. time zone, and 3:00 P.M. UTC. We’re looking into possibly having more calls happening at different time zones to try to accommodate various parts of the world at the same time.

UNIDENTIFIED MALE:

Xavier?

XAVIER CALVEZ:

Yes?

UNIDENTIFIED MALE:

One question. [You showed us] the overall figure.

XAVIER CALVEZ:

Can you speak closer to the—

UNIDENTIFIED MALE:

Yes. You presented the overall figure of expenses and revenues. So the deviation from the plan is not that much, I would judge on that, in total.



How do you judge that if you come to the breakdown what are the figures which are behind of the total figures? How is your shifting, let me say, between the different figures? Where are the biggest deviations behind all that?

XAVIER CALVEZ:

One of the [inaudible] studies coming up is going to help us do that. It's actually the next one. Thank you for that question. Thank you. This is exactly where we're coming, so thank you for that question. [Inaudible], can you go to the next slide please?

The breakdown of our expenses by category of costs. You can see here broken down by category the operating and capital expenses. The operating expenses are broken down by personnel costs, travel and meetings, professional services, and administrative types of costs.

Overall, all the categories or costs are slightly below budget, within budget. This is largely the result of careful management of our baseline expenses. We have on an ongoing basis a number of processes in place to ensure that we monitor closely and control closely our expenses.

We have monthly budget monitoring in variance analysis between actual spend and budget. We have also implemented the Cost Savings Task Force to help monitor and identify on an ongoing basis new areas of spend to sometimes renegotiate, to change processes, to save costs. This has now become a completely ongoing process.

We have also revised our hiring plans during the [inaudible] to be able to ensure we control our spend and do not exceed budget. This has so far been quite successful.



Our expenses were budgeted for, in total, \$51 million. We are at approximately \$48 million of expenses between operating and capital.

The – yes? Sorry. If you can use the mic and say your name, please.

JIMSON OLUFUYE:

I was just looking at the first row, personnel, and we have better or worse, three percent, but there's no difference in actual and budget, so –

XAVIER CALVEZ:

It's simply a matter of rounding, Jimson. The numbers round to the same, to \$23 million, but there's a slight difference. It's in the decimals. So 3% of \$23 million is approximately – what is it – \$600,000 approximately? I think the numbers – and [Tarin] can correct me – are approximately 22.7 or something like that, and the budget was like 23.2. So they both round up to the same million, but there are decimals behind it.

Travel and meetings is a bit lower in spend. There's a little bit of timing in that variance versus budget simply because of a number of travel volume that has been budgeted in the first half that has not yet happened.

Professional services are very close to plan. The professional services are these external resources or expertise that we source, and usually those professional services support a number of projects. For example, audit fees are part of that bucket that we have on an ongoing basis.

Yes? Question?



UNIDENTIFIED MALE: Foolish question: where do we find the expenses for our support for the consequences here?

XAVIER CALVEZ: Potentially in any category, but a lot of the support is provided by a number of staff members. The Policy Support Team, for example, their cost is obviously in personnel. There's a certain amount of travel support that happens also at ICANN meetings. A number of you may be supported by ICANN to be able to come to the meetings, and that is in the travel and meetings line here. In admin, administrative costs, there are all the costs for all the ongoing Adobe and Adigo calls that are supported by ICANN. The costs of maintaining those calls and making them happen are in the administration line. So it's spread across nearly all the categories.

UNIDENTIFIED MALE: I have also a question.

XAVIER CALVEZ: Yes?

UNIDENTIFIED MALE: The cost savings you have in the first half here: is it a delay of spendings, or is it really cost saving?



XAVIER CALVEZ: When I was mentioning cost savings here, these are cost savings. The hiring plan revision is a combination of delay, as well as reduction.

UNIDENTIFIED MALE: Okay. Thank you.

XAVIER CALVEZ: The Cost Savings Task Force is working on looking at let's assume flight costs or travel costs. How can we do the same thing cheaper? Do we want to do an RFP to change vendors to try to reduce the prices? We have done a number of RFPs over the past months. For example, office supply. We have renegotiated the prices. It's a relatively small spend but we're expecting a 25-30% reduction. As my grandmother said, "A dollar is a dollar."

Any more questions on this?

Okay. Next. Then during the quarterly call, we provide this overview of the New gTLD Program. So we've moved on from the ICANN ongoing operations. This is the New gTLD Program, and it's a multi-year view of this program's financials.

You can see from the left that during the past three fiscal years – '12, '13, '14 – we have spent on the program for the evaluation costs approximately \$135 million, and we have refunded withdrawn applications up to \$19 million over those three years.

The refunds, as indicated, are those applicants who withdraw their applications, and depending upon where they are in the process of application, they receive a fraction of their application fees back.



The budget for FY15 is assuming a total of \$60 million of spend, either on application processing for \$46 million or on refunds for approximately \$14 million.

The next two years – currently, the program is forecasted to last until the end of FY17. We’ve extended this forecast last year as it was becoming clear that the program would last longer than originally planned, and for the next two fiscal years after FY15 it is expected that approximately also \$60 million of spend would be incurred.

The current forecast, therefore, is estimating that there would be \$274 million of application processing costs on the program, as well as refunds together. This leaves approximately \$87 million of leftover application fees to be able to cover for the expenses that are not forecasted here relative to risks or hard-to-predict costs.

By definition, the risks or the hard-to-predict costs are challenging to plan and are not plannable and we’re not trying to plan for them. Simply those are the reserves for the program to be able to cover for those costs if they would occur in the future. So approximately \$87 million of remaining funds for unexpected expenses.

Again, those can be an extra amount of work relative to certain phases of the program that were not necessarily planned originally, or possible legal type of costs to be incurred. This was planned in terms of funds provided through the application fee from the applicants so that those expenses can be covered simply because the program is a cost-recovery type of program. The fees were designed to simply cover the costs of the program, no more, no less.



Question? Yes?

UNIDENTIFIED MALE: So the application processing costs do not include any costs of [SIRA] staff? Is that correct?

XAVIER CALVEZ: Sorry. Of which staff?

UNIDENTIFIED MALE: Do the [SIRA] staff do the application processing?

XAVIER CALVEZ: [SIRA]?

UNIDENTIFIED MALE: Sorry. ICANN. I'm back in another world there. Does the ICANN staff?

XAVIER CALVEZ: You confused me for a second. Yes, in the program there are the people who support the program, the employees of ICANN who support the program. If you know those names – Christine Willett and her direct team, who support the application processing and organize it – the cost of that team is included in the numbers that you see here.

UNIDENTIFIED MALE: Under your expenses, your staff's expenses, then it's pulled out of that? Is that what happens?

XAVIER CALVEZ: On the ICANN operations side, we have the staff's costs that support the ICANN operations. The staff that is dedicated to the New gTLD Program, the cost of those staff members are in the numbers here that we look at – are part of the expenses that you see here for application processing because they organize the application processing.

There's also a number of fraction of ICANN operations staff that support the program but not on a dedicated basis. That is also allocated to the program's costs. This is relatively minor.

UNIDENTIFIED MALE: Thank you.

XAVIER CALVEZ: No problem. Any more questions on the New gTLD Program overview?

Next, we're now looking at a more narrow part of the program for the past six months of the year. As you've seen, we do a budget also of course for the program on an annual basis, and we produce forecasts also on a recurring basis.

Over the first six months of the year, the program's costs have been approximately on budget, but with some differences. Notably, the refunds for withdrawn applications have been higher in the first six months of the year than we had originally anticipated. This is because there has been resolution of contention sets happening either through auctions held by ICANN as a last resort mechanism, or through self-resolution among applicants over the first six months of our fiscal year.



More have happened than we had originally anticipated. It's mainly a timing difference, meaning that we had planned that those withdrawn applications would happen more or later in the program, so it doesn't have much impact other than simply the processing of those applications.

But what you can see here is that we had budgeted for a total of \$10 million of refunds for the entire fiscal year, and we actually have \$11 million of refunds for just the first six months. So you can see that it's been happening faster and more than we were originally anticipating for the fiscal year, which of course means that in FY16 and FY17 we will have a bit less than that.

Otherwise, application processing costs are a bit slower as well than originally planned in the budget for the first six months, at \$11 million versus \$15 million, and the repayment of historical development costs is linked to the number of application processing costs and also slightly below budget as well.

Next. This graph shows you the funds that ICANN currently manages. This is a cash view, and it shows this information over the past – basically it covers two years by quarter.

The funds include four main different categories. At the top, in the dark blue, you have the reserve fund of ICANN, which is currently at \$87 million. This is simply the rainy day funds for potential risks. It's simply the reserves of ICANN.



The lighter blue number here, which you can't see very well, but I think it's \$14 million or \$15 million, is the cash on hand that ICANN operates with on a daily basis.

The orange funds are the leftover funds from the New gTLD Program at that date. So the unspent application fees collected in 2012 during the application window is resulting – can we stay on this slide, please? – in currently \$182 million of funds left over.

Those funds are entirely segregated. They are on separate bank accounts and investment accounts, the bank accounts that ICANN uses for its ongoing operations and the investment accounts in which both the reserve fund and the operating fund are kept different and separate than the funds that are held for the New gTLD Program.

In addition, ICANN has received over the past few months, as you know, the proceeds resulting from auctions. At the end of December, there were \$28 million collected as a result of auctions. This is the small gray bar that you can see at the bottom of the rightmost bar.

There's been a few more auctions that have completed after the end of the quarter, and currently, if you would go on our website that displays the breakdown of the auction proceeds, you would see that we are at a net amount of \$33 million as of today.

Again, the operating and reserve fund of ICANN support the ongoing ICANN operations. The New gTLD funds are segregated and separate and kept separate and support the program, and the auction proceeds are also kept as separate accounts. The BFC has just approved to recommend to the Board to create a separate investment management



account for those funds so that they produce interest while they're being held by ICANN until those funds are organized by the community for disbursements and usage. Whenever that will effectively start happening, those funds will be kept in separate investment accounts.

Any questions on this? Jimson?

JIMSON OLUFUYE:

So the funds from the auction are not considered part of the normal income?

XAVIER CALVEZ:

Absolutely. They're fully segregated. They will be kept on that account until decisions are made with the community on what to do with them: "Don't touch them. Don't do anything with them." They are just going to produce interest while they are there, basically.

I will say it's a similar exercise for the New gTLD funds. With those funds I hear a lot of people saying that we are sitting on a huge amount of money and we live grandly. Absolutely not. Those funds, we don't touch them. They support on either program. They're the application fees. The operations of ICANN are tightly managed and monitored on the basis of the revenues that ICANN collects, which we looked at earlier in the previous slides. The revenue that we looked at, or the operating resources of ICANN, the New gTLD Program and the auction proceeds are completely separate.

This is the last information that was provided during the quarterly stakeholder call. I trust it was useful to have this view, and we will



continue to provide continued information on a quarterly basis on our financial statements.

In addition to this information, we have been publishing on our website quarterly financial statements in an audit type of format. So full financial statements are published on our website in the financials section every quarter in a much more detailed format than what you're looking at here. It's more comprehensive. It's a little bit more technical as well. But it provides more comprehensive and detailed information.

Next. This is a busy overview of the calendar for the budget process. If you conclude anything out of this slide, it's that there are a lot of steps in the development for a budget process, and it's tight. We do not have a lot of room for any delays. We are currently in – if you see the February column, at the top you can see the month, and you can see a purple bar, a vertical bar, that at the top says "ICANN." It should actually say "ICANN 52." For some reason, on the Adobe room it doesn't appear.

We are at ICANN 52 right now, so we are, let's say, one-third down in our budget process. What we have done so far as for this plan is to have a consultation with a number of community members at ICANN 52 on the budget and on the main assumptions of the budget.

We have held an extensive working session on Monday night, this past Monday in this room with eleven community members, ten present and one on the phone, and we have reviewed together with a few staff members the main assumptions of the budget to come – the revenue assumptions, the expense assumptions, initiatives, priorities.



We've had a very productive exchange. Jimson was part of the group, so thank you again for that. It was a very good experience to interact directly with community members in a very interactive format, and in a small group. It was a very good way to share information and share views and obtain input.

On our assumptions that we using now, we are going to use now these assumptions and the input to receive, to pursue, and conclude the development of the draft budget, which will then be submitted for public comment.

That will happen, as per this calendar, on March 18th. This is the green phase that you can see approximately in the middle of this slide with a small banner that says, "Public Comment." This is when the draft budget, fully detailed and documented, will be submitted for public comment.

After that phase is concluded, the staff will collect the comments, analyze them, review them, and suggest answers and possible changes to the budget as a result.

That information will be presented to the Board, first to the Board Finance Committee that supervises the budget process of ICANN, for their review and approval that the comments have been, one, adequately analyzed and responded to, and two, that the suggested changes that should be made as a result have adequately been formulated, if there would be any.

Once the Board Finance Committee will have done that, and it will be after also further consultations of the stakeholders during that post-



public-comment period, then the Board Finance Committee will recommend to the Board to approve the budget, whether as per the original draft or as amended after the public comments.

The Board approval is planned to happen – right now we have a very specific date, which is the 19th of June. We don't yet have actually the day when the Board meeting will happen, but it's planned to be of course during the Buenos Aires meeting at the end of June, and it will be before the end of June so that we start our new fiscal year with an approved budget, as we should.

Any comments on that calendar? Yes?

UNIDENTIFIED MALE:

This committee looks like a very carefully-thought-through planning process with lots of opportunity for input and lots of opportunity for adjustments if necessary.

One of the comments I saw under the transition was that the stakeholders should approve the budget. What are your comments on that?

XAVIER CALVEZ:

There's a very technical fiduciary answer to that question. The stakeholders are involved in ICANN, but from a corporation standpoint the stakeholders do not have a governance power and control, which is part of the discussion that is happening.

The Board is the means through which the community really approves the budget. From our perspective, it's an extremely collaborative work



where the staff drafts information, submits it for review, and takes into account the comments. It is a challenging exercise to carry out in an absolute and perfect manner, and we've made incremental progress over the past years to enable more input to provide more information and more clarity so that those stakeholders can provide an increasing amount of comments and more and more qualitative comments on the budget.

The Board is very attentive, and of course, thanks to the input of the community – or the input for the ATRT teams, for example (The Accountability and Transparency Review Teams) have made recommendations of their past two review processes so that we improve the process that allows the Board to understand and take into account the public comments.

The staff is trying to support that process, and notably this year we have advanced in time the public comment process so we can allow for [iteration] with the Board after it. This is to try to further enhance that ownership, I would say, by the Board of: "Have we correctly considered the stakeholders' input?" so that all of that input can effectively be taken into account in the budget.

So the approval by the community of the budget is enabled through a process that today is the one that we are showing here. There is a fiduciary requirement, a legal requirement, that resolutions, that the authority that governs the organization, which is the Board, can make a decision, but the Board is making that decision on the basis of the staff having adequately received and collected and processed the input from the community.



We need to just continue allowing that interaction, that input, and the involvement of the community to be more frequent, deeper, more detailed and more comprehensive so that then that involvement helps taking that ownership, really. There's a lot of work, but this is the direction that we're going to as well.

Thank you. Any other questions on the calendar?

Next slide, please. This is another separate additional part of the budget process. [Inaudible] was asking a question earlier about the SO/AC additional budget request process. This is what this is about. It's that separate budget process that we have created a few years ago to enable SOs and ACs to formulate requests of funding for very specific actions. So we have a process of application for funding requests.

The current step is for SOs and ACs to formulate their applications. The deadline is February 28th for the submission of applications. After February 28th, the staff will review the applications and the requests.

There is a panel of review that is led by Sally Costeron for Global Stakeholder Engagement and David Olive for Policy Development. I also participate to it to provide a financial prospective to this review.

Recommendations are then formulated and submitted to the Board Finance Committee that reviews them, one-by-one, in detail, and provides either approval or corrections requests to staffs so that we adjust the recommendations.

Once the BFC is satisfied with the adequacy of the responses provided, the requests, then these requests are submitted for Board approval separately than the rest of the budget. We intend to have that



happening around the 15th of April. It will probably likely be slightly later, maybe ten days later, because there's a Board workshop happening between the 23rd and 24th of April. So that's probably when it will effectively happen.

That Board approval on those requests is happening at a different timing than the rest of the budget. If you remember, on the previous slides I indicated that the Board would approve the budget in June. We have extracted that process from the overall timeline simply to allow those organizations who had requested funding, and for which those requests have been approved, to start planning for the activities that are the subject of those requests earlier in the year.

What we had encountered in the past is that when the Board was approving the budget at the end of June and someone had applied for a request for funding – for example, for an event that happens in early August – that gives very little time to be able to plan for it, so we have disconnected this process from the rest of the planning in order to allow the Board approval to happen earlier, and therefore give more time for the organizations to plan for their activities.

Any questions on that? Okay. Carole? Thank you.

CAROLE CORNELL:

This is just to share one of the big differences and to remind everybody that between the Strategic Plan of the past and the FY16-20 Strategic Plan, that there are some changes if you look at format and structure.

In the FY15, there were four objectives, and for FY16-20 there are five. There are 16 goals in FY16. There were also 16 goals in FY15, but they



were different goals. There are 64 current planned portfolios, and this is just to show you that the structure is different, so that when you look at any costing, if you wanted to look at it as a roll up, it's what is it via objective or goal. It is different than in FY 15, and that is what we are incorporating when we build the budget for FY16: this new structure. It's just to share.

The number of projects varies throughout the year. Right now we're in the neighborhood of about 350 looking at FY16. [inaudible]

I want to go back just one slide. These are the five strategic goals for our FY16 to FY20. The biggest different here is that number five says: "Develop and Implement Global Public Interest Framework Bounded by ICANN's Mission." That is the newest addition to the strategic objectives as to what was written from this year to next year, and I just wanted to point it out since we're moving forward and starting to plan accordingly.

This is the last slide of the presentation. If there are any more questions, please feel free. It's open. We'll be happy to answer any, whether it's on planning process, whether it's on key performance indicators, or the financial model. Any questions with regards to that, we'd be happy to take at this time.

XAVIER CALVEZ:

Are there any questions on the remote participation? Okay.

CAROLE CORNELL:

I don't see any hands or anything, so thank you all – oh, go ahead, please, [inaudible].



UNIDENTIFIED MALE: Well, first off I want to thank you very much for the engagement so far. Very constructive and timely.

What I'm going to say is that you mentioned something close to that – perhaps in the next revision it could happen – because I've been hearing a lot of it in this meeting about the [inaudible] that's supposed to be one in the way of consigning the main mission of ICANN [inaudible]. I agree that this is an accepted and approved [inaudible] objective. Just to mention that I've been hearing a lot that ICANN needs to focus more on the [inaudible] being number one.

So just as a closing remark, I'd like to [inaudible] that many in the community maybe by the next revision would be focusing a lot on that. That indeed should be number one and should remain ICANN's core. [Inaudible], too, are very important.

CAROLE CORNELL: If I understand your comment, you're saying that supporting a healthy, stable, and resilient and unique identifier system is a number one priority, right? In terms of focus and direction?

UNIDENTIFIED MALE: [Yes].

CAROLE CORNELL: I understand that.



The strategic objectives were not prioritized when they were put together, so each one has its own block of work to be done. But it's good to note, and when you look at the financial, we'll see how that ties out, and the resources and deliverable correspond. So thank you.

Any other questions? Any other comments?

Okay. Thank you very much. This concludes this presentation.

[END OF TRANSCRIPTION]

