

**Framework for the FY13 Operating and Budget Consultation
Friday, 27 January 2012 at 1400 UTC**

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The **audio** is also available at:

<http://audio.icann.org/gnso/fy13-budget-framework-webinar-20120127-en.mp3>

Adobe Connect Room Chat Transcript

<http://gnso.icann.org/meetings/chat-transcript-fy13-budget-27jan12-en.pdf>

Presentation:

<http://ccnso.icann.org/workinggroups/presentation-framework-fy13-ops-plan-budget-17jan12-en.pdf>

on page:

<http://gnso.icann.org/calendar/#jan>

Attendees:

Marilyn Cade - CBUC chair
Jonathan Robinson - RySG
Ken Stubbs - RySG
Osvaldo Novoa - ISPCP
Paul Diaz - RySG
Steve Metalitz – IPC chair
Tony Holmes – ISPCP chair

ICANN Staff:

Xavier Calvez, David Olive, Liz Gasster, Juan Ojeda, Janice Lange, Glen de saint G ery, Gisella Gruber-White

Coordinator: Please go ahead. This call is now being recorded.

David Olive: Thank you. Welcome GNSO community colleagues and others who may be on the line for this briefing on the FY '13 operating plan and budget framework.

My name is David Olive. I'm Vice President of Policy Development Support at ICANN. And I'm just taking a few minutes to introduce our CFO and our Comptroller Xavier Calvez and Juan Ojeda who are here today to present the framework materials to you.

And of course we encourage you to review them and ask any questions that you may have of them both now and later as they will be telling you about it.

With that I would again say thank you for joining us and I turn it over to Xavier. Xavier, the floor is yours.

Xavier Calvez: Good morning and good afternoon and good evening depending upon where you are. Thank you David for the introduction and for helping us setting up these calls and bringing around the table all the participants.

We have the slides in front of us. Before we jump in, wanted to make a quick comment and introduction, we would like the questions and comments that will be made during this call can be - and the answers to those questions of course can be shared publicly as public comments basically after this call so that we help the other members of the community benefit from the questions that have been asked and from the answers that have been provided assuming that not everyone thinks all the time of the same questions. But people can nonetheless benefit from the answers.

So unless any of you would like to keep the comments private to this session which you can let us know then we will publish those comments.

Having said that, I will jump into presentation with the only caveat, that I will go over the slides. I will not necessarily go in the depths of the slides of this presentation.

This call is intended to help all of you get into the information that we are providing in those slides in order to facilitate your further analysis after this call and that you may have already of course jumped in that information since it's been published.

But we wanted to have a call with the you all to be able to provide a bit of insight as to the information that is in those slides enabling you to have a kick-start, a first start at the analysis of this information as well as asking any questions or making any comments that would help you or us get into - further into the - this information.

So I will comment on the slides on the method on certain assumptions but I will not necessarily go on the details of each slide which will I think allow us to also have a more interactive session.

Because I would very much like that anyone that has a question at any point of time feel free to ask it right then. And therefore please interrupt me so that we can have, you know, address the questions when they come in and on the slides that they come in.

I'll start Slide 2. I have the controller right Glen? Yes.

On Slide 2 and 3 we are just providing a quick overview of the part of the budget process in which this framework exercise affects just

general comment for the - a little bit of background and setting the stage -- nothing very specific otherwise.

We are also indicating on Page 4 that we have taken into of course our strategic plan though still I think in a draft form, the most current strategic plan 2012 to 2015 has been taken into account of course to derive the priorities for 2013 fiscal year and ensure that we have at all times consistency between the activities that we carry out and include in the framework with the strategic plan. We'll talk further about that in the next few slides.

Moving on to Slide 4 this is just an overview and a reminder of the overall budget process at a very high level and letting us see where we fit in this timeline as of today.

Unless there are any questions I will move on to the next slide.

Slide 5 has the - has an explanation of the ICANN priorities. On Slide 6 you will see the list of ICANN priorities for 2013 fiscal year.

We are just explaining this slide how we came up with that list one, and what we're using that list for.

And the very basic thought there is that to enable us to check or at all times that the elements, the activities and therefore the costs associated with those activities that are included in the framework fit at all times with the ICANN mission and its strategic objectives.

We have developed this list of priorities for 2013 that is a bridge between the very basic budget for 2013 and the strategic objectives which as we just discussed are set for a three year period.

So the 2013 priorities are a tool for us that focuses on 2013 out of our strategic plan and that help us ensure consistency with our strategic plan.

They've been developed by - with input by the staff but with input from the community in Dakar with input from the management team and certainly is an element of information that we are expecting to receive comments and questions on and as part of the comments also suggestions of priorities to be added potentially or reformulated or you can also of course determine that some of these priorities may not be priorities in your views.

But any comment on this slide would be welcome and we - we're expecting on slide - to get from you guys input on this list of priorities that you can see on Page 6.

I will not go over the details of these priorities. I will let you read them at a quiet time and come back to us.

Marilyn Cade: Actually Xavier it's a Marilyn. Thank you again for the opportunity to comment. Might I ask a question here?

Xavier Calvez: Sure please.

Marilyn Cade: So these are what I would call headline news. Behind each of these is there a more detailed description?

Xavier Calvez: Not particularly. We have not tried to formulate further in detail the - these specific subjects.

I think that, you know, in a reference to the strategic plan we wanted to have a focus of the strategic plan for the year 2013.

The next level of detail behind these headings are the activities where the - basically the - will be the specific projects of the budget.

And let me ask you would there be on your end a type of information across these headlines that you would like to get in order to be able to understand them better?

Marilyn Cade: Yes. And I'll give you two examples. There's Number 13 which says evolve ICANN meetings. The BC and others organize various events to outreach to their community -- the ALAC, the GAC, et cetera.

Evolving ICANN meetings could be - don't take offense to this but the staff is really tired of three meetings a year and so is the board. But the community needs three meetings a year or seven. I'm exaggerating.

So evolving ICANN meetings could be anything from taking more input from the community on the scheduling associated with the meetings to negotiating better rates than we received in certain settings to making sure that the majority of the participants can be in one or two central hotels to the substance needs to change.

Xavier Calvez: Right, I agree. And so this is exactly the type of subjects that we are expecting fit under that priority. But exactly for that purpose of ensuring

that we open and cover all the subjects we have not tried to define and limit the scope of this priority.

This is a priority. This is not an action plan right? So anything that we think across the various departments of the staff and the various community members that have input on the subject that we think is - contributes to that thinking because we think it's needed, because there's a new - there's an evolution in the number of participants for example or we want to evolve, be able to add language services at the ICANN meetings or we want to change the logistics -- everything that you mentioned fits under that heading.

But it's a heading. It's not meant to be an action plan with an exhaustive - a defined scope of actions. It's only a focused direction as a result of which everything that you mentioned -- and I'm sure other aspects of the meetings as well -- fits under that heading and should be considered as an element that contributes to this subject in the framework.

Now so we are not intending to narrow down the subject. We - I think that this evolving the meeting as the structure of the meetings is a subject that has come up across various conversations in the past and fairly consistently.

And we should by the way look at that on a fairly regular basis evolving our meetings without change, you know, reinventing the wheel all the time.

But we believe and we have perceived that this was needed by the community in and also with input from the staff.

So the subject is out there and helps the fact that it's spelt out as a priority helps generating ideas and actions as to addressing that subject.

But at this stage the point is this is - this has become a priority. We're not trying to say now the priority is to focus on logistics or to focus on location or to focus on content or on structure. This is not what we are intending these priorities to be. Do you see what I'm saying?

Steve Metalitz: Xavier this is Steve Metalitz. Could I get in the queue please?

Xavier Calvez: Sure please.

Marilyn, am I addressing your question at least clarifying what we are trying to do with these priorities?

Marilyn Cade: Xavier you addressed the - you confirmed that this is headline news.

Xavier Calvez: Absolutely.

Marilyn Cade: I'm not sure and maybe I'll wait for Steve's comments. I think my challenge is within the BC to explain how we fill in our part of the rest of the copies so to speak.

Xavier Calvez: Well that it's yes. But the way I'm looking at it Marilyn is that this is not a driver. What I mean by that these priorities are not necessarily a driver of what is in the budget.

It's more a reference framework to ensure that what activities we include in the budget fit with the strategic plan and the translation of that strategic plan for the fiscal year 2013 in two priorities.

So it's less a driver of what we define fits and finds its way into the budget rather than a reference framework to check that what we put in the framework fits with our strategic plan. So it's less of a source and more of a reference.

Marilyn Cade: Thank you.

Xavier Calvez: Steve?

Steve Metalitz: Thank you. This is Steve Metalitz. I thought I understood this slide better until your last comment but let me just ask the question I was going to ask.

These are the staff's priorities right? I mean they're influenced by the input you got in Dakar. And I'm not sure what the operations planning meeting was. I assume that was a staff meeting right?

So these are the staff's priorities. And my question is how to we - how does this get translated into the organization's priorities?

I guess the way - the best way to ask that is if you can - if the community tells you that these are the right priorities or if it makes, suggest changes is it your recommendation that the board adopt these as the priorities for ICANN activities in the fiscal year '13?

Xavier Calvez: Okay let me try to analyze your questions because to me there are several aspects to it.

It's not the staff's priorities. It's meant to be the organization's priority. And maybe I'm not fully understanding what (comfort) you put behind those words.

But from my perspective this is not meant to be the staff - priorities for the staff. It's meant to be the priorities for ICANN as an organization which in my view includes the community as well.

And I'm not making the difference between the staff and community on this. See to me ICANN is a group of people who are working towards the same objective.

And the point of this process in this presentation is to - and in my view the work of the staff is to facilitate the work of the entire community that ICANN is a staff, board, a community to establish ICANN's mission.

So these priorities are the priorities for the organization. The staff has contributed to come up with it gathering input in - I think in a fairly wide manner.

And part of this exercise that we are in right now is to obtain input in a more specific and formal manner from the community to make these effectively the priorities of the organization which is why I wanted to insist on the fact that we are expecting to receive the priority -- sorry, the import on these priorities by the members of the community.

Steve Metalitz: I understand that and maybe my question wasn't clear. I understand this is the first - this is now a slide in a presentation by the staff to the community.

Xavier Calvez: Right.

Steve Metalitz: And at some point, you know, this will move on. And my question is how does - whatever the list of the priorities is, is it your understanding that when the board approves the operating and plan and budget they will also be approving a set of priorities?

Xavier Calvez: I - what they approve is the budget. I don't know if - I'm not sure what it means to approve the priorities.

Steve Metalitz: Well someone has to decide which are the - what are the - to state finally what are the priority activities for the organization in fiscal year '13?

I understand this is just - this is a, you know, this is a first cut at that.

Xavier Calvez: Right.

Steve Metalitz: But at some point there will be a final decision presumably by the board. And what I'm trying to understand is as we give our input into the operating plan budget should we be expecting that the board will make a decision or you will be asking the board to make a decision on what are the priorities and that this is the provisional list of priorities?

Xavier Calvez: I don't think there will be a very specific and formal decision by the board other than the fact that these priorities will be listed and included explicitly in the budget presentations.

They've been already reviewed by the BFC. But they're - so as part of being a set of information that is contributing to the budget and will be included in the deliverables that the board will review and will have available it will ultimately be approved by the board but not as a specific set of elements or not as a separate step of the process.

Marilyn Cade: Can I...

Steve Metalitz: Okay. I think that helps answer the question but I guess my comment would be is if this is going to be useful there probably does need to be some formal approval of them so that for example in the interest of accountability we can look back on June 30, 2013 and say these were the priorities.

Number four, let's assume that this - let's assume that this was the finalist. Number four is built around contractual compliance. What was done, how do we evaluate the performance of the organization in advancing that priority?

I think you need to have some type of formal approval of these otherwise it's - they're just a wish list and there's no accountability. So that's my comment on this. Thank you.

Xavier Calvez: Understood. Thank you. And I think we need to take that and try to think through how to ensure that - how to formalize that process.

I was going to say that part of what we're doing today is actually trying to contribute to ensure that this accountability and responsibility is shared and communicated and transparent.

I think so this is exactly what we're trying to do today and we'll continue to do throughout the budget process.

But I think from what you are saying I think that unless I'm mistaken and with my limited view and perspective on the history of the budget process there's probably an element of board approval related to the framework that the staff builds the budget with that need to be set one second but check on I would say at the end after the fact that these priorities are being fulfilled.

And as you can see these are priorities. They're not necessarily objectives right? To actually check what's been accomplished you actually need to refer to objectives rather than just a subject that's been acted upon.

So the accountability to me cannot be just checked against that list. It needs to be checked against what activities and objectives have been set out to be accomplished in the given year to make progress against those priorities and see if those have been effectively achieved. Because there is no objective in that list on Page 6 or there's a subject. There's not a target point.

Steve Metalitz: Thank you.

Ken Stubbs: This is Ken Stubbs. I have a question and a follow-up.

Xavier Calvez: Hello.

Marilyn Cade: And then I'd like to get in the queue for a follow-up as well. It's Marilyn.

Xavier Calvez: Ken, do you want to go now?

Ken Stubbs: Yes. I'd like to go now if I could please. I have a couple of comments.

Xavier Calvez: Go ahead.

Ken Stubbs: But first of all I need follow-up on something that Steve said.

I think first of all you've got to remember that a budget is nothing but a qualified plan of action. You take the plans as that you're planning on implementing and you put numbers on these plans.

And I have trouble understanding why you wouldn't want to stratify these priorities and determine how ICANN views these, how the board views them, how the community views them.

I'm a little concerned because the placement on the list is not necessarily reflective of the concerns the community has. I noticed Number 11 law enforcement support way down at the bottom and that maybe just because it got put there.

But I do think that it's incumbent on you to get back as part of the planning process, stratify the priorities and get the board approval on the plan for dealing with these priorities. So that's the first comment I have to make. And I'll ask you to respond after I get done here.

The second comment I had to make - have to make is the elephant in the room. The elephant in the room as this, whether anybody wants to admit it or wants to show it whatever, there's a very high probability by the end of 2013 that ICANN's going to be setting on somewhere between \$175 million and \$250 million worth of funds.

Number one, I'd like to find out what they're going to be doing with this. I mean I understand the concept of a rainy day fund but, you know, there is rainy day and then there's the end of the Earth number one.

Number two, for the last three years I've been asking ICANN to develop some sort of a clarity around the idea of dealing with the proceeds of auction funds that will be coming in. And all I get is a blank stare deer in the headlights. Nobody ever follows-up on it. And if it's in here I deeply apologize for bringing the point up where if you resolve this.

But when you're talking about as much money as we're talking about dealing with we need to be looking at this from an entirely different process than we have in the past because we've, you know, this is - I'm going to be - I'm going to start calling people hypocrites if we hear people pleading poverty and we can't put this in the budget, we don't have the resources for that because nobody can explain why not, you know?

And so I understand that. I've thrown a couple of big softballs at you here but I - the first thing I think need to do is to address dealing with these priorities.

And secondly you guys need to be more transparent on what you're going to be doing with all this money you're sitting on.

Because you know it as well as I know it, you can use 500 names in your models and stuff like that but in the long run you guys are going to end up with a huge amount of resources. So thank you for hearing me out.

Xavier Calvez: And so let me try to address first your point about the priorities.

And the strategic objectives is a process that if I understand correctly -- and I may not have a full view of what that process includes -- but the definition of these strategic objectives is a process in itself that includes community input, public comment validation by the board by several committee of the - committees of the board, sorry. And I think that it also includes a vote on the board.

The parties that are there are not anything else than a subset of the strategic objectives. So I'm afraid we're putting a little bit more emphasis than we should on what these priorities are though I think it's relevant to ensure that the board does agree with what those priorities are.

So far with the reviews from the BFC we have had some - enough input from the BFC members on those priorities.

But the - these priorities is - we're not just taking that list and putting three things in front of right, and that becomes the budget right?

This is a side element. I could have put that in appendices honestly to just indicate that we are using a tool which is priorities to ensure the consistency with the strategic plan.

So I think all what you guys have said makes sense. I think it's probably worth to have it probably a little bit more formal process around the - surrounding these priorities as it relates to the communication with the board.

But I would emphasize that there is nothing new in there for anyone. And these are derived from the strategic plan which again has a board review prepublication for public comment, after publication for public comment. And the strategic objectives are absolutely not anything that happens in a vacuum.

So I just wanted to emphasize this. But we will - I have taken note and I think we'll need to find a way to probably early in the process have a more formal review of these priorities by the board.

I don't know how much a formal vote needs to be done but I don't think that's necessarily your point. I think your point is more about ensuring that the board agrees with what those priorities are. Rather than what the type of validation is.

So I will take a note of that and try to formalize a process for that.

Hold on a second please. Sorry.

Sorry about that.

Ken Stubbs: I have a follow-up to your comments when you get done please.

Xavier Calvez: Thank you. Then I think - I suspect that your second commented subject is relative to the new GTLD program. Is that - correct?

Ken Stubbs: Well let's put it this way. Would you like to tell me today about how much money you are sitting on in your banks and investments? I think it's more than \$50 million.

And what I'm really saying is you're going to end up with a hell of a lot of money as a result of these programs.

It's not relevant to the program. It's relevant to how ICANN proposes to deal with a significant amount of capital that they're going to be bringing into their process in the future.

So you can call it about PLDs. To me it's more about what are you going to do with all that money? Are you going to give the community the opportunity to take a close look at that?

I fully understand that ICANN has concerns about ensuring that they have adequate resources on hand to manage issues and crises that can come up in the future. But at this point in time you guys have elected to just ignore it.

It boils back down to what you're talking about here. And that is what we end up with unfortunately is a process where the staff gets together, they talk with the community, I mean with the committee, the board governor - the board business committee, those people over there.

They prepare a plan and report. They send it out to the community. They say well here it is. What do you think of it instead of getting started early on and getting the community involved, getting the constituencies together and giving the community a chance to sit down and work with you on establishing priorities.

Because let's put it this way. I'm not being harsh or cynical, you guys work for us. You work for the organization but we are the organization. And frankly you need to get us involved earlier on in this process.

Now I'm only speaking for myself personally but I'm speaking than there are people on this call, I'm speaking with almost 14 years' worth of experience of dealing with ICANN. So for what it's worth that's it.

Xavier Calvez: So let me suggest two things. I will try to provide a very short answer to your comments. And second, I will also suggest that we address this, a number of the elements of what you are saying separately.

Because this is absolutely not the subject of this call and I don't want to continue deriving this call into something that it's not supposed to be so that we actually achieve the objective that we set.

Having said that, I would like to make sure we can or at least I can have a chance to address and understand better the - what you're talking about.

I will only make two comments and then suggest maybe if we can schedule a call together if you would agree that would be helpful to me. And I would like to be able to do that.

And I would ask if you would agree if I would ask Glen to contact you so that we can schedule a call together because I would like to make sure we can have a discussion on what you just said. What that be agreeable to you?

Ken Stubbs: Yes. But I don't want to just talking to me. I think what you really need to do -- and I can't speak for the chairs are for the other constituencies -- but I think what you need to do is to get the key people, the speakers for the constituencies on a call, discuss this process with them and make sure that you guys are heading down a road that they are comfortable with and that they can support.

There's no reason to take this thing another 60 days or 90 days down the road only to discover that the community is up in arms because there were certain things in the process that they felt they were either disenfranchised with or just not really given the opportunity to participate.

Xavier Calvez: But this is why I think we need to have a discussion because there's a number of elements that I'm not understanding in your points and I think...

((Crosstalk))

Ken Stubbs: And that's the reason why I'm more than willing to talk to you. But I think I shouldn't be the only person on the call with you guys. That's all.

Xavier Calvez: Okay, understood. So I will take this subject with Glen and David to - I still believe that there is the need for clarification because I think

there's inaccuracies in what you said and there are things that I don't understand in what you said.

So I would like to have this conversation than to take it so that we can also from there be able to take it to a different set of audience and people to your point.

But there are elements, you know, that I don't understand in what you mentioned. And of course with the four months of history of ICANN that I have versus your 13 years of course that's not surprising.

Now I would like to get back to the call and the subject that we're - that we have at hand.

The - and I will move on from your priorities with the notes that we have taken.

Marilyn Cade: Xavier...

((Crosstalk))

Xavier Calvez: Yes?

Marilyn Cade: (Unintelligible) have a comment.

Xavier Calvez: Yes?

Marilyn Cade: Let me support I think the intent of what Ken was saying and try to make sure that we understand it is about the process, what you're...

Xavier Calvez: Right.

Marilyn Cade: ...putting before us. So let me just say as the chair of one of the constituencies, others are on the call, (Tony) and (Steve) and representatives from the other, I think we could have a further informed discussion, happy to have Glen and (Janice) work with us to set that up.

But I'd like to kind of give an example of what I resonated to and then we can move on if that's okay, just one example?

Xavier Calvez: Please?

Marilyn Cade: I think when we look at what I'm - what I called the headline news and I just used that term but number two, launch new GTLD program. I would expect the staff to have presented to us something that was more like launch new GTLD program with integrity and limited negative impact to the security and stability of the Internet.

And I think what you might be hearing from some of us is we're afraid that since we don't know what goes behind whatever the staff has written or is proposing behind rest of these 13 items we're concerned that because there is not robust participation and dialogue -- and I applaud the fact you're doing these Webinars, but I will support a comment that I think Ken made.

For a number of years that was a face to face meeting. And I think in addition to the remote participation I think ICANN should get back to having a face to face meeting on the Friday before ICANN or the Friday afternoon afterward and put everybody in a room and all of the

cross messaging gets dealt with in a single space because I kind of feel like the staff is being disadvantaged by having pillars of input.

We could then give you a better support to what those headlines are and take advantage of the understanding of people who've been around for a while and newbies, if I could just say it that way.

Xavier Calvez: Okay. I suggest we have this note on this comment. Thank you, Marilyn. And I will also circle back with you, because I think there's a bit of clarity I need on the subject. And also, again, it's my understanding of the consultation that had effectively happened in Dakar that seems to not be addressing what you're saying, because I'm hearing the requests for discussions and meetings that I thought had happened in Dakar, one of which I was making myself.

So I'm confused a little bit on the process, but I'm sure this is due to my lack of perspective and history to the subject. So I will - to the point, I suggest that we organize a separate call with a number of you and maybe we'll just ask Marilyn and Ken to suggest a few participants to try to narrow down and explain further the subject.

The - I will make very quickly the two comments that I was intending to make on a question or a comment from Ken relative to the funds that ICANN is sitting on. ICANN is sitting on about less than \$50 million of the reserve fund, which if I understand correctly, is required by the bylaws and is not even yet at the level that it's supposed to be as per the bylaws. I won't discuss it further. I didn't write the bylaws.

But then, the \$175 million to \$250 million of funds, I have absolutely no clue what this is about, and there's no such thing. So that's why I was

assuming that you were referring to the new gTLD program, because only that type of magnitude of funds could be potentially created by the new gTLD program depending upon the number of applications there will be by April 12.

And those funds are - the \$185,000 of application fees, as I suppose you probably know, is an at cost estimation of the fees and the costs will be there. So there won't be anywhere close that type of funds to decide where we're going to do with it. These will be spent process the applications and to cover the risks. And depending on the number of applications, there may be an excess due to the fact that some of the costs to be covered our fixed costs, and therefore if there is a multiple of number of applications that exceeds covering those fixed costs, there may be a leftover. But it's not a treasure chest. And I'm happy to have a further discussion on the subject, and I'll move on from the subject right now.

The next slide is presenting the - slide 7, these priorities that we just discussed allocated by the four strategic pillars of the strategic plan that we have referenced to further in the presentation. We've had one comment in a previous call to suggest that we also indicate within those four pillars which activities - because there are activities at the next level of detail on those four pillars, which activity does the priority for 2013 refer to. And so basically, matching these priorities to the next level of detail of the strategic planning which is something that we're working on, and we'll share that information across all organizations once it will be finalized.

The next slide on page 8 is a very high-level overview of the budget by the very basic I would say types of activity without necessarily going

into the details. The only comment I will make on this page is that the core operations costs that appear there include all of the staff costs, even though, of course, on a recurring basis, a certain amount of the staff's time is spent on special project. And - but the costs are - that appear for special projects basically exclude any staffs costs with the only exception of projects - sorry, of staff that is entirely impermanently dedicated to it given project. So I will only make a comment on that at this stage.

And we'll move onto the next slide which is just a presentation of the same information with numbers compared to the 2012 budget. Again, I will move onto the point of trying to finish as much as possible on time. I will continue going through the slides and expect that you will stop me with questions. And of course, that any questions that pertain more analysis or comments on the substance, we're expecting to get over the next few days.

Sorry. The slide 10 is trying to address - is just giving an overview of the - what is included in the corporations as well as the slide 11. And of course, again, comments on there will be useful, but I - again, I suppose that the comments that are relevant will be made following feedback that they will receive.

Over the next few slides until slide 20, we are providing an overview on the strategic projects that - on the list of strategic projects that we are currently seeing for the horizon of 2013 based on a certain amount of input gathered from the community, from the staff, and from those strategic objectives.

Just to explain a little bit how this slide works is, on the left blue column, you can see the list of projects for 2012 that have been approved in - as part of the 2012 budget. The upper part in white corresponds to the projects that we are expecting to be closed or completed by the end of the fiscal year. And the lower end in - shaded in light blue are the projects of the fiscal year 2010 that we're expecting to carry over in 2013.

You find then that specific list of projects in - highlighted in blue on the bottom left. Going to the upper right as part of the list of 2013 projects that - for the carryover projects of 2012. So on the upper left column in red, you see the projects from 2012 that carryover. The lower end of the column in red that's not highlighted corresponds to the new projects that - the list of new projects that have come out of the input that the input that we've received from the department for the purpose of this framework and that we are suggesting are a part of the 2013 budget.

So over the next few slides, will provide a bit more information on these projects.

Steve Metalitz: (Unintelligible). This is Steve Metalitz. Could I ask a question here?

Xavier Calvez: Sure, please. Sorry, I didn't see your hand raised, Steve.

Steve Metalitz: Okay, it was. I guess my question was that maybe the next project may be the next - I don't know if the next part answers that are not. But when I see these projects that are existing and that are proposed, I think this is - again, this is very useful to have this information. But is there a set protocol for reporting on the status of these projects or

what's going on in these projects? Or is it just kind of left up to the community to find out?

And the reason I ask, if you look at P12-31, which is listed as a continuing project, the president of the organization has told the Assistant Secretary of Commerce have made some statements about the status of that project. And I'm not sure we've ever heard them before. And I'm not sure how accurate they are. And I'm just wondering how are we supposed to find out what's going on in these different projects. Is there some set mechanism for whoever's engage in the project to report publicly what is happening in each project?

Xavier Calvez: Well, I'm sure you probably have the answer to that question. If there would be, you would know and you would not have to ask the question, I suppose. So I don't know of a set mechanism existing today to inform publicly of the status of projects as part of the budget.

Janet, am I wrong? Is there an existing process to provide public information on the status of the projects?

Janet O'Callaghan: Hi, Xavier. I'm sorry. I was on mute. And I see that I'm sort of causing an echo.

I would want to take a look at - on the Policy Team's perspective. I'm not sure I'm the right person to answer this question. I'm not trying to avoid it. I would assume from the Policy Team's perspective, they have a way that they communicate with the community on the updates for any of these kind of projects, and whether it be from the registry or registrar or one of the constituency and stakeholder groups that they're involved in.

I think they also take advantage of the free ICANN meetings, certainly, to answer those questions. But I think it's not up to me to take that advice and (unintelligible) and make sure that we are doing more timely updates in some manner. So I'll take that away.

Steve Metalitz: Okay. Thank you.

Xavier Calvez: Thank you. So what I suggest to the intent of thing on timing that we come back to (unintelligible) with a more comprehensive answer. But as far as I know, I haven't seen anywhere with a formal process of reporting on project status. And if I haven't seen it, maybe it's because it doesn't exist or maybe it's because I just haven't seen it. But the fact that I haven't seen it and that you're asking the question leads me to think that there's probably nothing of substance or formal that exists on the subject. So I think that's a parliamentary answer to your question. And I'm not disputing that part of what we should be able to do is provide that type of information.

Steve Metalitz: Thank you.

Xavier Calvez: Moving on. You will see on the next slide we have a high-level view of envelope amounts associated to each project. This is a first estimate at this stage for - obviously, for the new 2013 projects that we have asked the various departments of ICANN to provide views on based on their understanding today of what the project needs to be or has been formulated to be. And those are usually not hardcoded numbers and in very detailed numbers as of yet. This will be for the next step of the budget process.

So - but these envelopes are aimed at trying to provide a bit of an understanding of the magnitude of the project so that you can at least comment on how much you believe this is consistent with your understanding of what that project is, and you can also react to whether or not that you think it's appropriate.

We are - in the next - so you can see on this page that the third column has slide numbers. In the subsequent slides from 15 to 20, we're providing on the top 10 list of projects for carryover 2012 and new projects of 2013. We're providing a little bit more color as to what those projects are with a few bullet points, and that's what the slides 15 to 20 are. 20 or 19, I can't remember, not anymore. So we'll skip through that.

Just as an information, sorry. On page 14, you have a list of projects that we have received, are being worked on, and we have a limited amount of information at this stage from a time standpoint on these projects. But they are being formulated further, and we will update the information as soon as we receive it at the next level of detail. And some of those since the document has been published are more precise today than they were ten days ago, but this document is as of basically January 15.

So, the slides 15 to 20, I'm passing through and going directly to the slide 21. And slide 21 and 22 are relative to the new gTLD application process. To be able to set out what are the assumptions that we have formulated for the new gTLD impacts as part of 2013, because those are meaningful enough on the total numbers of the 2013 budget, we thought it was useful to provide an understanding of the new gTLD

numbers specifically before jumping in the overall ICANN budget that comprises those new gTLD numbers.

There are various assumptions here. For the sake of shortening the excess of time that we're going to spend on this call, I will only say that we are using - and I'll go directly to slide 22 - we are using the same assumption as of today than we'll have used for the sake of the budget in Singapore, which is 500 applications.

And I want to point out that, of course, these numbers will be obsolete by the time we publish the detail of the budget, because as it happens on the very same day, May 1, we will publish the detailed budget draft, and we will also publish then the list of (stains) that have been applied for during the application process. So this timing inconvenience, to say the least, will lead us to, obviously, have to change in the final budget the new gTLD-related numbers that contribute to the overall ICANN budget so as to reflect the actual number of applications that we will know by then we will have received but that we don't know now.

So these numbers are a little bit theoretical from the perspective that they will change unless we have effectively exactly 500 applications. They will most likely change, and they be updated also. Even if we have 500 applications, will have a closer view and a closer and more precise view of what those numbers are.

The left columns in gray on this - highlighted in gray on this slide correspond to the estimates that have been produced at the time of the full-year 2012 budget approval in Singapore in past June. And the columns on the right in color are the - that - they are the current view of the same numbers, so both 2012 and 2013.

The next slide is showing the assumptions on the new gTLD figures that appear on the preceding slide. Any questions at this stage?

So the...

Marilyn Cade: Xavier?

Xavier Calvez: Yes?

Marilyn Cade: It's Marilyn. I was on the call yesterday, and I appreciate the comments you made that explained the revenue flow. I don't want to go into this right now, but I would like to come back to a comment that I think supports something, an issue that Ken Stubbs raised, that's very much on my mind. And that is of ensuring that ICANN does not put its not-for-profit status at risk.

Xavier Calvez: Right.

Marilyn Cade: That is a high priority to me personally given my role in helping to create ICANN, but I think it's a high priority to my constituency. So not to go on that right now, but at the end of the call, when we come back and talk about the revenue flow issues, I would like to just park that comment, and if it's not addressable in this meeting, raises for further meeting.

Xavier Calvez: Yes. And so what I would suggest to - Marilyn, to your point, is that if we don't get a chance - because this is (unintelligible) considering where we are in the timing now. If we don't get a chance to address that specialty comment, which I think is probably something that needs

to be spent a certain amount of time on, I think we should -you should make it as part of your comments on the framework, but then so that we can take it in a separate process.

And I don't know if it has to happen before San Jose or it can happen then, but I think it would be - it's something sufficiently significant in terms of discussions and information that we should address it. But I don't think it's a priority or a concern only for your constituency. I think it's concern for everyone within staff or outside of staff or for the entire community. It's a reasonable and logical concern to have basically by the way at all times. But there seems to be a notion as for which ICANN is trying to make a lot of money as part of this program which is entirely wrong.

The - so the same format or same convention on this slide - sorry, (unintelligible) on the previous slide 22. The leftmost columns shaded in gray correspond to the numbers that had been presented at the type of the budget. And the rightmost columns are the current view of the 2013 numbers.

Don't - and I know it's confusing, but I'm giving that comment because we have the question before. Don't try to at the year 2012 for the new gTLD to the year 2013 for the new gTLD that appears on those slides on the specific slide, because those two columns result from estimates produced at different times.

So the relevant comparison is on slide 22, and the column - when I stay on slide 24, the column of 2013 for the new gTLD comes from the rightmost columns of the slide 22. And the new gTLD 2012 column on

this slide 24 comes from the leftmost columns of the slide 22. So the two columns of new gTLD cannot be added together on this slide.

Any questions at this stage on this? I'm - again, I am expecting that all of you will spend much more time on this slide than we are currently, but again, this is not the purpose of this call at this stage. But I wanted to at least make sure we address any questions that help you go through for further analysis.

Steve Metalitz: This is Steve Metalitz. I just have one question which I had asked last year and I'd be interested in the answer. So there's an entry here for change in net assets, the far right column, of \$28 million and that \$25 million of that is put in the risk reserve, I think.

Xavier Calvez: Yes.

Steve Metalitz: So that leaves \$3 million. In other words, in my simple way of looking at this, this is the excess over the cost that ICANN is receiving from the new gTLD program or expects to receive at the - by the end of fiscal year '13. Is that right or wrong? Or am I totally misunderstanding this?

Xavier Calvez: It is not correct. It is the excess for the year 2013 of core plus new gTLD impacts. So, but the - so the rightmost column, just make sure we're clear on that, is the addition of the third and second rightmost column on this slide, right?

Steve Metalitz: Mm-hm.

Xavier Calvez: So the - you can see that the new gTLD column on this slide is basically at breakeven. The change in net assets is -530. The - so the

overall new gTLD program is - to be able to look at it, you need to look at it - and again, we're talking about the applications program only, right, not the operations of the new gTLD once they will be in place. But the total cost of the new gTLD application program needs to be looked at over two years, because there are timing differences generated by this program over the two-year period that make the one-year view always incomplete.

Now, we have retained an approach to assume that the revenues relative to the application fees will be recognized in a synchronized manner with the incurrence of the costs which is a subject that we're describing under the assumptions and that we will continue to verify with editors. But for now, we have presented the new gTLD members to show a matching of revenues and cost in terms of timing.

But what you - in order to understand the net impact of the new gTLD, you need to go back to slide 22 which show...

Steve Metalitz: Okay. I'll do that. Thank you.

Xavier Calvez: ...Which shows you the overall net effect of the new gTLD program.

Steve Metalitz: Okay. Thank you very much.

Xavier Calvez: No problem. If there is no further questions, I will move down.

We are providing on slide 25 to 29, from memory, a certain number of assumptions that we believe are helpful to understand the level of the costs and revenues that we are - at least costs, sorry, for this slide until 29, that are included in there. And again, this is at the high-level in -

that the framework is. It's not a detailed budget as of yet, of course. We're not there yet. But we expect that it be useful for the community to know the very basic assumptions that have been retained to produce the numbers on page 24.

So we're providing a number of generic elements that expands trends. And then, on slide - notably on slide 28 and 29, there've been more specific comments relative to certain departments' activities that impact - that we expect will impact 2013 budget.

I will then go to the revenue section. We are presenting on slide 30 a breakdown of the revenues by type of parties. And there are the assumptions on page 31 and 32 that have lead us to these estimated numbers.

Maybe we can take - I don't know. We're basically at the end of the presentation without - except any further questions on what I just went over, I would probably like to try to have Marilyn formulate a little bit further the question of the concern on the new - on the not-for-profit status of ICANN and maybe leave that is the description of the overall question and concern. I suspect that this is a subject that we will probably need to create a specific process of discussion on just because I'm concerned that it is a longer process - sorry, a longer discussion than what we can afford in this call. But, Marilyn, would you like to frame, basically, your question and concern?

Marilyn Cade: Certainly. Thank you. I think this is a question, and I've raised it with the board before in my comments individually. So I think the overall question is ICANN enjoys not-for-profit status in the United States. It's incorporated in California as a - and has unique status in its

incorporation. I know that because I was very heavily involved in the beginning.

We did that on purpose. But ICANN is now going to be generating potentially a significant amount of income that is actually not about its performance of its core functions.

Xavier Calvez: Okay.

Marilyn Cade: Options are not about its performance of its core functions, and it's going to be incurring a lot of cost as well if a bunch of the gTLDs fall over, which they undoubtedly will. Over time, that will undo thing for the Internet and the new challenge for all of us. But at the same time, moving into a space where ICANN is driving decisions into auctions means that's not a cost-based approach.

ICANN's not-for-profit status protects it in of number of ways. I'm not going to dwell a lot on that, but I am just going to say, well, I think - my own view is we need to protect that status. And the mechanism of creating a not for profit foundation to transfer funds to is not necessarily going to be a total answer to protecting that status.

So I think - and I'm not suggesting this budget committee takes up. But I think it's an important topic to make sure we don't ignore since, if the budget is going to start reflecting also revenues that are being transferred to a not-for-profit foundation managed by a not-for-profit foundation, they're still going to be some kind of linkage back to the ICANN board and to the ICANN entity. And while this process might not be the place to discuss this, it must be discussed.

Xavier Calvez: Understood. So I think it has been, at the very minimum, touched and it has been analyzed. And when I say otherwise, I don't mean to say that it's finished, but I know the subject has been dealt with in a way by our legal team.

So I - what I suggest, Marilyn, is that I take the action to follow up on that subject, and I will come back to you with a suggestion on how to proceed to address it. Because one way or the other, whether our concerns, which - what you're saying, of course, you're speaking for yourself and for your constituency, but I think it's just a relevant concern. And if there's no concern, then we should all know that there's no concern and be comfortable with it and move on. And if there is a concern, but then we should make sure we can address it.

So I think your subject - the subject that you're raising is not (unintelligible). It's everyone who can think about it should potentially have this concern and want to address it. So I will follow-up with our legal team to suggest a - to come back to you with an approach on how to address it. And I would say also how to communicate it, because I think it's been already partially addressed from a legal standpoint and a tax standpoint. And I think that the question is how to be able to also ensure that we are complete on this analysis and that we, of course, communicate and share it. So I will circle back with the legal team on that.

Marilyn Cade: Thanks.

Xavier Calvez: And - sorry, and come back to you with a suggested approach.

Marilyn Cade: Thank you.

Xavier Calvez: And I see from a comment from Ken that this is a subject that obviously is shared or are concerned that shared by - as I was just saying, by other people. So is there any further questions? I didn't go over the slide - the last slide on the contingency, but anyone is most welcome to ask questions over it. And is there is no further specific questions on that or on anything else on this call, we will close it. But is there any other questions?

Liz Gasster: Xavier, it's Liz Gasster. And I think David Olive had to leave early.

Xavier Calvez: Okay.

Liz Gasster: But if there are no more questions, I'd like to thank you very much for your time and your presentation today and also thank the participants on the call very much for your participation, attention, and thoughtful questions, and comments. And we, the staff, will be sure to follow up on the items that you've raised. So thank you all very, very much for your time today.

Xavier Calvez: And I just want to conclude with the fact that there is two subsequent conversations that I think we need to have. There is one with Ken, but to Ken's point potentially not necessarily only with him, that I would like to make sure we can organize as a follow-up item. And there is the conversation that we just had relative to the not-for-profit status of ICANN as well. So - and there's more follow-ups then that that have come up through this call, but I wanted to make sure it's all clear for everyone.

Liz Gasster: Right. Thank you so much. Yes, we've captured, I think, many action items and discussion points, so it's been extremely helpful in. And thank you all very much again.

Xavier Calvez: Thank you to everyone. And off course, this is the beginning of the process not the conclusion of it, so we're expecting to receive further comments in writing by e-mail on this framework. And of course, I'm available and the rest of the finance team as well is available also to discuss any subject that you would like to discuss if it's easier by phone than by e-mail. I'm available. My e-mail address is, I think, probably public by now. But it's Xavier.Calvez@icann.org. If you want to reach me and we can schedule a call, that's no problem. So I'm very happy to do that if it's more practical than e-mailing, which are very often is.

Thank you very much to all. Sorry that we've taken a bit longer than planned, but I appreciate the time and comments. And we will continue working hard on this and process your comments as they come in. Thank you very much. Have a good day or evening or night depending upon where you are.

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