



# The FY11 Operating Plan and Budget

17 May 2010—Posting of Draft for Community Feedback

## Summary Points

- This draft of the FY11 Operating Plan and Budget sets forth the proposed focus of efforts and organizational commitments for the FY11 fiscal year—1 July 2010 through 30 June 2011. The fiscal year operating plan and budget are developed based on community feedback after the annual update to the three year strategic plan is posted.
- The FY11 Operating Plan and Budget calls for limited growth over FY10 in certain areas (e.g., SSR, DNSSEC, Policy Development support), while reducing costs in other areas. The need to balance competing demands on budget resources has increased in importance especially as revenue streams are not expected to grow as much as in prior years.
- A framework for this FY11 Operating Plan and Budget was posted in mid February and discussed with community members in Nairobi in March 2010 and in conference calls. This draft document incorporates responses to the community feedback, including more information specifically requested by the community. Further community feedback is solicited to help ensure that priorities are set correctly and resources are allocated appropriately.
- After more community feedback and discussions in online fora and in person at the Brussels meeting in June 2010, the final FY11 Operating Plan and Budget will be submitted to the ICANN Board for adoption.



## The FY11 Operating Plan and Budget

17 May 2010 Posting of Draft for Community  
Feedback

---

### TABLE OF CONTENTS

1. Introduction .....	3
2. Executive Summary of the FY11 Operating Plan and Budget.....	6
3. The Planning Process .....	11
4. The FY11 Operating Plan .....	14
5. The FY11 Budget .....	27
6. Contribution to the Reserve Fund .....	51
7. Separate New gTLD Budget Amendment .....	53
8. Appendices .....	56
Appendix A – Operating Plan Activities.....	57
Appendix B – Financial Reports .....	66
Appendix C – Community Feedback.....	69
Appendix D – Views of ICANN’s operating expenses .....	73
Appendix E – Multi-year View of ICANN’s Financials .....	78
Appendix F – Revenue Analyses .....	81

## 1. Introduction

*One world. One Internet. Everyone connected.*

An operating plan and budget outline the goals to be accomplished and the resources required to implement an organization's strategy. ICANN's [2010 to 2013 Strategic Plan](#), updated on 19 February 2010, in summary says:

"ICANN is a global multi-stakeholder organization that coordinates the Internet domain name system (DNS) and addressing for the benefit of Internet users worldwide, enabling a single, interoperable Internet. ICANN's community-developed policies govern over 180 million domain names, the allocation of more than four and a quarter billion network addresses, and support a trillion daily DNS look-ups across 240 countries and territories, connecting billions of computers, phones, and other devices, across the Internet. DNS cyber security is a top priority. ICANN also administers the network protocol and parameter registries for the IETF that support the operation and orderly evolution of the Internet. ICANN's leadership and credibility derives from collaborating with thousands of companies, individuals and government participants in global Internet governance and policy development. Working largely in the background, ICANN's centralized coordination mission is fundamental to the continued success of the Internet."

DRAFT

**ICANN Strategic Plan 2010 to 2013 - Four Strategic Focus Areas**

*Supporting... One World. One Internet. Everyone Connected.*

	DNS stability and security	Consumer choice, competition and innovation	IANA and core operations	A healthy Internet eco-system
<b>Strategic objectives</b>	<ul style="list-style-type: none"> <li>•100% DNS uptime</li> <li>•Lower DNS abuse</li> <li>•More secure top level domain (TLD) operations</li> <li>•Improved DNS resilience to attacks</li> </ul>	<ul style="list-style-type: none"> <li>•Everyone connected</li> <li>•Increased TLD options in more languages</li> <li>•Lower registration abuse</li> <li>•Increased industry competition</li> <li>•Increase valid registrations</li> </ul>	<ul style="list-style-type: none"> <li>•Flawless Internet Assigned Numbers Authority (IANA) operations</li> <li>•Improved resilience</li> <li>•Enter into a long term IANA functions contract</li> </ul>	<ul style="list-style-type: none"> <li>•One unified, global Internet</li> <li>•All stakeholders have a voice</li> <li>•Improved accountability and transparency</li> <li>•Enhanced trust in ICANN's stewardship</li> </ul>
<b>Community work</b>	<ul style="list-style-type: none"> <li>•Domain name system security extensions (DNSSEC)</li> <li>•Whois/ International Registration Data</li> <li>•Addressing Registration abuse</li> </ul>	<ul style="list-style-type: none"> <li>•IDNs</li> <li>•New gTLDs</li> <li>•IPv4/ IPv6 work</li> <li>•Registrar Accreditation</li> <li>•Registrant Rights Charter</li> </ul>	<ul style="list-style-type: none"> <li>•Monitoring of performance</li> <li>•Root scaling study</li> </ul>	<ul style="list-style-type: none"> <li>•Increasing participation</li> <li>•Contributing to international forums</li> <li>•Review SOs and ACs</li> </ul>
<b>Strategic projects</b>	<ul style="list-style-type: none"> <li>•DNSSEC implementation</li> <li>•Establish DNS CERT</li> <li>•Contingency planning &amp; exercises</li> <li>•IPv4 and IPv6 adoption</li> </ul>	<ul style="list-style-type: none"> <li>•Implement Internationalized Domain Names (IDNs)</li> <li>•Implement new TLDs</li> <li>•IPv4 monitoring/IPv6 leadership</li> <li>•Improve policy processes</li> </ul>	<ul style="list-style-type: none"> <li>•IANA infrastructure upgrade</li> <li>•Monitor Root scaling</li> <li>•Strengthen International operations and presences</li> <li>•Strengthen SO and AC Support</li> </ul>	<ul style="list-style-type: none"> <li>•Implement Community Reviews, including the Affirmation of Commitment reviews</li> <li>•Efforts to meet commitments</li> <li>•Implement impact reporting</li> <li>•Participate in Internet governance dialogues including Internet Governance Forum (IGF)</li> </ul>
<b>Staff work</b>	<ul style="list-style-type: none"> <li>•Contingency planning</li> <li>•Training for ccTLDs</li> <li>•Collaborative response</li> <li>•ccTLD and risk management education in developing countries</li> </ul>	<ul style="list-style-type: none"> <li>•Compliance</li> <li>•Supporting Organization (SO) and Advisory Committee (AC) support</li> </ul>	<ul style="list-style-type: none"> <li>•IANA</li> <li>•Board support</li> <li>•Financial operations</li> <li>•Security &amp; contingency ops</li> <li>•L Root operations</li> </ul>	<ul style="list-style-type: none"> <li>•Thought leadership</li> <li>•International forum participation</li> <li>•Build capacity &amp; strengthen partnerships across eco-system</li> <li>•Strengthen regional engagement</li> </ul>

**Multi-stakeholder – Collaborative – International – Transparent – Accountable**

**Figure 1 – Overview of the 2010-2013 Strategic Plan**

The process that ICANN uses to develop its three-year Strategic Plan can be found at <http://www.icann.org/en/planning/>.

The work to develop the annual Operating Plan and Budget begins when the Strategic Plan is approved. The FY11 Operating Plan and Budget covers the period 1 July 2010 through 30 June 2011 and sets forth the proposed key operational activities that are to be accomplished during the fiscal year, as well as the expected budget resources required to accomplish them.

ICANN’s bylaws require that 45 days before adoption of the budget, this draft of the annual budget be posted to allow for community feedback. To facilitate further community feedback, in recent years ICANN has posted a framework of the fiscal year Operating Plan and Budget several months earlier, allowing for nearly five months of active community feedback and dialogue. The community feedback helps ensure that priorities are set and resources assigned appropriately.

This draft FY11 Operating Plan and Budget is posted to solicit more community feedback on the priorities, plans, and resource required for ICANN's activities for the fiscal year ending 30 June 2011. Although feedback on any aspect of this draft FY11 Operating Plan and Budget is welcome, the community is requested to focus on the following questions.

- Will the Strategic Plan be accomplished by the operating activities proposed? Are there specific deliverables or commitments that require more clarity? Are there some activities that should be modified to better suit ICANN's strategic mission?
- Are the organizational activities prioritized properly? Does one activity or another require more resources and, if so, what other activities should be delayed or eliminated to fund the more important activities?
- Is the overall financial picture of ICANN balanced appropriately given its role in the Internet ecosystem? Is the contribution to the Reserve Fund enough? Are revenue sources appropriate, and set at the right level, in the context of existing expectations by the Internet community?
- Where are opportunities for cost reductions? Can some projects be curtailed or delayed to help fund higher priority activities?
- What about the process for developing ICANN's plans? Are they sufficient to accomplish the goals to be accountable and transparent? In Section 3, an alternative schedule for developing the fiscal year plans is proposed? Is this proposal preferred?
- ICANN's commitment to openness and transparency will reinforce efforts of recent years to post detail-rich budget documents. This draft contains more analysis and detail than contained in any prior year. This level of detail is provided based on feedback and requests from the community. Are we striking the right balance between the need for detail versus the time to prepare and digest that detail, and the relevance of such information? For the Operating Plan and Budget development effort, are we responsive to the call for accountability and transparency described in the Affirmation of Commitments?

Community feedback for the FY11 Operating Plan is requested to be made through conference calls before the meeting in Brussels in June 2010, in face-to-face meetings (or through remote participation) during the ICANN meeting in Brussels, and in the [online public comment](#) area. Community feedback received on this draft of the FY11 Operating Plan and Budget will then be synthesized. In June 2010, the final FY11 Operating Plan and Budget will be submitted to ICANN's Board of Directors for final consideration and adoption at the Brussels meeting.

## 2. Executive Summary of the FY11 Operating Plan and Budget

ICANN’s annual Operating Plan and Budget set forth the planned outcomes and goals for ICANN and the resources required to deliver on those goals.

A year ago, the FY10 Operating Plan and Budget outlined a challenging set of deliverables and commitments, and FY10 points to being a milestone year in ICANN’s history. Completed projects include the signing of the Affirmation of Commitments, implementation of the IDN ccTLD Fast Track Process resulting in IDNs in the root; progress made with the New gTLD Program, including more issues resolved, and refined drafts of the applicant guidebook (as modified and amended by community feedback); completion of the prelaunch work of deploying DNSSEC across all 13 root servers; ICANN’s internal organizational review and improvement work in the GNSO, At-Large, SSAC, ccNSO; and starting the Independent Reviews required in the Affirmation of Commitments.

ICANN’s work plans identified for FY11 are ambitious, and will make significant contributions toward reaching ICANN’s strategic goals. The following chart, presented in the format of the four focus areas of the Strategic Plan, highlight some of the proposed activities for ICANN in FY11 as called for by the ICANN community.

Preserve DNS Security and Stability	Promote Competition, Trust, Choice, and Innovation	Excel in IANA and other Core Operation	Contribute to Shaping a Healthy Internet Ecosystem
<ul style="list-style-type: none"> <li>➤ Enhance existing DNS collaborative responses to abuse threats to DNS</li> <li>➤ Initiate program for annual DNS risk assessment/systemic contingency planning</li> <li>➤ Support for DNSSEC implementation</li> <li>➤ Support continued enhancement of TLD Continuity program</li> <li>➤ Work w/security experts for DNS metrics</li> </ul>	<ul style="list-style-type: none"> <li>➤ Complete the next version of the Applicant Guidebook</li> <li>➤ Compliance action plan for New gTLDs</li> <li>➤ Further work on the development of, and processes to support new gTLD implementation</li> <li>➤ Monitor IPv4 and facilitate adoption of the IPv6 protocol</li> <li>➤ Enforce contractual provisions of agreements</li> <li>➤ Systems to enhance registry and registrar processes</li> <li>➤ Facilitate discussion of key IDN implementation issues</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continue IANA excellence to strengthen services and improve performance</li> <li>➤ Continue work on root zone scaling</li> <li>➤ Strengthen alignment of ICANN outreach and stakeholder engagement</li> <li>➤ Finalize new gTLD operational readiness plan, and accommodate the delegation of IDN ccTLDs,</li> <li>➤ Engage with regional stakeholders</li> <li>➤ Implement updated cost accounting and procurement guidelines</li> </ul>	<ul style="list-style-type: none"> <li>➤ Affirmation of Commitments: Perform reviews on schedule for Accountability Transparency, Security Stability and Resiliency, Whois policy</li> <li>➤ Participate in international Internet governance discussions</li> <li>➤ Serve globalized technical coordination functions in public interest</li> <li>➤ External review of ccNSO and ASO</li> </ul>

**Figure 2-1 – Selected Operating Plan Activities Aligned with Strategic Plan**

**Note:** Some activities called for in the Strategic Plan will not be substantially funded in FY11. These activities include the efforts to initiate a DNS-CERT and some of the externally-facing collaborative response work.

Other FY11 proposed activities for ICANN are not specific to one of the four categories and are designed to enable ICANN overall. Some of these activities are highlighted below.

### Multi-stakeholder—Collaborative—International—Transparent—Accountable

- Provide education training and information services to support a knowledgeable skilled international community of volunteers to support ICANN's bottom-up multi-stakeholder policy development efforts
- Monitor activities in international forums, including advising on strategy and approach to address issues or inform discussions affecting ICANN's mandate or mission in maintaining a healthy Internet ecosystem
- Commit to adhere to transparent and accountable processes, fact-based policy development, and cross community deliberations
- Continue to assess and improve ICANN Board of Directors governance in continued efforts to promote transparency, accountability and trust
- Improve performance reporting against commitments reflecting ICANNs work in core operations
- Commit to perform and publish analyses of positive and negative effects of its decisions on the public, including financial impact

**Figure 2-2 – Selected Operating Activities Aligned with the Enablers of the Strategic Plan**

As ICANN's staff, Board, and community focus attention on attaining these and other important goals, there are also some clear challenges:

- **Completing FY10 year on budget.** A planned midyear review was undertaken by staff with the Board Finance Committee. Although ICANN historically has been able to fit operating plan activities within its expense budget, the review indicated that, without strong measures, the fiscal year actual expenditures would likely end up over budget by nearly US\$3.0 million primarily due to significant legal expenses, new facilities, the need to execute rapidly on senior-level hires and strategic consulting contracts, and the costs associated with additional work in key programs such as the New gTLD Program. Although this estimated overrun would be significant, the forecast indicated that contributions to the Reserve Fund from operations would still be about \$3.1 million after use of contingency (less than the \$4.9 million planned for in the adopted FY10 budget, but still a positive contribution). With oversight of the Board Finance Committee, an aggressive cost containment effort was initiated with the proviso that no critical activities be cut and that reports on the forecast for FY10 operating expenses be presented frequently. In addition, the \$1.5 million of contingency was formally released by the Board. The cost containment effort included cutting discretionary costs, changing staff policies on travel, delaying some hires, renegotiating contracts and large dollar invoices. In addition, some planned activities were reduced, delayed or curtailed and many planned staff positions are not to be filled. In addition, additional unanticipated costs have been incurred during FY10—for example, extra security costs requested for the Nairobi meeting. The net result of this effort is still being tabulated as the year nears completion, but early indications are that ICANN's actual operating expenses will exceed budget by about \$1 million.



- **Extending the New gTLD Program.** While much progress has been made, the New gTLD Program has not been completed, and there have been requests from the community for more work in several areas. So, while the implementation date of this program has not been set, more work and more expense has been identified as necessary to reach completion. An example of this would be the ongoing economic studies as well as work toward closure of the four overarching issues: TLD demand and economic analysis, root scaling, trademark protection, and potential for malicious conduct.
- **Balancing workloads and setting priorities.** The ICANN community, Board and staff all face an ongoing and significant challenge to determine where to focus their efforts. When is it appropriate to say a piece of policy development or implementation work will simply have to wait until a higher priority piece of work is completed? Fiscal responsibility requires tough decisions. This draft FY11 Operating Plan and Budget proposes that the following, otherwise important, programs and activities **not** be fully funded in FY11.
  - Some operational readiness activities for new gTLDs, leaving focus only on those activities requiring longer lead times and leaving others for inclusion in a separate new gTLD budget. Much of the newly-proposed externally focused security initiatives until there is both community consensus, and available funding sources.
  - Reduce travel costs by reducing staff attendance at ICANN meetings and formalizing more reliance on remote participation by ICANN consultants and others. Continuing to expand the current travel model is not sustainable.
  - Work to develop alternative funding sources is required to avoid delaying some planned security trainings for ccTLD operators.
  - Reduce travel costs for staff and vendors through more aggressive coordination of travel schedules across departments, reducing classes of travel, and by negotiating more aggressive contracts and compliance with travel providers.
  - A budget of \$470k has been allocated to support the all-new, Affirmation-mandated reviews. It is unclear how these teams will make decisions about their budget, and how that can or will be factored into ICANN's operating plan if larger than budget.
  - While the budget contains some resources for the implementation of improvements suggested by organizational reviews, since specific recommendations are not known in advance, it is unlikely that review recommendations can be funded in a single yearly budget. Any unfunded recommendations will be considered and prioritized in next year's plan.
  - And many new initiatives that are not critical or that can be delayed.

Financial resources to fund ICANN's operating activities come largely from registrants transactional fees and are paid to ICANN via generic registries and registrars that are accredited by, and contracted with, ICANN. In addition, Regional Internet Registries and country code top-level domain (ccTLD) registries contribute annually to ICANN. These revenue resources are matched with the first draft proposed expenditures, and the resulting calculation of change in net assets (i.e., contribution to the Reserve Fund), is evaluated for strategic relevance; and the components are adjusted accordingly. For a number of years, ICANN's revenue stream significantly increased from year to year. While RIR and ccTLD revenue has remained fairly steady, over three years registry revenue has increased 65% and registrar revenue has increased 17.6%. This revenue growth pattern is not continuing in FY11.



The current forecast for FY11 revenue is \$65.5 million, which is about a 4.6% increase over the estimate for FY10.

Expenses for FY11 are estimated to grow by about 8.8% over FY10, with a significant effort made in this planning to ensure increases were targeted to the highest priority activities for ICANN.

The following chart highlights the FY11 budget balancing:

(in Million USD)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET
Revenue	\$65.5	\$63.3	\$62.6
Operating Expenses	\$60.8	\$58.0	\$55.9
Non-Cash Expense	\$2.6	\$2.2	\$2.9
Contribution to Reserve	\$2.1	\$3.1	\$3.9
Investment Income	\$1.0	\$4.5	\$1.0
Change in Net assets	\$3.1	\$7.6	\$4.9

Figure 2-3 – FY11 Budget Snapshot in millions of dollars

Given the expectation of relatively small increases in revenue, the run-rate expense patterns of ICANN's core services, and the estimated expenses required to deliver on the proposed activities and commitments, the FY11 Budget provides for \$2.1 million to be contributed to the Reserve Fund from operations. Another \$1 million is budgeted for increase in the Reserve Fund due to investment earnings.

The Reserve Fund was established to be accessed only for rainy-day emergencies. ICANN's goal has been to attain a Reserve Fund that is as large as one year of operating expenses within a few years. As of 30 April 2010, the Reserve Fund had grown to over \$47 million which includes \$44 million contributed from operations plus over \$3 million from net investment earnings. The appropriate level for the Reserve Fund is periodically reviewed, and questions being considered include: What types of *black swan* emergencies should be anticipated? What core operations would need to be funded if other resources are not available? For how long? Community members are encouraged to make comments regarding reserve fund size and purpose.

ICANN's costs are accounted for and tracked in traditional accounting categories: departments, cost codes, and so on. Community feedback has encouraged ICANN's costs to be tracked in different views such as:

- **Functional view**, which tracks costs along the lines of ICANN's major activities, and
- **Expense Area Group (EAG) view**, which tracks costs along the lines of ICANN's stakeholders and their interest areas.

These views continue to be tracked and reported on regularly. In response to community feedback, more details on the makeup of these views of ICANN’s operating expenses are provided throughout the draft FY11 Operating Plan and Budget document. See **Appendix D** for a summary of those details.

In addition, a new view of ICANN’s expenses is proposed which aligns with ICANN’s recently adopted three-year strategic plan. This view aligns costs with the four categories of the strategic plan as shown in the following chart.

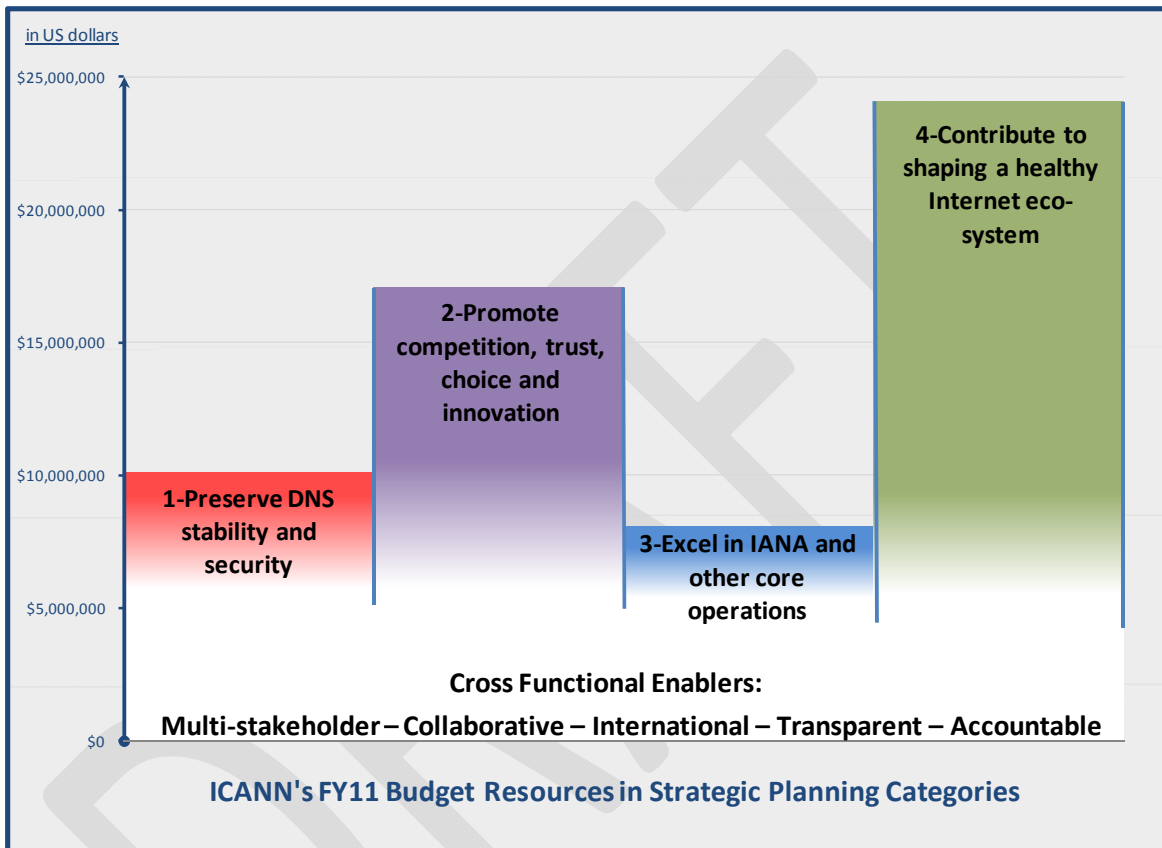


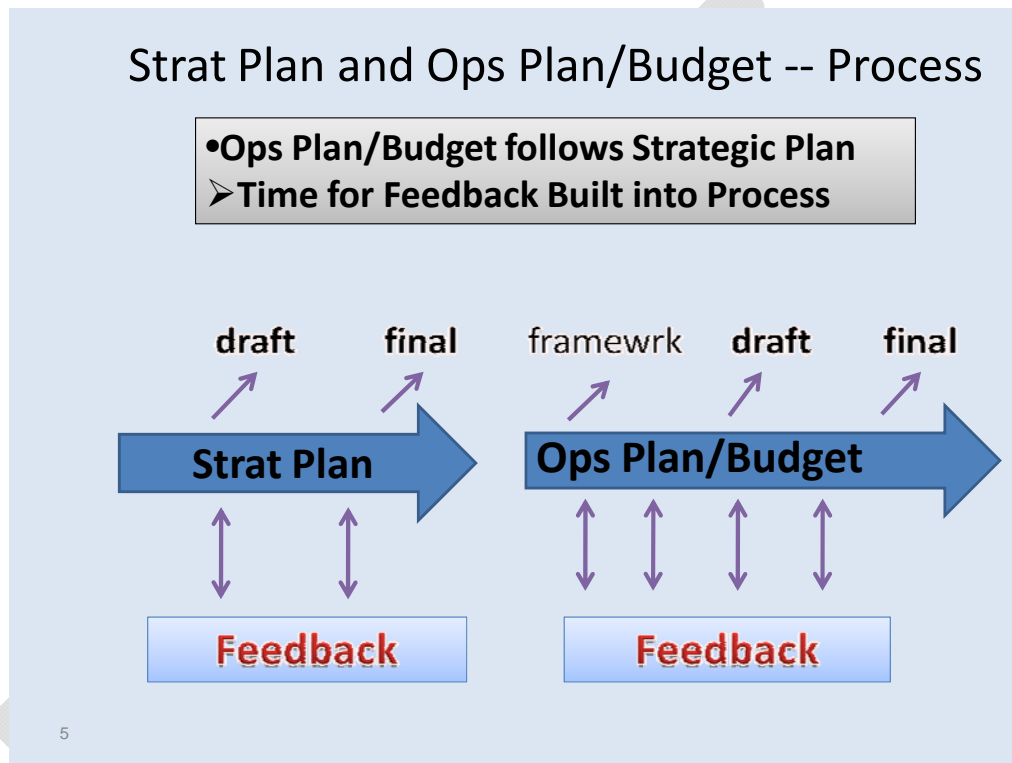
Figure 2-4 – FY11 Budget Resources in Strategic Plan View

This Strategic Plan view of ICANN’s budget resources is designed to show the focus and prioritization of ICANN’s efforts by strategic planning category. The resources required for each area of focus are shown more clearly, as is the cross-functional nature of much of ICANN’s spending. The community is encouraged to continue to provide feedback on the relative priority of these activities, and the resources committed to them. Special attention is required to identify which activities might be delayed or curtailed if additional resources are required for another activity.

### 3. The Planning Process

The overarching goals for the planning process are to maximize effective community engagement, to ensure that ICANN's plans are set with the appropriate priorities and resource allocations, and to ensure financial soundness of ICANN's plans.

Traditionally at ICANN, the first six months of each fiscal year brings a focus on the Strategic Plan. The Strategic Plan, updated annually, describes the organization's priorities and general goals over a three-year period. Then, in the second six months, ICANN's Operating Plan and Budget are developed and describe the activities and resources required to be performed in the next fiscal year. This current model is shown in Figure 3-1.



**Figure 3-1 – Current Planning Process**

Although this planning model has worked well in soliciting community feedback, a revised model for planning is being considered. This alternative model would allow for the first four months of the fiscal year to be focused on the development of the revised three-year strategic plan, the second four months of the fiscal year to be focused on assessing the financial resources required for that strategic plan including a bottom-up development of activities required, and the final four months of the fiscal year to be focused on the community feedback and fine-tuning of priorities. This alternative plan would heighten the formal engagement of the SOs and ACs into the planning process of ICANN. This new model would allow for more time for members of the community to adjust resources appropriately. Figure 3-2 shows the timing of the alternative proposed strategic planning and operating planning cycle at ICANN.

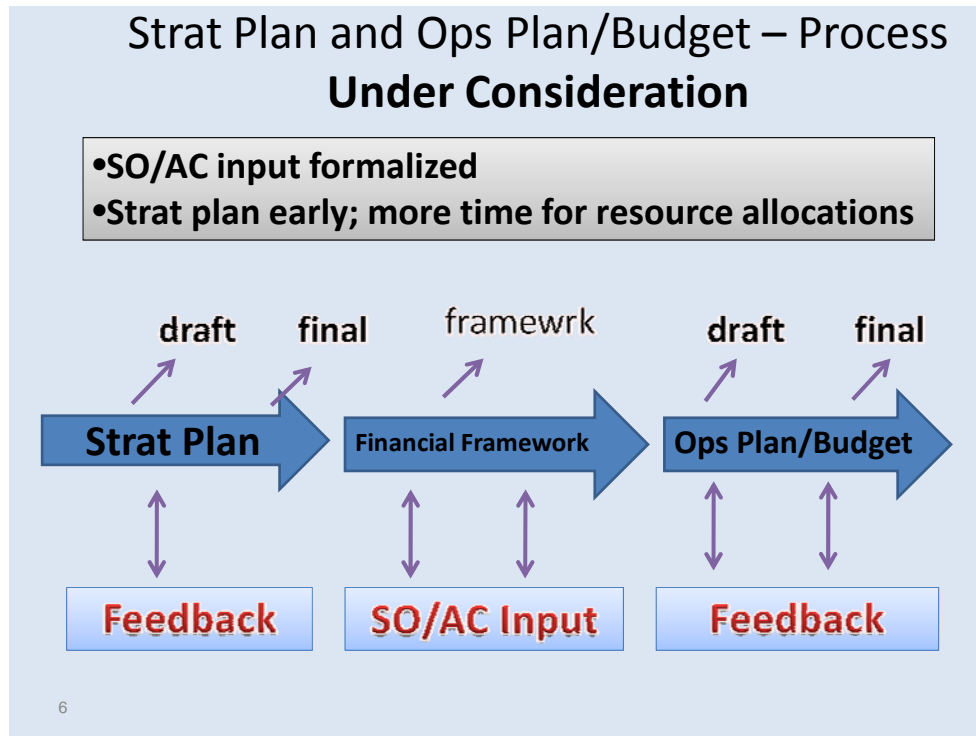


Figure 3-2 – Alternative Planning Process

### 3.1 Strategic Plan

ICANN's planning process helps keep the focus on its mission, mandate, and responsibilities. The 2010 to 2013 Strategic Plan was developed with the intention to provide a clear and accessible vision of ICANN's strategic focus. In particular, four areas of focus are provided.

1. DNS Stability and Security
2. Consumer Choice, Competition, and Innovation
3. IANA Function and Core Operations, and
4. a Healthy Internet Ecosystem

Additionally, the 2010 to 2013 Strategic Plan describes five fundamental aspects of ICANN's activities, which cut across and are interwoven into all focus areas, described as multi-stakeholder, collaborative, international, transparent, and accountable. A framework for the Strategic Plan was posted online and introduced to community groups at the international ICANN meeting in Seoul in November 2009. Consultations were conducted with constituencies both during and after that meeting. Additionally, a survey was conducted to assess community feedback and prioritize issues. All community feedback provided in online public fora, through online survey, and orally during meetings and conference calls was synthesized and incorporated into the [final 2010 to 2013 Strategic Plan](#) adopted by the Board.

### 3.2 Framework for the Operating Plan and Budget

The [Framework for the annual Operating Plan and Budget](#) is posted nearly five months before the final budget is submitted to the Board for adoption. This approach allows for extensive community feedback. The purpose of this Framework is to provide key parameters for the fiscal year's planning and budget, and to allow community input early in that planning and budget

development process. The FY11 Framework was posted on 15 February 2010 before the Nairobi meeting to allow time to solicit community feedback before, during, and after that meeting.

### 3.3 Draft Operating Plan and Budget

In accordance with ICANN's bylaws, the Draft fiscal year Operating Plan and Budget is posted 45 days before the beginning of the next fiscal year. The document lays out in detail the plans and budget resources required to execute those plans for the following fiscal year. The FY11 Operating Plan and Budget, posted by the 17th of May, reflects the concepts of the FY11 Framework with more specificity and clarity. Further, the draft FY11 document incorporates community feedback received. Once posted, more community feedback is solicited and then synthesized before submitting the final Operating Plan and Budget.

### 3.4 Final Operating Plan and Budget

After further community consultation, the final fiscal year Operating Plan and Budget is submitted to ICANN's Board of Directors for consideration and adoption at the June ICANN meeting. Once adopted, this becomes the plan and approved budget for ICANN's fiscal activities. The process for developing the FY11 Operating Plan and Budget includes nearly five months of active community involvement, is expected to reflect the priorities of the community, and will provide clarity for ICANN's operating goals and the budget resources required to achieve them.

Community feedback on the FY11 Operating Plan and Budget is encouraged in a number of ways:

- Post a comment on the ICANN website on the FY11 Operating Plan and Budget section of the public comment page. See [http://www.icann.org/public\\_comment/](http://www.icann.org/public_comment/).
- Ask the leader of your community to schedule a meeting or conference call with ICANN staff (contact Chief Financial Officer, Kevin Wilson, at [kevin.wilson@icann.org](mailto:kevin.wilson@icann.org)).
- Comment at the public session at ICANN's meeting in Brussels (20th to 25th of June 2010).

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

## 4. The FY11 Operating Plan

This draft of the FY11 Operating Plan leverages the accomplishments of FY10 and prior years by focusing on its four strategic focus areas which are:

1. **Preserving DNS Security and Stability** by supporting DNSSEC, enforcing contractual provisions, and coordinating with other stakeholders on a number of DNS and other Internet security issues, and
2. **Promoting competition, trust, choice, and innovation** by continuing work on new gTLD applicant guidebook(s), facilitating adoption of the IPv6 protocol, and preparing a robust IDN and new gTLD environment, and
3. **Excelling in performance of the IANA Function and other core operations** by pursuing processes for excellence in operations and preparing readiness for a more complex and vibrant root system, and
4. **Contributing to shaping a healthy Internet ecosystem** by progressing on the requirements of the Affirmation of Commitments and engaging in international Internet governance discussions, and
5. **Ensuring that each focus area is enabled and interwoven** with a commitment to multi-stakeholder, collaborative, International, transparent, and accountable processes.

The activities and budget views of ICANN have traditionally been categorized into one of ICANN’s 15 organizational activities. The organizational activities are: (1) New gTLD Implementation and Delegation, (2) IDN Implementation, (3) IANA Function and Technology Operations Improvements, (4) Security, Stability and Resiliency (SSR) Operations, (5) Contractual Compliance, (6) Core Meeting Logistics, (7) Constituency Support, (8) Policy Development Support, (9) Global Engagement and International Participation, (10) Travel Support for ICANN Community, (11) Ombudsman, (12) Board Support, (13) Nominating Committee (NomCom) Support, (14) DNS Operations, and (15) Organizational Improvement. As Figure 4-1 shows, each of these organizational activities is aligned with the four focus areas set forth in the Strategic Plan.

Organizational Activities	Strategic Plan Focus Areas			
	1-Preserve DNS stability and security	2-Promote competition, trust, choice and innovation	3-Excel in IANA and other core operations	4-Contribute to shaping a healthy Internet ecosystem
1-New gTLD Implementation and Delegation		XXXX		
2-IDN Implementation	X	XXX		
3- IANA Function and Technology Operations Improvements	X		XXX	
4-Security, Stability and Resiliency Operations (SSR)	XXXX			
5-Contractual Compliance		XX		XX
6-Core Meeting Logistics		XX		XX
7-Constituency Support	X	X	X	X
8-Policy Development Support		XX		XX
9-Global Engagement and Increasing International Participation	X	X		XX
10-Community Travel Support		XX		XX
11-Ombudsman		XX		XX
12-Board Support	X	X	X	X
13-Nominating Committee (NomCom) Support	X	X	X	X
14-DNS Operations	XXXX			
15-Organizational improvement				XXXX

Figure 4-1 – Relationship of Operating Plan Activities to Strategic Plan Focus Areas

The resources required for the 15 organizational activities are summarized in Figure 4-2. The balance of Section 4, the FY11 Operating Plan, describes these 15 organizational activities and provides more details on the resources required for achievement in FY11. More details of the FY11-specific objectives (SMART Goals) for each organizational activity are described in **Appendix A, Operating Plan Activities**.

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
1-New gTLD Implementation and Delegation	6,683	7,677	7,605	(922)	-12.1%
2-IDN Implementation	1,365	1,351	1,256	109	8.7%
<b>New gTLD / IDN efforts</b>	<b>8,048</b>	<b>9,028</b>	<b>8,861</b>	<b>(813)</b>	<b>-9.2%</b>
3-IANA Function and Technology Operations Improvements	5,804	4,772	5,040	764	15.2%
4-Security, Stability and Resiliency Operations (SSR)	7,087	6,743	5,755	1,332	23.2%
5-Contractual Compliance	3,399	3,525	3,155	244	7.7%
6-Core Meeting Logistics	5,255	5,404	5,190	65	1.3%
7-Constituency Support	6,216	5,931	6,041	175	2.9%
8-Policy Development Support	6,421	5,641	5,339	1,082	20.3%
9-Global Engagement and Increasing International Participation	6,792	7,850	6,619	173	2.6%
10-Community Travel Support	1,852	2,116	1,722	130	7.6%
11-Ombudsman	562	450	451	111	24.6%
12-Board Support	2,647	2,035	2,393	254	10.6%
13-Nominating Committee (NomCom) Support	820	797	760	60	7.9%
14-DNS Operations	2,185	2,458	1,199	986	82.2%
15-Organizational improvement	2,199	1,235	1,842	357	19.4%
<b>Subtotal</b>	<b>51,239</b>	<b>47,200</b>	<b>45,506</b>	<b>5,733</b>	<b>12.6%</b>
<b>Total Operating Expenses</b>	<b>59,287</b>	<b>55,900</b>	<b>54,367</b>	<b>4,920</b>	<b>9.1%</b>

**Figure 4-2 –Operating Expenses in Functional View**

The community is encouraged to provide further feedback on the prioritization of these organizational activities as well as identify deliverables of importance and those that can be delayed or curtailed.



## 4.1 New gTLD Implementation and Delegation

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
1-New gTLD Implementation and Delegation	6,683	7,677	7,605	(922)	-12.1%

Figure 4-3 – New gTLD resources

Helping to achieve ICANN’s vision of a *unified global Internet that works for everyone*, the FY11 generic top-level domain (gTLD) program will provide new platforms for innovation and change that will stimulate competition and increase choice for a variety of users and communities. Furthermore, new TLDs will allow industries, organizations, and communities to provide trusted services or information to their constituents and user groups while reaching new users who may have been limited by geographic or linguistic challenges.

The gTLD budget is separated into three phases: (1) **Development**—funded thus far in each fiscal year’s adopted budget, (2) **Deployment**, and (3) **Application Processing**. The latter two budget phases will be separately requested and **are not included** in this FY11 Operating Plan and Budget. See Section 7 of this document for further details.

The proposed plan for FY11 is to progress the implementation efforts of [new gTLD policy recommendations](#), to address the remaining concerns necessary to finalize the Applicant Guidebook (AGB), which include trademark protection, root zone scaling, economic analysis, malicious conduct, and to further the design and development of processes and systems necessary to conduct new gTLD application processing.

Budget resources required in FY11 for these new gTLD activities are estimated to be \$6.7 million, about 12% less than the FY10 budget and 13.0% less than the FY10 forecast. The reduction is primarily because many of the new gTLD planned projects are already complete or are near completion. The FY11 Operating Plan and Budget for the New gTLD Program, which cover salaries, professional services, travel, and administration costs, will be allocated across the following major activities:

- Resolution of remaining concerns and completion of Applicant Guidebook: \$4.5 million including allocations of staff labor cost, professional services, and related travel costs
- Design and development of processes and systems for applications processing (e.g. business processes, risk management activities, customer support, TLD Application System, etc): \$1.3 million
- Communication: \$0.7 million
- Administration: \$0.2 million

## 4.2 IDN Implementation

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
2-IDN Implementation	1,365	1,351	1,256	109	8.7%

Figure 4-4 – IDN resources

The launch of the Fast Track Process for IDN ccTLDs was a major milestone for ICANN and the Internet community in FY10. This fast track process will continue to be available during FY11 and until a final policy for IDN ccTLDs is developed and adopted.

The additional focus for IDNs in FY11 will be on implementation efforts such as support to the application layer of the Internet, various IDN-related community initiatives such as the long-term IDN ccTLD PDP, the JIG, the Whois working groups, and on IDN aspects in the New gTLD Program. We expect that new research and development areas will be undertaken in the management of variant TLDs. ICANN will also continue to ensure that IDN-relevant information, including best practice operational guidelines, is available at ICANN and domain name-related meetings, and will initiate participation in application development-related events to achieve a broader acceptance of new TLDs on a global scale.

Resource commitments from the FY11 Budget are expected to be \$1.4 million or 8.7% over FY10's budget and 1.0% over the FY10 forecast reflecting the resources required to continue processing IDN ccTLD requests, primarily from staff labor costs, associated travel costs, and outside consulting such as that required for variant analyses and IDNA implementation support.

## 4.3 IANA Function and Technology Operations Improvements

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
3- IANA Function and Technology Operations Improvements	5,804	4,772	5,040	764	15.2%

Figure 4-5 – IANA Function and Tech Operations resources

ICANN will enhance IANA Function and Technology Operations through a Business Excellence program for the IANA Function and by continuing efforts to ensure that IT operations and infrastructure are robust and resilient. ICANN's internal organization must be able to fulfill the additional operational requirements accompanying new services, including DNSSEC, scaling the number of TLDs, and other online services such as the Interim Trust Anchor Repository. The IANA department must accommodate process development and execution associated with new gTLDs and IDN ccTLDs. ICANN is focusing on excellence in performance of these activities and the underlying infrastructure elements in support of these requirements, looking beyond the

conclusion of the existing contract for the IANA Functions administered through the US Department of Commerce.

In FY11, \$5.8 million of budget resources, a 15.2% increase over FY10 or 21.6% over the FY10 forecast, are required to support the continuing operation as well as strengthening of the IANA Function and Technology Operations. The focus on this function for FY11, as reflected by its placement as one of the four strategic focus areas for ICANN, requires resources for staffing, including a new Vice President for the IANA Function, an upgrade to the IANA Function infrastructure, and professional service costs required for external reviews of IANA Function RZM software as well as number resource and protocol parameter processes. Costs of \$150k for continuing the Business Excellence program are also included in the FY11 budget.

#### 4.4 Security, Stability and Resiliency (SSR) Operations

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
4- Security, Stability and Resiliency Operations(SSR)	7,087	6,743	5,755	1,332	23.2%

Figure 4-6 – SSR resources

Ensuring the security, stability and resiliency (SSR) of the DNS and other unique identifiers in a changing global environment is a core part of ICANN's mission and is highlighted in the Affirmation of Commitments and in ICANN's 2010–2013 Strategic Plan. Doing so requires ICANN to collaborate effectively with other Internet stakeholders to enhance and protect the security and stability of the Internet, especially with the growth in threats to the DNS and the increase in malicious conduct that leverages the DNS.

In FY11, budget resources required to support SSR activities are estimated at \$7.1 million, a 23% increase over FY10's budget or 5.1% over the FY10 forecast. The forecast for SSR is higher than budget due to unanticipated additional costs incurred during FY10 including additional security personnel, enhanced traveler security, and venue specific arrangements such as for the Nairobi event. The budget includes the labor costs for DNSSEC implementation, security program certifications, external audits of ICANN's security, hardening of ICANN's infrastructure, and other important activities highlighted in the Strategic Plan. Focus of efforts is particularly on internal security efforts. Although ICANN will continue to be engaged in discussions on initiating a DNS-CERT, operational costs to operate DNS-CERT are not included in this draft of ICANN's FY11 Operating Plan and Budget, and were not included in the FY11 Framework.

## 4.5 Contractual Compliance

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
5-Contractual Compliance	3,399	3,525	3,155	244	7.7%

Figure 4-7 – Contractual Compliance resources

In FY11, ICANN will continue to enforce aggressively the contractual provisions of registrar and registry agreements resulting in more timely de-accreditation and non-renewal of noncompliant registrars. This work will protect the integrity of the Domain Name System and lead to higher levels of registrant/public trust in ICANN accredited registrars and registries. The consumer complaint intake system and Whois data reporting problem systems will be evaluated and enhanced based on feedback from users and other interested stakeholders. Additional investment in the audit function will allow ICANN to conduct its first inter-registrar transfer policy and registrar data escrow audits.

Budget resources for Contractual Compliance are estimated to be \$3.4 million, about 7.7% greater than FY10. This includes hiring compliance staff that were planned to be hired, but delayed, in FY10. This also includes ongoing and heightened efforts at contractual compliance across all areas of ICANN such as support from the registrar Liaison, legal, and policy departments making progress on enforcement provisions of contracts. Additional consulting services required for FY11 include registrar Data Escrow audit services for \$260k.

## 4.6 Core Meeting Logistics

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
6-Core Meeting Logistics	5,255	5,404	5,190	65	1.3%

Figure 408 – Core Meeting resources

ICANN works collaboratively with its multi-stakeholder community to strengthen regional and global engagement in the ICANN processes. ICANN International public meetings facilitate both face-to-face and remote interaction among a growing number of international participants. The FY11 plans include all staff and other costs required to support the thrice-annual ICANN international public meetings and other conferences.

Resources required for Core Meeting activities in FY11 are budgeted at \$5.2 million, close to the FY10 budget. Meeting costs in FY11 are forecast to exceed FY10's budget largely due to extra security costs. The FY11 budget includes the staffing costs for the full-time meeting planning team as well as the professional services required for audio-visual and other meeting support

costs. Travel costs for the meeting team, including pre-meeting site visits, are included. Travel costs for Board members, other staff, and supported community members are covered elsewhere. Meeting costs are expected to remain relatively stable in FY11 through aggressive contractual negotiations. Increases in remote participation costs are offset by reductions in meeting space, catering, and other costs.

DRAFT

## 4.7 Constituency Support

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
7-Constituency Support	6,216	5,931	6,041	175	2.9%

Figure 4-9 – Constituency Support resources

Changes to the makeup of the ICANN community stemming from the addition of IDNs and gTLDs will, especially after their launch and implementation, increase the number of gTLD registries and ICANN-accredited registrars around the globe, increasing industry competition and further ensuring that everyone has options for connecting to the Internet. Until that time, there will continue to be fluctuations in the number of accredited registrars and the associated revenue as has been seen in previous years and the current FY10. Throughout this period, increased support for these constituencies continues to be a priority for ICANN, including support of gTLD registries and ICANN-accredited registrars in regions such as East Asia.

Staff is working to develop and ensure that procedures and operations to support constituencies are transparent, accountable, and accessible to effectively and efficiently serve their needs. This includes work in registrar data escrow such as the development, testing, and implementation of the data escrow audit function, creating systems to automate or to enhance automation of gTLD registry and registrar business processes, and active participation in GNSO policy development process activities that directly impact gTLD registries and ICANN-accredited registrars. Resources for constituency support for FY11 are budgeted at \$6.2 million, a 2.9% growth over FY10's budget.

## 4.8 Policy Development Support

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
8-Policy Development Support	6,421	5,641	5,339	1,082	20.3%

Figure 4-10 – Policy Development resources

There have been significant increases throughout the ICANN community in the volume of policy development work throughout the current fiscal year, and this level of work is expected to continue to grow in FY11. In that vein, ICANN continues to devote substantial resources to support and manage its policy processes to ensure that policies are effectively and efficiently developed by the community in a transparent, bottom-up, consensus-based manner.

As part of the ongoing process of community reviews, the Board has also asked the community and directed the staff to implement structural improvement initiatives for several ICANN organizational structures; some, like the GNSO Improvements, are still in process and others,

like the ALAC, ccNSO, and SSAC improvements will require substantial attention throughout FY11. In addition to fund ongoing policy support activities, the FY11 budget includes some funding for initiatives to support the structural and process upgrades recommended for those entities.

Resources required for the proposed FY11 Policy Development Support activities are estimated at \$6.4 million, 20.3% increase over FY10's budget or 13.8% over the FY10 forecast. Budget resources are provided to allow for some new staff to support policy development efforts (e.g., ALAC support and general SO/AC secretariat support) as well as for fact-based studies to support policy development processes. In addition, some resources to implement improvements requested for the GNSO, ALAC, and SSAC improvements.

#### 4.9 Global Engagement and Increasing International Participation

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
9-Global Engagement and Increasing International Participation	6,792	7,850	6,619	173	2.6%

Figure 4-11 – Global Engagement resources

ICANN's global engagement work and efforts to increase international participation are integral to its day-to-day activities. Increased participation by ccTLDs in the ccNSO, increased ccTLD accountability frameworks, and increased government participation via the GAC are all examples of strengthening engagement in ICANN, and work that will continue by ICANN staff, and particularly the Global Partnerships team, in FY11. This is to ensure that all stakeholders have a voice in discussions, that there is improved accountability and transparency, and to provide ongoing awareness of the importance of one unified, global Internet.

ICANN staff will work through regional entities to enhance awareness about DNS stability and security, the implementation of IDNS and TLDs, and IPv6 uptake. This includes supporting the At-Large community, facilitating improved mechanisms for participation and engagement, and providing training and education to the Internet community in the growing ICANN regions. Additionally, ICANN's Global Partnerships team will work in their regions to facilitate and support IANA Function requests where needed.

Resources required for the proposed Global Engagement activities are estimated at \$6.8 million, up 2.6% from the FY10 budget.



## 4.10 Travel Support for ICANN Community

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
10-Community Travel Support	1,852	2,116	1,722	130	7.6%

Figure 4-12 – Travel Support resources

In FY11, ICANN provides travel support to community members in accordance with posted guidelines that are based on community feedback. The purpose of travel funding remains to increase global awareness of ICANN and its mission, to increase participation levels at regional and international forums, and to support those who provide work and leadership to the ICANN community but may not otherwise be able to attend ICANN meetings. Travel support for community members is focused toward selected members of the supporting organizations and advisory councils. Discussions with the community on the size and administration of this resource continue each fiscal year including an online public forum.

The resources required for FY11 is \$1.8 million to pay for travel and administration costs for over 100 community members who travel to each ICANN meeting.

## 4.11 Ombudsman

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
11-Ombudsman	562	450	451	111	24.6%

Figure 4-13 – Ombudsman resources

The Ombudsman shall serve as an objective advocate for fairness and shall seek to evaluate and where possible resolve complaints about unfair or inappropriate treatment by ICANN staff, the Board, or ICANN constituent bodies, clarifying the issues and using conflict resolution tools such as a negotiation, facilitation, and shuttle diplomacy to achieve these results.

Pursuant to the ICANN bylaws at Article V, Section 1, Paragraph 4:

*The annual budget for the Office of Ombudsman shall be established by the Board as part of the annual ICANN budget process. The Ombudsman shall submit a proposed budget to the President, and the President shall include that budget submission in its entirety and without change in the general ICANN budget recommended by the ICANN President to the Board. Nothing in this Article shall prevent the President from offering separate views on the substance, size, or other features of the Ombudsman's proposed budget to the Board.*

## 4.12 Board Support

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
12-Board Support	2,647	2,035	2,393	254	10.6%

Figure 4-14 – Board Support resources

The ICANN Board is an accountable and transparent structure designed to reflect the multi-stakeholder composition of the ICANN community and to react fairly and reasonably to the present and future needs of ICANN. ICANN's Board consists of 15 voting members and six liaisons who meet regularly by phone, and who travel to all three ICANN meetings as well as other inter-sessional meetings.

Resources required for Board Support activities in FY11 amount to \$2.6 million. In addition to direct travel support, Board resources include staffing, as well as funding for Board training, communication tools and self assessment.

## 4.13 Nominating Committee (NomCom) Support

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
13-Nominating Committee (NomCom) Support	820	797	760	60	7.9%

Figure 4-15 – NomCom resources

The Nominating Committee performs a vital function in contributing to the leadership competence needed to achieve ICANN's strategic objectives as the committee appoints members to the ICANN Board as well as to the GNSO Council, ccNSO Council and ALAC. Outreach activities, including travel, as well as outside consultant work for a fair and professional evaluation process, are essential parts of the NomCom program.

FY11 budget for NomCom is estimated to be \$0.8 million to pay for an allocation of staff support, direct travel costs for NomCom members and finalist candidates, professional service costs to assist in screening candidates and some document production to support NomCom activities.

## 4.14 DNS Operations

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
14-DNS Operations	2,185	2,458	1,199	986	82.2%

Figure 4-16 – DNS resources

Ensuring stability and security of the DNS and other unique identifiers remains a core function and a key priority for ICANN. The work in FY11 will be to maintain the improvements to the L-root server that were implemented in FY10 and to continue to improve the L-root server monitoring and management systems. In addition, we anticipate that FY11 will see pilot deployments of L-Local root server instances to further expand the L-root Anycast cloud. For DNSSEC, ICANN will complete the production deployment of ICANN's DNSSEC signing infrastructure that will enable ICANN to sign the zones it is responsible for in a highly secure, reliable, and resilient manner.

The proposed FY11 budget for DNS operations is \$2.2 million, a 19.4% percentage increase over FY10's budget. This increase includes funding for the various facilities, services, and external auditing functions associated with ICANN's operation of the root key signing key, support for generic key signing activities, resources required for the proposed New gTLD Program, as well as additional staff support needed to accommodate the operation of the DNSSEC efforts.

## 4.15 Organizational Improvement

(in Thousands of US Dollars)

Organizational Activities	FY11 Budget	FY10 Forecast	FY10 Budget	FY11 Budget less FY10 Budget	
15-Organizational improvement	2,199	1,235	1,842	357	19.4%

Figure 4-17 – Organizational Improvement resources

ICANN will continue to maintain an appropriate organizational entity structure to serve its increasingly globalized technical coordination functions, and will ensure that decisions related to these functions are in the public interest, accountable, and transparent.

In ICANN's continued efforts to facilitate the shaping of a healthy Internet ecosystem, focus will be on providing timely support to the initiatives and reviews directed by:

- The Affirmation of Commitments, which contains specific provisions for periodic review of four key ICANN objectives:
  - Ensuring accountability, transparency and the interests of global Internet users;
  - Preserving security, stability and resiliency of the DNS;
  - Promoting competition, consumer trust and consumer choice;
  - Whois policy.

- Article IV, Section 4 of the bylaws, which contains provisions for periodic independent reviews of the performance and operations of each supporting organization and their councils, each advisory committee (other than the Governmental Advisory Committee), and the Nominating Committee.

Resources required for the proposed Organizational Improvement activities are estimated to be \$2.2 million, up 19.4% from FY10. The increase is largely a response to the volume of reviews to be executed in a timely and efficient manner. For the Affirmation of Commitments review efforts, nearly \$0.5 million are set aside for professional and administration support services as well as some travel support anticipated for the Affirmation review team members. Other costs that could be requested by the Affirmation of Commitment reviews have **not** been included in the draft FY11 Operating Plan and Budget.

DRAFT

## 5. The FY11 Budget

ICANN's FY11 Budget includes estimated revenues of \$65.5 million for revenue (vs. \$62.6 in FY10), a 4.6% increase over the FY10 budget, and \$60.7 million in operating expenses (vs. \$57.9million in FY10), an 8.8% increase over the FY10 budget. After other expenses and investment income are considered, this results in just over \$3 million contribution to Reserves.

Figure 5-1 shows the FY11 proposed budget as compared to FY10's budget and FY10's forecast.

(in Thousands USD)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Revenue	\$65,509	\$63,313	\$62,642	\$2,867	4.6%
Operating Expenses	\$60,788	\$57,980	\$55,867	\$4,921	8.8%
Non-Cash Expense	\$2,600	\$2,210	\$2,900	(\$300)	-10.3%
Contribution to Reserve	\$2,121	\$3,123	\$3,875	(\$1,754)	-45.3%
Investment Income	\$1,000	\$4,500	\$1,000	\$0	0.0%
Change in Net assets	\$3,121	\$7,623	\$4,875	(\$1,754)	-36.0%

Figure 5-1 – Summary of FY11 budget

Financial resources to fund ICANN's operating activities primarily come from registrant transactional fees, and are paid to ICANN via generic registries and registrars which are accredited by, and contract with, ICANN. In addition, Regional Internet Registries and country code top-level domain (ccTLD) registries contribute annually to ICANN. A new source of revenue for ICANN is from requests for IDNs through the Fast Track IDN ccTLD program. Total revenue expected for FY11 is \$65.5 million, an increase of about 4.6% over FY10. In recent years, ICANN experienced much larger growth in revenue primarily due to contractual agreements with provisions for fixed step-up increases. There are no contractual step-ups in fees in FY11, and domain name transaction-based revenue is expected to increase only slightly. As has been done in prior years, contracted parties and noncontracted contributors to ICANN's revenues are queried as to whether ICANN's bases used for revenue estimates are reasonable and consistent with industry experts.

## 5.1 Revenue

### Revenue Budget for FY11 (in US dollars)

In addition to country code operators and regional Internet registries, registrants, via registrars and gTLD registries, provide funding for ICANN to ensure coordination of a globally interoperable Internet. The following table summarizes by source the FY11 revenue budget of \$65.5 million as compared to FY10.

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
<b>Registry</b>	\$32,647,000	\$31,440,000	\$32,450,600	\$196,400	0.6%
<b>Registrar</b>	\$29,159,000	\$28,560,000	\$27,268,000	\$1,891,000	6.9%
<b>RIR</b>	\$823,000	\$823,000	\$823,000	\$0	0.0%
<b>ccTLD</b>	\$1,600,000	\$1,600,000	\$1,600,000	\$0	0.0%
<b>IDN ccTLD</b>	\$780,000	\$0	\$0	\$780,000	n/a
<b>Meeting Sponsorships</b>	\$500,000	\$890,000	\$500,000	\$0	0.0%
<b>Revenue</b>	<b>\$65,509,000</b>	<b>\$63,313,000</b>	<b>\$62,641,600</b>	<b>\$2,867,400</b>	<b>4.6%</b>

Figure 5-2 – FY11 Revenue budget

### gTLD Registry Fees

ICANN has a contracts with registry operators of 17 generic top-level domains (gTLDs) such as dot-asia, dot-com and dot-jobs. Registry fees are described in the respective registry agreements. Based on those agreements, registries pay a fixed fee, transaction-based fee, or both as more specifically described in Figure 5-3.

FY11 Budget - Registry Revenue - Transaction & Fixed Fees					
gTLD	Fixed Fee	Fee per Trans	Trans Volume	Trans Fee	Total
aero	5,000		6,800	-	\$5,000
asia	-	\$ 0.75	148,300	111,230	\$111,230
biz	-	\$ 0.23	2,298,100	517,070	\$517,070
cat	10,000	\$ 1.00	51,600	51,600	\$61,600
com	18,000,000		89,637,000	-	\$18,000,000
coop	5,000		7,000	-	\$5,000
info	-	\$ 0.23	6,537,000	1,470,830	\$1,470,830
jobs	10,000	\$ 2.00	9,300	18,600	\$28,600
mobi	-	\$ 0.40	1,579,000	631,600	\$631,600
museum	500		1,000	-	\$500
name	-	\$ 0.20	238,800	47,760	\$47,760
net	-	\$ 0.75	13,283,700	9,962,780	\$9,962,780
org	-	\$ 0.20	8,409,200	1,681,840	\$1,681,840
pro	10,000		104,600	-	\$10,000
tel	-	\$ 0.40	97,800	39,120	\$39,120
travel	10,000	\$ 2.00	31,800	63,600	\$73,600
<b>Total</b>	<b>18,050,500</b>		<b>122,441,000</b>	<b>14,596,030</b>	<b>\$32,646,530</b>

Figure 5-3 – Registry revenue

**Notes:**

- FY11 rate for .biz and .info is \$0.20 for 1 July 2010 to 31 December 2010, and \$0.25 for 1 January 2011 to 30 June 2011.
- Transaction-based fees for dot-mobi and dot-tel are based on the average price of registrations during a billing period. The estimated rate is the average of the actual rates during FY10.
- The registry fees for .post will not be effective until the TLD has been entered into the root zone. As of April 2010 the effective date of the fees has not been determined. The fees under this contract are fixed at \$6,250 per quarter and, if there are more than 50,000 domains registered, \$0.25 per billable (i.e., initial and renewed domains including renewals associated with transfers) transaction year.
- gTLD registry fee revenue is estimated to decrease slightly in FY11 by less than 1%.

The single largest source of registry revenue is from the dot-com contract. The dot-com contract revenue is based on a fixed fee per year with a stepped schedule for increases or decreases



after 1 July 2009 provided specific thresholds of domain name registrations are attained over or decline below the number of domain name registrations as of 1 March 2006, the Effective Date of the dot-com contract. The thresholds are defined in Section 7.2 (b) of the dot-com contract viewable at <http://www.icann.org/en/tlds/agreements/verisign/registry-agmt-com-01mar06.htm>.

Historically the fees have been:

FY07	\$ 6 million
FY08	\$ 8 million
FY09	\$12 million
FY10	\$18 million
FY11	\$18 million

In FY11, the fixed fee for dot-com is to remain the same as FY10 at \$18 million.

Aside from dot-com, there are seven other registries, identified above, that pay fixed fees to ICANN. Those registry fixed fees are subject to an increase each fiscal year. For FY11, ICANN will not assess any increases to any fixed fees.

Regarding the AGP fee, the [AGP Limits Policy implementation notes](#) state that: “The Operator will be responsible for payment of registry-level fees to ICANN for any transactions that do not result in a refund of the registration fee.” Therefore, if a registry does not refund the registration fee for an AGP delete, it is responsible for payment of its transaction-based fee to ICANN for that deleted name. AGP fees are assessed at the individual transaction-based fee to registries that have this element in their fee structure. In light of the [recently reported 99.7 % decrease in excessive AGP deletes](#), revenue generated from this fee is budgeted at zero.

### **Registrar Fees**

Over 950 registrars are currently accredited by ICANN. This relationship is governed by the Registrar Accreditation Agreement (RAA), which was updated in 2009. At present, over 90% of gTLD registrations are held at registrars that are governed by the provisions of this new RAA. The RAA provides for the following types of fees:

- Application fee
- Annual accreditation fee
- Per-registrar variable fee
- Transaction-based fee

In addition, the FY09 and FY10 budgets assumed an Add Grace Period (AGP) deletion fee to eliminate domain tasting. The amount for AGP deletion fees was assumed to be zero in those budgets and is also assumed to be zero for the FY11 budget. Figure 5-4 shows all registrar fees.

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Application Fees	\$100,000	\$150,000	\$100,000	\$0	0.0%
Accreditation Fees	\$3,600,000	\$3,853,000	\$2,400,000	\$1,200,000	50.0%
Variable Fees	\$3,420,000	\$3,519,000	\$3,420,000	\$0	0.0%
Transaction Fees	\$22,039,000	\$21,026,000	\$21,348,000	\$691,000	3.2%
AGP Deletion Fees		\$12,000		\$0	n/a
<b>Registrars Revenue</b>	<b>\$29,159,000</b>	<b>\$28,560,000</b>	<b>\$27,268,000</b>	<b>\$1,891,000</b>	<b>6.9%</b>

Figure 5-4 – Registrar revenue

**Application fees** are paid one time by prospective registrars at the time of the application. For FY11, the application fees are estimated to be \$100,000 based upon a volume of 40 applications and a per application fee of \$2,500 per application. The same assumption was used for FY10's budget.

**Annual accreditation fees** are fees that all registrars are required to pay annually to maintain accreditation. The fee is \$4,000 per year. Registrars that have adopted the 2009 version of the Registrar Accreditation Agreement (2009 RAA) have the option of paying the annual \$4,000 accreditation fee in quarterly installments of \$1,000. For FY11, the annual accreditation fees are estimated at \$3.6 million, based on an estimate of a total of 900 registrars renewing and being newly accredited.

**Per-registrar variable fees** will remain at \$3.8 million per year to be paid by the registrars as a whole. The per-registrar fee is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, provided that the registrar is considerably smaller in size and in activity, some registrars will continue to be eligible for "forgiveness" of two-thirds of the standard per-registrar variable fee. To be eligible for forgiveness, the registrar must have (1) less than 350,000 gTLD names under its management and (2) no more than 200 attempted adds per successful net add in any registry. Forgiveness will be granted each quarter to all registrars that qualify.

The amount per registrar is calculated each quarter by dividing \$950,000 (one-fourth of \$3.8 million) equally among all registrars that have at least been accredited for one full quarter or have made at least one transaction, taking into consideration the forgiveness factor.

In addition, a discount of 10% is granted to those registrars that are operating under the 2009 RAA. Registrars will receive the discount starting the quarter they adopt the 2009 RAA. The FY11 revenue budget assumes a 10% reduction across all registrars due to the high adoption rate of the 2009 RAA.

**Transaction-based fees** are assessed on each annual increment of an add, transfer, or renewal transaction that has survived a related add or auto-renew grace period. This fee will be billed at \$0.20 per transaction for registrars under the 2001 version of the RAA (2001 RAA) and \$0.18 per transaction for registrars under the 2009 RAA (starting the quarter they adopt the 2009 RAA). These rates are consistent with the FY10 per-transaction rates. As of April 2010, over 90% of

domain names are managed by registrars under the 2009 RAA. The FY11 transaction fee revenue is calculated at the lower rate of \$0.18 in the anticipation that most transactions will be billed at \$0.18 by the end of the fiscal year. Transaction volume is expected to increase steadily over the next year to over 30 million transactions per quarter.

**Add Grace Period (AGP) deletion fees** are charged to registrars that delete added names within the grace period in excess of the threshold, which is the larger of fifty (50) deletes or 10% of total net adds per TLD per month. This fee will be billed at \$0.20 per transaction for registrars under the 2001 version of the RAA (2001 RAA) and \$0.18 per transaction for registrars under the 2009 RAA (starting the quarter they adopt the 2009 RAA). The average deletion fee per quarter in FY10 so far is less than \$4,000. This fee is charged as a deterrent rather than a source of revenue. Because of the drastic and continued decrease in the volume of excess deletes, revenue generated from this fee is budgeted at zero.

DRAFT

Period	Period	Transactions	% Change
FYE 30 June 2005	Oct-Dec 2004	8,609,473	
	Jan-Mar 2005	14,852,287	72.5%
	Apr-Jun 2005	15,238,720	2.6%
FYE 30 June 2006	Jul-Sep 2005	15,361,480	0.8%
	Oct-Dec 2005	17,045,957	11.0%
	Jan-Mar 2006	20,173,715	18.4%
	Apr-Jun 2006	19,827,010	-1.7%
FYE 30 June 2007	Jul-Sep 2006	19,521,289	-1.5%
	Oct-Dec 2006	21,461,069	9.9%
	Jan-Mar 2007	24,601,274	14.6%
	Apr-Jun 2007	24,516,150	-0.4%
FYE 30 June 2008	Jul-Sep 2007	25,631,635	4.6%
	Oct-Dec 2007	25,815,357	0.7%
	Jan-Mar 2008	27,609,477	7.0%
	Apr-Jun 2008	27,486,425	-0.5%
FYE 30 June 2009	Jul-Sep 2008	29,064,841	5.7%
	Oct-Dec 2008	25,068,812	-13.8%
	Jan-Mar 2008	28,589,294	14.0%
	Apr-Jun 2008	27,407,237	-4.1%
FYE 30 June 2010	Jul-Sep 2009	27,576,415	0.6%
	Oct-Dec 2009	28,697,011	4.1%
	Jan-Mar 2010		
	Apr-Jun 2010		
<b>Proposed FY11 Budget</b>			
FYE 30 June 2011	Jul-Sep 2010	30,154,900	
	Oct-Dec 2010	30,456,400	1.0%
	Jan-Mar 2011	30,761,000	1.0%
	Apr-Jun 2011	31,068,700	1.0%
		<b>122,441,000</b>	

Figure 5-5 – Transaction volume

### Regional Internet Registry (RIR) Contributions

The RIRs traditionally contribute once a year and support ICANN's efforts by attending meetings, inviting ICANN to attend RIR meetings, participating in the ASO, and additionally contributing financially to ICANN. In recent years, the Number Resources Organisation (NRO) has been contributing to ICANN on behalf of each of the five RIRs: ARIN, RIPE-NCC, LACNIC, APNIC, and AFRINIC.

Consistent with prior years, the RIR contribution is expected to be \$823,000 for the FY11 fiscal year.

### **ccTLD Contributions**

Many ccTLDs have expressed support of the ICANN model and understand the value that the ICANN model provides. Many ccTLDs have entered agreements with ICANN including exchange of letters, accountability frameworks, and sponsorship agreements. These agreements may be viewed on the ICANN website [organized by geographic location](#). In addition, many ccTLDs without formal agreements with ICANN contribute to ICANN's revenues to demonstrate support for the ICANN process. [Historical ccTLD contributions](#), updated periodically on the ICANN website, can be viewed as of 31 March 2010 in **Appendix F, Revenue Analysis**.

The ccTLD contributions for FY11 are estimated to remain at the same level as budgeted in FY10, or \$1.5 million.

### **Fast Track IDN ccTLD**

In November 2009, ICANN launched the [Fast Track IDN ccTLD program](#), which allows countries to request an IDN string. The request processing fee per IDN ccTLD, through the Fast Track Process, is suggested to be \$26,000 per requested IDN ccTLD based on a [cost analysis](#) that was performed and communicated with the community before the launch of the program. An estimate of ongoing annual contribution fees to cover development and ongoing IDN activities as they relate to ccTLD managers is also considered. It should be noted that the processing fee, like the annual contribution, is not mandatory, and as such, the expectation is not to achieve the entire amount in revenue.

Based on interests expressed by countries and territories, ICANN estimated that 50 requests would be requested within the first two years of the launch. In FY10 approximately 20 requests were received, leaving an expected 30 requests for FY11. The FY11 revenue from Fast Track IDN ccTLD is estimated at \$26,000 for each of the 30 estimated requests, or \$780,000.

### **Sponsorship Revenue**

[Meeting sponsorships](#) are available for companies wishing to contribute to the ICANN meeting experience. Sponsoring companies receive special services during an ICANN meeting. The types of services depend on the level of sponsorship. Sponsorship revenue in FY11 is estimated at \$500,000, with no increase from FY10.

### **Investment Income**

In accordance with ICANN's Investment Policy, working capital is kept at a balance sufficient to cover at least three months of operating expenses. Working capital funds are kept in fully-liquid, very-low-risk accounts with corresponding low interest earnings of usually less than 0.5%. The Investment Policy also calls for a Reserve Fund that is invested in a stocks and bonds at a moderately-low-risk-level. As of 30 April 2010, the Reserve Fund balance was \$47.3 million. Total investment income for FY11 is budgeted to be \$1 million and is reported on the financial statements below operating expenses.

## **5.2 Operating Expenses**

Operating expenses at ICANN are budgeted and spent in accordance with each year's adopted Operating Plan. The tasks required to deliver on each organizational activity are accumulated, and the required resources to accomplish those tasks are estimated. The resources, which include staffing, travel and meeting, professional services, and administrative costs, are

estimated to create the fiscal year operating budget. In addition, a contingency amount is added to provide for unanticipated costs and unexpected events. Further, the global economic slowdown continues to affect virtually all ICANN stakeholders, and ICANN's current financial projections reflect that reality. Achieving strategic goals for annual contribution to the Reserve Fund while delivering on the required organizational activities requires careful planning in a resource-constrained environment. The result is the fiscal year operating expense budget which for FY11 is summarized in Figure 5-6.

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
<b>Personnel</b>	\$26,703,114	\$25,010,000	\$23,286,968	\$3,416,146	14.7%
<b>Travel &amp; Meetings</b>	\$11,085,875	\$10,810,000	\$12,065,305	(\$979,430)	-8.1%
<b>Professional Services</b>	\$14,927,509	\$15,640,000	\$12,455,864	\$2,471,645	19.8%
<b>Administration</b>	\$6,571,075	\$6,520,000	\$6,558,660	\$12,415	0.2%
<b>Contingency</b>	\$1,500,000	\$0	\$1,500,000	\$0	0.0%
<b>Operating Expenses</b>	<b>\$60,787,573</b>	<b>\$57,980,000</b>	<b>\$55,866,797</b>	<b>\$4,920,776</b>	<b>8.8%</b>

**Figure 5-6 – Operating expenses**

FY11 operating expenses are budgeted to be \$59.3 million (without contingency) an increase of 8.8% over FY10's budget and 4.8% over the FY10 forecast. FY11 personnel costs are expected to be \$26.7 million, an increase of 14.7% over FY10. This reflects an increase in staffing from 125 to 143. Much of the increase is due to the run rate of personnel costs as many staff hired in FY10 were not on board for the entire fiscal year. FY11 travel and meeting costs are expected to be \$11.1 million, a decline of 8.1% from FY10. This decline is largely due to a more efficient approach to attendance at meetings. FY11 professional service costs are expected to be \$14.9 million, an increase of 19.8% reflecting the continuing project nature of ICANN's work and the many activities and deliverables in the FY11 operating plan. FY11 administration costs are expected to remain at \$6.6 million, essentially flat from FY10. The contingency allowance is proposed to be \$1.5 million once more for FY11. The sections that follow described in more detail the cost estimates used for the FY11 operating expense budget, including the assumptions used.

In addition, four important aspects of ICANN's operating expenses need to be emphasized.

1. **More views of ICANN's operating expenses.** In adherence to principles of accountability and transparency, as well in response to specifically directed community requests, ICANN regularly reports the operating expenses from differing points of view. In addition to the natural accounting views shown above and described in the following sections, ICANN's operating expenses are now shown in a functional view which indicates the resource spent by the 15 organizational activities (see Figure 4-1). Another view of ICANN's operating expenses is by Expense Area Group (EAG), which shows the expenses as allocated to each component of ICANN's organization structure. The functional and [EAG views](#), developed with oversight from the Board Finance Committee and supported through community feedback and discussions, are now regularly included in financial reports on [ICANN's Public Dashboard](#). For the second year, the FY11

- operating expense budgets are prepared using the functional and EAG views. See **Appendix D** views of ICANN's operating expenses.
2. **More details of ICANN's Operating Expenses.** In response to requests from the community to facilitate analysis of resources, as well as from a desire to be fully accountable and transparent, an increasing number of components of ICANN's budget are presented. Shown here are a sample:
    - Operating expenses by Expense Area Group breakdown, including details of its components
    - Functional breakdown, including details of its components
    - Strategic focus areas including details of its components
    - Fact-based research studies to support policy development
    - Capital budget items
    - Headcount (FTEs) by functional area
    - Assumptions used for personnel, travel and other components of the budget
    - Office space costs
    - Capital budgets and depreciation details
    - Euro-denominated presentations and FX rates used
    - Makeup of the new gTLD budget with component views
    - Technology support costs
    - Community feedback and nature of specific responses
    - Language Services: breakdown by translations, interpretation, and scribing
    - And more
  3. **Cost Accounting Guidelines.** Although primarily driven by the revenue-cost-neutral policy of the New gTLD Program, new [Cost Accounting Guidelines](http://www.icann.org/en/financials/cost-accounting-guidelines-22apr10-en.pdf) were developed that will help ensure that all of ICANN's costs are accounted for and reported in a fair, clear, and transparent manner. The guidelines were prepared with oversight of the Board Audit and Finance committees and are publicly available on the ICANN website. <http://www.icann.org/en/financials/cost-accounting-guidelines-22apr10-en.pdf>.
  4. **Procurement Guidelines.** To foster institutional confidence in ICANN's spending decisions, new [Procurement Guidelines](http://www.icann.org/en/financials/procurement-guidelines-21feb10-en.pdf) were developed. The guidelines were prepared with oversight of the Board Audit and Finance committees and are publicly available on the ICANN website at <http://www.icann.org/en/financials/procurement-guidelines-21feb10-en.pdf>.



### 5.2.1 Personnel costs

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Personnel	\$26,703,114	\$25,010,000	\$23,286,968	\$3,416,146	14.7%

Figure 5-7 – FY11 Personnel costs

Personnel costs are budgeted to be \$26.7 million in FY11, an increase of 14.7% over FY10. Most of this amount is due to the run rate costs of existing staff. Much of the year-over-year increase is due to the new staff joining ICANN later in the FY10 year while budgeted for an entire year in FY11.

ICANN's current staff headcount is 125 as of 17 May 2010. The Framework identified 13 critical new hires. Based on community feedback, 5 new hires were added for the draft FY11 budget. Figure 5-8 shows the ICANN headcount allocated by the 15 organizational activities (not by department). A complete listing of ICANN staff can be found at <http://www.icann.org/en/general/staff.html>.

ICANN Staffing by Organizational Activities	FY11 Budget	FY11 Framework	FY10 Forecast	FY10 Budget
1-New gTLD Implementation and Delegation	14	15	12	16
2-IDN Implementation	5	5	4	6
3-IANA Function and Technology Operations Improvements	17	17	15	18
4-Security, Stability and Resiliency Operations(SSR)	10	10	8	11
5-Contractual Compliance	13	12	11	15
6-Core Meeting Logistics	10	10	10	10
7-Constituency Support	16	14	13	17
8-Policy Development Support	20	18	18	20
9-Global Engagement and Increasing International Participation	16	15	14	19
10-Community Travel Support	2	2	2	2
11-Ombudsman	1	1	1	1
12-Board Support	5	5	5	5
13-Nominating Committee (NomCom) Support	2	2	2	2
14-DNS Operations	8	8	6	8
15-Organizational improvement	4	4	4	3
	<b>143</b>	<b>138</b>	<b>125</b>	<b>153</b>

Figure 5-8 –Headcount in terms of full time equivalents (FTEs) at ICANN

**Global Engagement and Increased International Participation** – As part of the strengthening of the multi-stakeholder model and increasing globalization, new regional liaisons are budgeted for India and Asia along with plans to hire a registry/registrar liaison for Asia.

**Policy Development and Support** – To improve support to the Advisory Committees and Supporting Organizations, additional staff will be hired in international locations to support core policy development processes.

**New gTLD Program** – While no new staff are being considered for the New gTLD Program until launch, additional internal resources are being allocated to ensure responsiveness to the community and project timelines are met.

**IANA Function and Technology Operations Improvements** – Additional staff will be hired to bolster technical expertise in performance of the IANA Function, information security, and related technical matters such as cryptography.

**Key assumptions** used to calculate the costs of personnel in FY11, including the costs of the new hires, include:

- Compensation of new hires is assumed to be based upon current market rates and individual experience and skills. Information on ICANN's compensation programs and development processes are explained in more detail on the website: <http://www.icann.org/en/financials/compensation-practices-31jan10-en.pdf>
- As part of a Board-approved compensation program, staff members are eligible to earn a bonus based on achievement of specifically defined performance targets. The budget assumes a high percentage of bonuses are achieved, but actual payout of bonus is contingent upon completion of each individual's actual performance evaluation.
- Other personnel costs (i.e., burden or fringe benefits) are approximately 36% of gross payroll for all staff. More specifically, the following cost items are estimated based upon the specified percentage of gross payroll:
- Benefits for US based staff include:
  - Vacation expense (2%) US-based staff members are entitled to three weeks vacation per year for their first five years (and four weeks per year after that). The 2% assumes that each staff member takes two weeks per year and one week is accrued. An individual's accrual balance is capped at twice the annual accrual rate. Thus, staff accruing at the rate of three weeks per year cannot have more than a total of six weeks accrued as a vacation balance available.
  - Retirement expense (13%) is based on ICANN's retirement plans and historical trends of participation.
  - Workers compensation expense for statutorily required coverage is based on estimated annual premiums of approximately \$70k for ICANN's US based payroll.
  - Payroll taxes (7%) are based on payroll regulations.
- Benefits for non-US based staff members are based on contract terms if available.
  - Benefit costs for Australia-based staff members include 9% for pension, 6% for workers compensation, and 6% for payroll taxes.
  - Benefit costs for Brussels-based staff members include required benefits such as supplemental holiday pay, 13th-month pay, plus benefits including retirement and life insurance of approximately 20% of base pay.

## 5.2.2 Travel and Meeting Costs

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET
Travel & Meetings	\$11,085,875	\$10,810,000	\$12,065,305	(\$979,430) -8.1%

Figure 5-9 – FY11 Travel and Meetings costs

**Travel and Meeting Costs** for FY11 are budgeted at \$11.1 million, near \$1 million less than the \$12.1 million budgeted for FY10. The decline is largely due to travel cost reduction efforts such as more ICANN staff participating remotely instead of personally traveling to the meetings, staff traveling more economically, and through aggressive contract negotiations for Travel and Meeting services in today's global economic climate.

Travel and Meeting costs at ICANN are primarily incurred in two categories. One, costs for ICANN's international and regional meetings. This includes venue costs and required meeting services as well as the airfare, lodging, and meals for staff, Board members, vendors, and members of the ICANN community who are supported by ICANN. Two, travel costs by ICANN staff (and some Board members) required to perform on ICANN's program operations.

ICANN's thrice-annual meetings are large events attended by well over a thousand participants from all parts of ICANN's community including every stakeholder group, supporting organization (SO), advisory councils (ACs), regional and international leaders in Internet governance, all Board members, numerous staff members, and many others involved or interested in the work of ICANN. The meetings are held in diverse locations across the globe to provide for worldwide participation. A large part of ICANN policy development and other work is performed face to face, as well as through remote participation, during the ICANN meetings. Board members and liaisons, staff, and vendors attend ICANN meetings. The budget assumes that Board members and selected others fly business class while others fly coach/economy class.

In order to facilitate productivity, provide support for those in financial need, and provide outreach to increase global engagement in ICANN processes, selected community members are provided airfare, lodging, meals, and incidental expenses support. The financial assumption used for this draft FY11 Budget is that travelers are supported for the ICANN meetings as follows: 23 travelers from GNSO constituencies, 12 from ccNSO members, NomCom members, 20 to 25 participants of the Fellowship program, 25 At-Large members, and 6 GAC members. No travel support is assumed for the SSAC and RSSAC. ASO/NRO support is offered, but has traditionally been declined and thus does not factor into the budget. The FY11 budget for travel support for community members is essentially flat with the FY10 budget (and the FY11 Framework). This reflects the importance to ICANN of maintaining supported travel while striving to improve the efficiency of this support. Separately, a draft of the [Travel Support Guidelines for FY11](#) has been posted online to clarify support parameters and provide for fair and equal treatment across constituent groups (<http://www.icann.org/en/topics/travel-support/>). The resulting community feedback has been factored into the final budget, and the Travel Guidelines for FY11 will be finalized after the Brussels meeting.

In addition to ICANN's International meetings, staff, vendors, Board members, and members of the community require travel resources to execute the work of ICANN. Although remote participation is utilized as much as possible, travel is required to meet and complete important projects and engage in important ICANN-related Internet activities. In addition to internal required meetings, outside meetings include those with Governments, Regional Internet Registries (e.g., RIPE NCC, LACNIC, ARIN, APNIC, AfriNIC), Internet Governance Forum (IGF), IETF, TLD groups (e.g., APTLD, CENTR), ITU, and other groups involved in Internet governance.

The financial assumptions for the Travel and Meetings budget:

- ICANN meeting's core functions typically cost over \$1 million per meeting and include:
  - Venue costs including meeting space, audio-visual, technical support functions, power, bandwidth connectivity, and backup provisions which are estimated at about \$500k per meeting.
  - Food and catering, registration administration, printing, office supplies, and shipping are estimated at \$200K per meeting.
  - Meeting interpretation, scribe services, pre-meeting site inspections, and professional planning services are estimated at \$300k per meeting.
  - Local sponsors typically pay for gala and other costs.
  - These costs are also incurred for regional meetings although at a more scaled-down level.
- Other assumptions used in the travel budget include:
  - Airfare costs average \$2,000 and are adjusted up or down depending on the venue and class of travel.
  - Lodging costs average \$250 per night for the seven-day ICANN meeting. This is adjusted up or down depending on the venue, the negotiated hotel rates, and the length of time that the traveler is required to stay for ICANN business.
  - Per diems average \$90/day or \$500/stipend, and are adjusted up or down depending on international guidelines for the city in which the meeting takes place.

### 5.2.3 Professional Service Costs

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Professional Services	\$14,927,509	\$15,640,000	\$12,455,864	\$2,471,645	19.8%

Figure 5-10 – Summary of FY11 Professional Services costs

Professional Service costs for FY11's budget are \$14.9 million, a 19.8% increase over FY10's budget. Professional services includes required studies to support ICANN's policy development processes, consulting services to support further progress on the new gTLD implementation, communication costs, legal costs, software development, organizational reviews, and technology improvements.

<b>Professional Services</b>	<b>FY11 Budget</b>
Economic and other studies	1,185,000
Financial and administrative services	523,000
gTLD and IDN activities	1,068,000
IANA support	411,000
Language services	1,420,000
Legal services	3,514,000
Media and communication	1,370,000
Organization leadership support and others	921,000
Organization review and improvement	1,009,000
Participation and Engagement	146,000
RDE & Registry services	1,624,000
Security & DNS activities	1,275,000
Tech support	461,000
	<b>14,927,000</b>

**Figure 5-11 – Breakdown of FY11 Professional Services costs**

- Economic and other studies, with an FY11 budget of \$1.2 million, includes studies requested by the community such as:
  - SSAC requested studies on scaling and security
  - WHOIS fact based studies for policy development efforts as requested by the GNSO
  - Economic studies to complete New gTLD implementation
- Financial and administrative services, with an FY11 budget of \$0.5 million includes:
  - Audits of financial statements
  - Internal audit studies
  - Business insurance premiums
  - Cost accounting reports, including third-party validations
- gTLD and IDN activities, with and FY11 budget of \$1.1 million, includes:
  - IDN: IDNA protocol implementation support
  - gTLD: Communication plan; design and other development activities for the TLD Application System (TAS)
- IANA Function support services, with a budget of \$0.4 million, includes:

- IANA Business Excellence program
- RZM software review
- Language services, with an FY11 budget of \$1.42 million, and described below in more detail includes:
  - Translation services
  - Interpretation services
  - Transcription services
  - Transcribing services
- Legal services, with an FY11 budget of \$3.5 million, includes:
  - Litigation
  - Support for new gTLDs
  - Corporate and contractual support services
  - Lobbying efforts
- Media and communication, with an FY11 budget of \$1.37 million includes:
  - Media and communication coordination services
  - Research reports
  - Promotional items
  - Webinar, podcast, video production
  - Graphic designers
  - Photography
  - Web content management
  - Publishing services
- Organization leadership support and others, with an FY11 budget of \$0.9 million includes:
  - Board training and skill evaluation services
  - Leadership support for CEO and Chair
  - IGF secretariat support
  - NomCom recruitment support
- Organization review and improvement, with an FY11 budget of \$1.0 million includes:
  - SO/AC improvement implementations (e.g., SSAC, GNSO, ccNSO, ALAC)
  - External facilitator for Affirmation reviews
  - Administration support for Affirmation review teams
- Participation and Engagement, with an FY11 budget of \$0.15 million includes:
  - Expert advice on implementation of PPC projects
  - Survey management services
- RDE and registry services, with an FY11 budget of \$1.6 million includes:
  - Registrar Data Escrow (RDE) deposit services
  - RDE audit services
  - RSTEP stipend and review panels (budget assumes two per year)
  - Registry continuity program services
- Security and DNS activities, with an FY11 budget of \$1.3 million includes:



- RPKI development/deployment
- Security audits and assessments
- Business continuity and security program certifications
- DNSSEC development and deployment efforts
- Technical support, with an FY11 budget of \$0.5 million includes:
  - Technical training
  - Mail server hosting services
  - Maintenance support services

#### **Language Services Program** (formerly Translation and Interpretation)

Multilingualism is an essential element for an international organization that wishes to fully interact with global group of stakeholders. As we continue to strive to become more effective in the area of global communication, we are seeking to continue to develop a more robust and effective Language Services Program. This will better enable compliance with ICANN's Accountability and Transparency Frameworks and Principles. This program has two main objectives:

- Make information about ICANN as an organization, including its history, processes, component parts and evolution, more accessible;
- Allow people to participate effectively in the organization's ongoing decision-making and policy work.

The budget resources proposed for Language Services Program in FY11 the Operations Plan and Budget is \$1.42 million. This is the first year we have combined all of the elements (services consist of Translation, Interpretation, Teleconference Interpretation, Transcription of audio files, Real-time transcriptions, and Editing for plain English) into one department/cost center. There is an approximately 10% reduction from the FY10 Ops Plan and Budget numbers due to stronger use of localization and language industry experts and improvement to internal processes and procedures.

To best support these objectives ICANN has compiled all language related needs under one function called, "Language Services Program" in FY11.

- **Translation** \$600K for FY11 compared to \$750K in FY10  
Looking back to FY10, the translation per-word rate dropped from an average of \$1.05/\$0.55 to a much lower cost: overall the average per word rate during FY10 was \$0.14. We translated over 4.5 million words with the average of four language translations per document. Documents are typically translated into five United Nations languages (French, Spanish, Arabic, Russian, and Chinese) in addition to English. Educational and informational material (currently around 10% of that material) translated into 10 UN languages (the five above plus typically Japanese, German, Korean, Italian, and Portuguese). The documents most commonly translated are the Annual Report, FAQs (fact sheets), press releases, the monthly magazine, video transcripts, meeting documentation, brochures, monthly policy update, working group documents, and the yearly Operating Plan and Budget).  
A contract for the deployment of a Translation Management System that will represent further savings on translation allowing for more material to be translated every year. This project will also enhance translation's turn-around-time, QA and validation process, and the overall quality in regards to translation consistency.



- **Interpretation \$300K**

- Interpretation services are provided at each of the three ICANN international public meetings as well as at some regional meetings.

A contract for the provision of equipment for interpretation during the ICANN international meetings is being negotiated with one specific vendor. This contract will provide the necessary technical support to deliver the service with high quality standards while locking a set cost which will represent further savings.

- **Teleconference Interpretation \$120K**

Provide, as necessary, teleconference services for periodic constituency meetings, working groups, etc. participants with real-time multi-language interpretation.

- **Real-time Transcriptions \$240K for FY11 compared to \$290K in FY10. Real Time Transcription (RTT) also referred as scribing services.**

Transcription should not be confused with translation, which in linguistics usually means converting from one language to another, such as from English to Spanish. The most common type of transcription is from a spoken-language source into text such as a computer file suitable for printing as a document such as a report. ICANN records many conference calls at their thrice-yearly meetings. The audio recordings, in many occasions, are later transcribed to produce a document to post on ICANN's web.

- **Transcription of Audio Files \$60K**

Transcribing audio recordings for sessions taking place during ICANN international meetings (three per year) and other ICANN meetings that may need the same service (this applies to session(s) without real-time transcription or scribing services).

Transcribing audio recording for conference calls that may required the service (i.e. At-Large, LACRALO, and eLearning podcasts).

- **Editing for Plain English \$100K**

The plan for Controlled English/Plain English is already in progress and is being tested with short documents (i.e., announcements). Further implementation of this approach will occur in FY11.

Editing for Controlled English/Plain English is the revision which prepares written material for publication or presentation, through correction, validation, or adaption. This process does not edit the source material in a way that changes the concept or intended message, but rather cleans and shapes the text so that it can enhance its readability.

Figure 5-12 highlights the breakdown by languages requested in FY10.

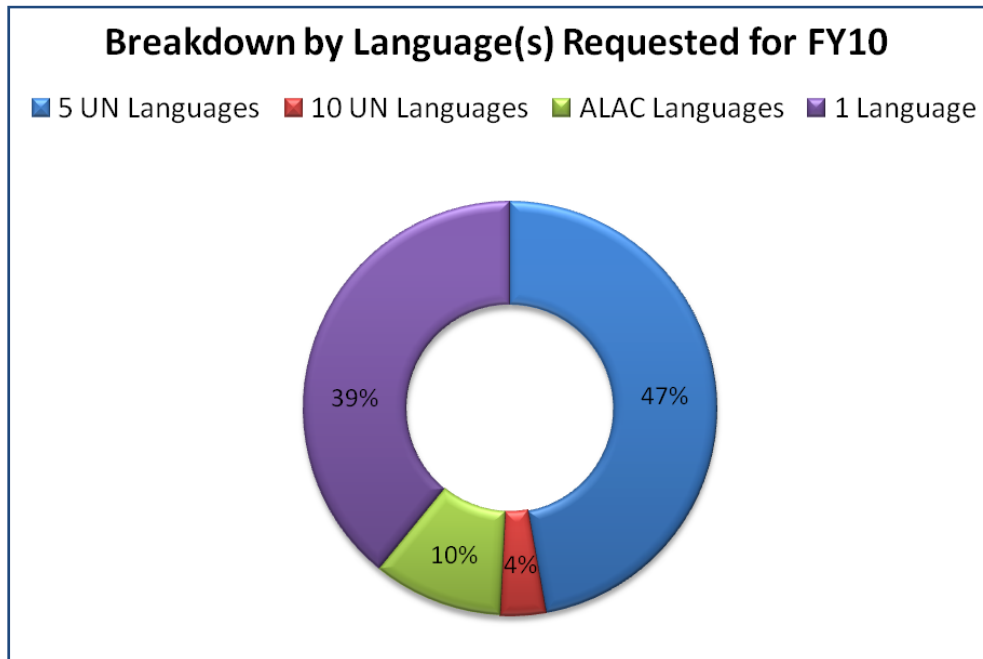


Figure 5-12 – FY10 Language requests

#### 5.2.4 Administration Costs

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Administration	\$6,571,075	\$6,520,000	\$6,558,660	\$12,415	0.2%

Figure 5-13 – Summary of FY11 Administration costs

Administration costs for FY11 are budgeted to be \$6.6 million, essentially flat from FY10’s budget and forecast. Although some administrative expenses are increasing due to operational requirements, other areas of the administrative expenses are declining due to contract negotiations and other improved efficiencies.

<b>Administration</b>	<b>FY11 Budget</b>
Co-location & Telecommunication	1,851,000
Equipment & Software	506,000
Office Administration	424,000
Rent & Insurance	2,427,000
Training & Conferences	801,000
Warranty & Support services	562,000
	<b>6,571,000</b>

**Figure 5-14 – Breakdown of FY11 Administration costs**

- Co-location and Telecommunication, with an FY11 budget of \$1.8 million includes:
  - Co-location services for ICANN operations
  - Co-location for L-Root services
  - Internet bandwidth
  - Telephone services (Landline, Skype and others)
  - Mobile phone services
  - Audio conferencing
- Equipment and software, with an FY11 budget of \$0.5 million includes:
  - Computer supplies
  - Computer and small equipment
  - Application software and license purchase
- Office administration, with an FY11 budget of \$0.4 million includes:
  - General office supplies
  - Printing, postage and shipping
- Rent & Insurance, with an FY11 budget of \$2.4 million is described in more detail below includes:
  - Office rent for Marina del Rey
  - Office rent for Palo Alto
  - Office rent for Washington D.C
  - Office rent for Brussels
  - Office rent for Sydney
  - General business insurance

- Training and conferences, with an FY11 budget of \$0.8 million includes:
  - Board training
  - Staff training
  - Professional association dues and memberships
  - Educational and outreach materials
  - Sponsorships and organizational contributions
- Warranty and support services, with an FY11 budget of \$0.6 million includes:
  - Warranties and Maintenance
  - Hosting services
  - Taxes, fees and licenses

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10	
<b>Marina Del Rey*</b>	\$930,000	\$930,000	\$930,000	\$0	0.0%
<b>Brussels</b>	\$300,000	\$300,000	\$300,000	\$0	0.0%
<b>Sydney</b>	\$100,000	\$100,000	\$100,000	\$0	0.0%
<b>Washington, DC</b>	\$395,000	\$350,000	\$300,000	\$95,000	31.7%
<b>Palo Alto</b>	\$384,000	\$200,000	\$0	\$384,000	n/a
<b>Total Facilities</b>	<b>\$2,109,000</b>	<b>\$1,880,000</b>	<b>\$1,630,000</b>	<b>\$479,000</b>	<b>29.4%</b>

\* includes parking

**Figure 5-15 – FY11 Office Space costs**

- ICANN, a non-profit public benefit corporation, maintains its corporate headquarters at its Marina Del Rey (MdR) location at 4676 Admiralty Way, Marina del Rey, California 90292. The occupancy agreement for office space in MdR was executed in December 2007 and approved by the Board. This agreement term expires in June 2013; calls for occupancy of 19,757 square feet and total costs for MdR occupancy are expected in FY11 to be \$930k, flat with FY10. ICANN also maintains branch offices in Brussels, Sydney, Washington DC, and Palo Alto.
- Staff in Sydney has had office space provided from them since January 2007. In January 2008, a multi-year lease was executed with plans to expand ICANN's operations in Sydney to support the Asian regions and time zones. Various cost saving strategies for supplying office space for ICANN's staff in Sydney, as in all locations, is being evaluated.
- The Brussels office FY11 occupancy costs are anticipated to remain the same for the fiscal year. Increases in rent in the current office space are expected to be offset by savings achieved by moving to a more cost effective space during the fiscal year.
- The Washington DC office move was scheduled for FY 09 and was budgeted at \$300k for rent. The move was achieved in late FY10 with forecasted rent of \$350k for the fiscal year. FY11 is budgeted at \$395 based on the multi-year lease arrangement (through 2017) that provides office space for staff that previously operated out of their homes. The new office space is significantly more cost effective than the prior space on a per person basis.

- The Palo Alto office move from temporary offices to a newly leased office (through 2020) is anticipated to take place early to mid FY11. The new office will accommodate staff working in the temporary offices as well as staff living in the northern California area who previously worked out of their homes (Application Development, DNS Security, Policy, Research, etc.). The temporary offices are forecast at \$200k for FY10 which would rise to approximately \$320k at current lease rates without providing space for all staff. The budget of \$384k for FY11 includes the rent for the existing office space as well as the rent for the new office space with an intended move from one to the other with limited overlap of rent payments.

### 5.3 Non-cash Expenses

Non-cash expenses include depreciation of capital expenses and bad debt expense.

#### 5.3.1 Bad Debt Expenses

Bad debt expense is the estimate of the amounts that will not be collectable from Accounts Receivable previously billed.

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Bad Debt Expense	\$1,400,000	\$1,350,000	\$1,400,000	\$0	0.0%

Figure 5-16 – FY11 Bad Debt expense

#### 5.3.2 Depreciation Expenses

Depreciation is based on ICANN's depreciation policies and capital expenditures in recent years as well as for the depreciation of the capital items proposed in FY11.

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Depreciation	\$1,200,000	\$860,000	\$1,500,000	(\$300,000)	-20.0%

Figure 5-17 – FY11 Depreciation costs

#### 5.3.3 Capital Costs

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Capital	\$2,540,000	\$2,040,000	\$3,285,000	(\$745,000)	-22.7%

Figure 5-18 – FY11 Capital expenditures

The draft capital budget for FY11 is \$2.5 million, which is a decrease from the \$3.3 million in the FY10 budget but an increase over the FY10 forecasted capital expenditure. The reduction in forecasted capital expenditures from the FY10 capital expenditures can be partially attributed to having nearly completed infrastructure improvements and build out for business continuity and disaster recover both for ICANN corporate IT infrastructure as well as infrastructure used for the L-root server. The FY11 capital expenditure plan has as one focus the deployment of delayed application software initiatives such as a new financial system, a document management system, and relation management systems including ongoing development of automation for IANA and for registry/registrar support. The FY11 capital budget also includes significant growth in funds for participation and engagement, primarily related to support for remote participation. In addition, plans are being completed for the build out of the new Palo Alto office. The estimated costs are expected to be finalized before the Brussels meeting at which time a leasehold improvements amount will be added to the capital expenditure budget.

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY 10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Business Applications	\$1,140,000	\$100,000	\$900,000	\$240,000	26.7%
Infrastructure Improvement	\$290,000	\$671,000	\$650,000	(\$360,000)	-55.4%
Business Continuity and Disaster Recovery	\$200,000	\$275,000	\$600,000	(\$400,000)	-66.7%
New TLD Application System	\$395,000	\$180,000	\$150,000	\$245,000	163.3%
IANA Automation	\$65,000	\$150,000	\$150,000	(\$85,000)	-56.7%
Registry and Registrar Automation	\$115,000	\$50,000	\$150,000	(\$35,000)	-23.3%
Participation and Engagement Infrastructure	\$110,000	\$55,000	\$60,000	\$50,000	83.3%
LRoot - Infrastructure Improvement	\$225,000	\$225,000	\$625,000	(\$400,000)	-64.0%
<b>Capital</b>	<b>\$2,540,000</b>	<b>\$1,706,000</b>	<b>\$3,285,000</b>	<b>(\$745,000)</b>	<b>-22.7%</b>

Figure 5-19 – FY11 Capital expenditures details

## 5.4 Contingency

(in US dollars)	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY11 BUDGET change from FY10 BUDGET	
Contingency	\$1,500,000	\$0	\$1,500,000	\$0	0.0%

Figure 5-20 – FY11 Contingency

Individual FY11 budget items are estimated based on the most reliable information available. To allow for the possibility of costs exceeding original estimates, an overall contingency of \$1.5 million is included in the budget for FY11 following the level set in FY10. In general, the contingency covers items such as unplanned litigation/dispute resolution, unanticipated expenses, and required new initiatives identified during the fiscal year. During FY10, the \$1.5 million contingency was released for operating expenses due to significant legal expenses, new facilities, the need to execute rapidly on senior-level hires and strategic consulting contracts, additional meeting security costs, and the costs associated with delays in key programs such as the New gTLD Program. The FY11 contingency is established to cover such items as:

- **Litigation/Dispute resolution** – Litigation is expected. Although the draft FY11 budget sets out conservative estimates of litigation costs, contingency funds are necessary in anticipation of possible additional litigation costs beyond the budget estimates.
- **Board remuneration** – although remuneration for Board members is under consideration and included in the draft FY11 budget at \$100k, additional Board costs are possible.
- **Currency exchange risk** – ICANN’s revenue is denominated in US dollars, but about 20% of its expenses are in non-US dollar currencies. Although currency rates can fluctuate up or down, it is possible for exchange rates to move on a net basis against the US dollar. International currency rates used in the FY11 Operating Plan and Budget are shown in Figure 5-21.

Currency	Code	USD/1 Unit
US Dollar	USD	1.000000
Canadian Dollar	CAD	0.994500
Euro	EUR	1.323900
United Kingdom Pound	GBP	1.525600
Swiss Franc	CHF	0.923000
Australian Dollar	AUD	0.927200
Japanese Yen	JPY	0.010634
Chinese Yuan Renminbi	CNY	0.146700
Russian Rouble	RUB	0.034200
Egyptian Pound	EGP	0.181300
Indian Rupee	INR	0.022460

FXCrossRate by OANDA as of Friday, April 30, 2010

Figure 5-21 – FY11 FX rates



## 6. Contribution to the Reserve Fund

Recent updates to the Strategic Plan have indicated that the Reserve Fund is to be set at a level equivalent to one year of operating expenses. This level was primarily based on studies of comparable organizations with ICANN's risk profile. Further, the Reserve Fund was to be fully funded within a few years. To achieve this goal, adopted budgets would have to provide for contributions to the Reserve Fund of approximately \$10 million per year until fully funded.

In the prior two years, the annual budget has planned about half that amount primarily because the expectation was that costs for the New gTLD Program development were required to be spent in the periods before a launch, and that funds from new gTLD applications would be set aside to replenish the Reserve Fund. Due to limitations in revenue growth and increasing demand on budget resources from critical activities, this draft FY11 plan calls for \$2.1 million contributions from operations, and \$3.1 million total increases in reserves.

Plans are being considered to fine-tune the determination of what should be the most appropriate level for the Reserve Fund. Questions being considered include: What types of *black swan* emergencies should be anticipated? What core operations would need to be funded if other resources are not available? For how long? Should Security or New gTLD programs pull from the Reserve Fund and then replenish when other sources become available? Community feedback is encouraged to address such questions.

This FY11 budget proposal is designed to balance competing priorities including the necessary funding for key FY11 initiatives, and balancing revenue levels from contracted and volunteer contribution sources.

When the New TLD Program is launched, some portion of the recovered historical costs included in application fees will be used to increase the Reserve Fund.

In November 2007, ICANN's Investment Policy was adopted and \$25 million was placed in the Reserve Fund to be invested in accordance with the Investment Policy provisions of a moderately low-risk profile. In the last two years, \$8 million and \$11 million were contributed to the Reserve Fund for a total of \$44 million being contributed. In addition, net investment income since inception has been about \$3 million. Statistics about the Reserve Fund, including monthly balances and compliance with the Investment Policy, are available on the [ICANN dashboard](#). The [ICANN Investment Policy](#) is reviewed each year, most recently in July 2009, and is posted online. Figure 6-1 shows the balances for the Reserve Fund since its inception in November 2007.

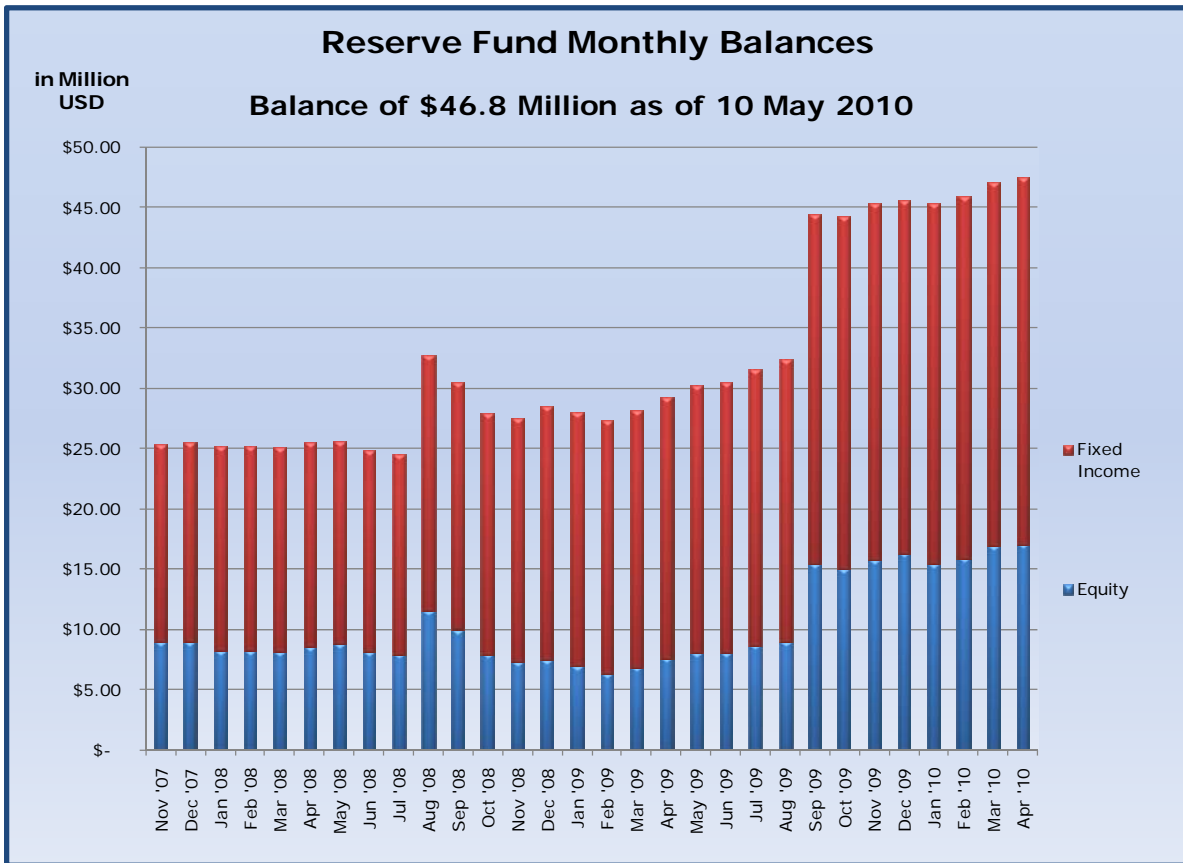


Figure 6-1 – Reserve Fund balances

DRAFT

## 7. Separate New gTLD Budget Amendment

The implementation of policy recommendations and development of the processes for the introduction of new gTLDs is moving forward with a collaborative effort among ICANN staff, outside experts, and the Internet community. In October 2009, the third draft of the Applicant Guidebook was posted for community feedback. A launch date for the New gTLD Program is not yet set since there are unresolved questions remaining.

As part of the FY11 budgeting process, staff completed an analysis of gTLD program costs, including an assessment of the risk and the timing required to complete certain remaining activities for operational readiness. A separate new gTLD budget must be prepared and approved on a schedule different from the usual ICANN budget cycle for the following reasons.

- As was the case with the FY10 Operating Plan and Budget, uncertainty remains regarding the timing of the New gTLD Program.
- The new gTLD application process is being implemented, pursuant to policy, as a revenue-cost-neutral program. Thus, the fees collected and the costs expended for new gTLD applications are to be accounted for separately from ICANN's general funds. It is not planned to obtain approval for these funds far in advance of the program, as the program will not increase ICANN's net operating budget.
- While good progress has been made in many aspects of the new gTLD implementation plan, some elements that affect cost have yet to be finalized. The final budget will depend on a final, approved deployment plan.

Following sound business practice, ICANN will not make expenditures in support of program operations until there is sufficient certainties to ensure those expenditures are fiscally prudent.

Accordingly, the schedule for program implementation will include timing certain activities after Board approval of the final implementation plan. The launch date (the date on which applications are first accepted) will depend on Board approval and on accomplishing those tasks that should not be undertaken until there is sufficient scope and timing certainty. These include lead times for securing facilities, obtaining certain software licenses, onboarding of evaluation panels, and the like. This work may take some number of months after Board approval.

The gTLD program budget is split into three distinct phases to reflect this analysis. Each phase is described below, including the status thereof.

1. **Development:** This phase represents the activities necessary to complete the development of gTLD implementation. This includes finalizing the Applicant Guidebook, including the resolution of all remaining concerns, managing communication with the Internet community, the design and development of the processes and systems necessary to process applications in accordance with the final Applicant Guidebook, and those activities that have been deemed high risk or requiring additional time to complete.

In the *Update to the Cost Considerations of the New gTLD Program* paper dated 2 October 2009 (<http://www.icann.org/en/topics/new-gtlds/related-en.htm>), these costs previously consisted of "Development Costs" and "Application Processing Costs—Fixed." Examples of "Application Processing Costs—Fixed" that have been accelerated include the development of the TLD Application System (TAS), economic studies, scaling studies, and administrative and travel support for staff.

**Status:** Estimated at \$6.7 million—these activities are described in Section 4 of this document and are covered under the FY11 Operating Plan and Budget.

2. **Deployment:** Formerly referred to as “Application Processing Costs—Fixed,” these are the activities that require “sufficient scope and timing certainty” such as those necessary to complete the implementation of the processes and systems for application processing, four-month communication campaign, onboarding of the Evaluation Panelists (e.g., process integration, training development and delivery, etc.), hiring of additional staff, payment of certain software licenses, securing separate facilities, and so on.

**Status:** Estimated at \$2.6 million—this budget will be separately requested and is not included in the FY11 Operating Plan and Budget.

3. **Application Processing:** Formerly referred to as “Application Processing Costs—Variable,” these are costs necessary to accept and process new gTLD applications through predelegation checks of approved applicants prior delegation into the root zone. These costs vary depending on the number of applications that require a given task to be completed. For example, a panelist charged with technical evaluation is paid only if he or she receives an application for review. Another example is the labor costs (plus appropriate overhead factors) associated with an ICANN staff member to perform a specific task for a given application, or a per-application amount of time to review the results of a panel’s score on an application and to post the results of that score.<sup>1</sup>

**Status:** Estimates depend on the number of applications received: this budget will be separately requested and is not included in the FY11 Operating Plan and Budget.

The separate new gTLD budget amendment will be prepared for Board approval when timing and other issues are clarified, likely about 180 days before launch of the first round of the New gTLD Program. It will contain:

- The cost-neutral fees expected to be collected and the refunds expected to be paid out.
- The resources required to process the applications from submittal to delegation.
- The methodology that will be used to replenish the Reserve Fund with the portion of each evaluation fee associated with development costs.
- The mechanisms that will be used to process, track, and report on the variable processing costs (ICANN’s cost accounting methodology).
- The process by which the use of any surplus funds, if any, will be determined including soliciting community involvement in all decisions on how much, when, and for what purpose the disbursements will be made.

If there is a shortfall, and the costs for the program exceed the revenue, the likelihood is that these costs will be passed on to applicants in subsequent rounds.

Development costs, which were last projected at \$12.5 million, are expected to increase primarily due to the delay of launching the gTLD program. Additional development costs include the continued work and resolution of the overarching issues highlighted in previous years, analysis of significant public commentary and the expected release of version 4 of the Applicant Guidebook, the hiring of additional staff to manage the gTLD operational program, and additional costs to finalize operational readiness processes which remain in flux until a final AGB is agreed on and published. Pending development costs are winding down and the FY11 plan

freezes the hiring additional gTLD operations staff and reduces use of outside consultants to help finalize various aspects of the program.

<sup>1</sup>"Update to the Cost Considerations of the New gTLD Program"  
(<http://www.icann.org/en/topics/new-gtlds/related-en.htm>)

DRAFT

## 8. Appendices

The community is encouraged to provide feedback on the type, format, and level of detail provided in the appendices. Providing relevant information, without spending unnecessary resources for too much or irrelevant detailed information is important, and community feedback can help staff strike the right balance.

In recent years, more and more views of ICANN's spending and other financial information have been provided in budget documents, on Dashboard reporting, and in other reports. These reports have been developed and shared largely in response to specific requests from the community as well as in adherence with ICANN's principles of transparency and accountability.

The following appendices provide additional information to this draft of the FY11 Operating Plan and Budget.

- Appendix A – Operating Plan Activities including SMART goals for each organizational activity.
- Appendix B – Financial Reports including historical financial information and balance sheet information.
- Appendix C – An explanation of how community feedback impacts planning and a recap of the responses to specific comments.
- Appendix D – Views of ICANN's Operating Expenses.
  - **Strategic focus view.** A new view of ICANN's expenses showing how the Strategic Plan aligns with the Operating Plan. A brief explanation of methodology is provided.
  - **Functional view.** A brief explanation of the methodology is provided.
  - **Expense Area Group (EAG) view.** Details of what makes up sections of the EAG report as well as a brief explanation of the methodology are provided.
- Appendix E – Multiple Year View. A summary of the future impact analyses on ICANN's financial health.
- Appendix F – Revenue source views including revenue aligned with expenses by SO/AC as well as historical data on ccTLD contributions.

## Appendix A – Operating Plan Activities

### A.1 New gTLD Implementation and Delegation

ICANN endeavors to achieve the following goals in FY11.

- Progress operational readiness activities:
  - Finalize application review processes consistent with Applicant Guidebook
  - Develop customer support processes and prepare for implementation at Launch
  - Maintain Program Management processes including risk management activities in relationship to priority deliverables to reach Launch
  - Prepare the TLD Application System (TAS) for Launch and
  - Identify and publish the selected evaluation panelists.
- In conjunction with the Internet community, continue to work on and publicly document the resolution to the following outstanding concerns:
  - Trademark Protection
  - Economic Analysis
  - Malicious Conduct
  - Root Zone Scaling
- Publish a final version of the Applicant Guidebook (AGB) including translations.
- Establish, publish and execute the gTLD communication plan. An effective plan will be based on policy recommendations and stakeholder needs and will ensure global awareness to key stakeholders.

### A.2 IDN Implementation

- Maintain the operation of the IDN ccTLD Fast Track Process, including processing requests for strings which will result in the delegations of IDN ccTLDs in the root zone.
- Conduct a public revision of the Fast Track Process to ensure that it is functioning in the best interests of Internet users globally. This includes providing a financial overview of received processing fees as compared to the cost of the request process to ensure that the process remains cost-neutral.
- Develop a process for IDN TLD variant management. Such general solution depends at a minimum on: (1) Definition of what exactly it is that is being sought by a variant solution; (2) What is the desired behavior of variants in all cases?; (3) Definition of the different types of variants; (4) Review and test of DNAME as a technical solution, and its adequacy to achieve variant TLD management; (5) Review/test of BNAME as a technical solution, and its adequacy to achieve variant TLD management. The BNAME proposal is rather new and currently exist as an Internet Draft in the IETF; (6) Review/test of variant management via procedures and registration policies. This based on the experience with the Synchronized IDN ccTLDs.
- Initiate an IDN compliance activities project to (1) review all relevant TLD registries' implementation of IDN standards, (2) communicate found issues with these entities and explore options for enabling compliance, and (3) generate publicly relevant information on IDN registration issues.
- Finalize the revision of the IDN Guidelines via public consultation and eventually ICANN Board consideration, to be consistent with the revised IDNA protocol and any additional



technical precautions that may be necessary in the launch of IDN TLDs. This was initiated in FY10, but due to the additional work that was necessary for the IDNA protocol revision, this project extends into FY11.

- Take proper steps to continue keeping IDNs secure against phishing and spoofing attacks. To date IDNs have not been compromised excessively in this way. This includes educational sessions with law-enforcement agencies where requested, publishing of security briefings on the IDN subject, as well as supporting the community efforts against such attacks.
- Ensure that the finalized IDNA protocol revision is implemented in the processes for standard implementation and allocation of new TLDs technical standards, facilitate the completion of the IDNA protocol, and coordinate/manage amendment to the IDN Guidelines. ICANN will look at various opportunities to support the general implementation of the IDNA protocol as its revision is completed.
- Provide outreach and education at regional events, ICANN meetings, and other relevant community events to encourage participation in the opening of the top-level as well as understanding and resolving regional concerns. In this regard, focus will be shifted from previous years to incorporate events outside the traditional domain field, such as linguistics-oriented events as well as application software developer events.

### **A.3 IANA Function and Technology Operations Improvement**

- Make improvements to IANA infrastructure to support business continuity and major activities (e.g., root zone change management) by facilitating, monitoring, and maintaining a quality assurance function.
- Manage stakeholder relations in a measurable way by requesting feedback on IANA performance, make changes in accordance with the feedback, and publish metrics on changes and responses.
- Continue Business Excellence project and publish interim results.
- Test and implement RZM software to facilitate accurate, reliable, timely handling of root zone change requests submitted by ccTLD and gTLD registries.
- Manage root zone request processing and continue to refine process to improve efficiency and reliability.
- Improve performance reporting against published commitments.
- Improve efficiency in protocol parameter request processing.
- Manage number of resource requests and report on turnaround time performance against published commitments.
- Manage and maintain policy documentation.

### **A.4 Security, Stability and Resilience Operations (SSR)**

- *Enhance ICANN efforts as overall contributor to Internet security, stability, and resiliency (SSR).* Key activities will include:
  - Ensure approval by community and Board for the annual revision of the ICANN *Plan for Enhancing Internet SSR*.
  - Support the review of ICANN's SSR activities under the Affirmation of Commitments.
  - Coordinate ICANN SSR efforts with partners as identified in ICANN *Plan for Enhancing Internet SSR* and track implementation of joint actions.
  - Work with key global cyber security leadership organizations, including the Software Engineering Institute, DNS-Operations, Analysis and Research Center (DNS-OARC), ARC

- Advisory Group, European Network and Information Security Agency (ENISA) and Forum for Incident Response Teams (FIRST) to establish metrics for DNS security, stability and resiliency.
- Ensure global engagement, awareness, and responsiveness to stakeholders. Enhance mechanisms for increased involvement in SSR activities from stakeholders based in developing countries to include leveraging ICANN Fellowship program and focused efforts within DNS/TLD SSR training and awareness programs.
  - *Enhance overall Domain Name System security, stability, and resiliency.* Key activities will include:
    - Work with partners to enhance existing DNS collaborative responses to threats to or that abuse the DNS and initiation of efforts to establish a DNS-CERT.
    - Coordinate and partner in conducting a third DNS Security and Resiliency Symposium in early 2011 to identify key risks to the DNS and opportunities for community-based collaboration to improve DNS SSR.
    - Initiate a program for annual DNS risk assessment and systemic contingency planning. Establish key scenarios for DNS security, stability, and resiliency with community partners as a basis for contingency planning by fall 2010. Conduct an initial DNS risk assessment by spring 2011 with community partners. Actively participate in root server operators and technical forums and lead collaborative planning and executing root server system contingency planning and response exercises. Initiate planning for system-wide DNS SSR exercise.
  - *Enhance top-level domain security, stability and resiliency.* Key activities will include:
    - Continue Conduct of Attack and Contingency Response Program with workshops in coordination with regional TLD organizations integrating DNS/TLD security lessons-learned and best practices into the curriculum. With ISOC and NSRC, continue to conduct technical Registry Operations Curriculum. Conduct security technical training with ccTLD operations staffs in three workshops.
    - Support continued enhancement of TLD Continuity Program, which includes working with the community to refine the gTLD registry contingency plan, conducting a live data escrow procedures drill by the end of 2010, and holding another collaborative exercises with key partners in spring 2011.
  - *Enhance security of ICANN programs to implement new gTLD and IDN programs.* Key activities will include:
    - Ensure software applications developed to support programs, particularly the top-level domain application system (TAS) are secure. Conduct TAS vulnerability testing before the launch of the new gTLD process and initiate program for ongoing security assessment of all new applications associated with these programs.
    - Continue efforts to establish and implement security, stability, and resiliency evaluation processes and approaches to mitigate security stability and resiliency risk for the new gTLD application process and projected implementation.
  - *Conduct and enhance ICANN's corporate information, personnel, and facilities security and business continuity programs in accordance with benchmarked international standards.* Key activities will include:
-

- Ensure annual updating of ICANN security plans and monitor effective implementation of security controls and procedures.
- Establish ICANN business continuity plan and ensure effective implementation of procedures and associated contingency planning. Conduct external audits of ICANN security and continuity to help accomplish compliance certification under appropriate global standards.
- Conduct security and business continuity-related drills with IANA and other ICANN departments.
- Ensure ICANN security staff has strong skills and appropriate tools and maintains currency with security threats and best practices.

#### **A.5 Contractual Compliance**

- Assess, test, implement, and monitor new contractual compliance processes to improve Whois enforcement with registrars by June 30, 2011.
- Publish Whois Data Accuracy Study final report to the community on ICANN website by December 31, 2010.
- Implement enhancements to contractual compliance processes to improve data collection and analysis, overall enforcement of contracts and reporting to the community while continuing to automate key business functions by June 30, 2011.
- Manage, respond to, measure and report on the number of monthly incoming consumer complaints regarding various domain name issues, as well as, Whois data inaccuracy.
- Analyze WDPRS complaint data to assess trends, determine compliance actions and improve contract compliance enforcement. Publish results in the Contractual Compliance Annual Report by June 30, 2011.
- Analyze Whois inaccuracy audit investigation data, post UDRP transfer enforcement complaint statistics, compile compliance performance statistics, and publish the information in the Contractual Compliance Annual Report by June 30, 2011.
- Design, develop, and implement a beta audit of the Inter-registrar Transfer Policy (IRTP) by December 31, 2010 in response to domain name transfer complaints received from the community.
- Implement the registrar Data Escrow (RDE) audit plan in consultation with internal and external stakeholders and perform selected RDE audits by June 30, 2011.
- Continue contractual compliance outreach efforts to further develop relationships with registries and registrars in Europe, Middle East, Africa, South America, and Asia Pacific regions by June 30, 2011.
- Draft and execute a Contractual Compliance Operational Readiness Plan to support the delegation of new gTLDs and IDNs by March 31, 2011.

#### **A.6 Core Meetings Logistics**

- Conduct three ICANN international public meetings per year. Activities include site selection, contract negotiations, logistics planning, technical infrastructure, and sponsorship development and support.
- Focus on increasing the professionalism of ICANN meetings through improved execution of audio-visual technology, simultaneous interpretation and scribing services, and remote connectivity.

- Facilitate the deployment of enhanced remote participation tools that engage an increasing number of community members in the ICANN processes.
- Use input from post-meeting attendee surveys to improve future meetings, and publish the results to the ICANN community.
- Implement the new meeting site selection process developed by the ICANN Board Committee on Participation and Engagement, which provides the processes necessary to identify and select appropriate venues for ICANN international public meetings.
- Support an average of five additional meetings requested by Board, staff and communities. Activities include site selection, contract negotiations, logistics, audio-visual arrangements, on-site support, and other related functions.

ICANN will continue to develop a more robust and effective Language Services Program by:

- Add Controlled English/Plain English as a step to promote the creation of shorter and more comprehensive documents; continue to translate timely key written materials and publications into 5 UN languages for most documents; and make them available via the ICANN website.
- Support ICANN international meetings (three per year) and other International ICANN meetings by: providing real-time-transcription (RTT) service; work with the Policy department and community to determine which audio recording for SOs and ACs conference calls will be most effective to transcribe the audio recordings (i.e., At-Large, LACRALO, eLearning podcasts).
- Adopt and provide multilingualism best practices recognized by international organizations such as controlled processes, quality control checks, etc., while continuing to enlist the community to participate in the continual improvement of ICANN's Language Services function.

#### **A.7 Constituency Support**

- Coordinate global outreach to constituencies through regional events, industry functions, and leveraging opportunities through staff in regions. These are opportunities for training to further enhance participation in the ICANN processes, provide education on contractual requirements and increase opportunities for competition.
- Continue developing and implementing on-boarding program for new gTLD registries.
- Enhance data collection and management systems that support gTLD registries and registrars to improved information collection and sharing among registrars and registries. Such changes will include enhancements to the existing RADAR system to achieve greater accuracy in contact data as well as providing for compliance with new provisions in the 2009 RAA.
- Participate where appropriate in community efforts to develop possible future revisions to the RAA; manage new requirements as necessary under alternative versions of the RAA.
- Draft and execute operational readiness plan for gTLD Registry and Registrar Liaison functions to accommodate the delegation of new gTLDs and IDNs.

#### **A.8 Policy Development Support**

- Implementation of a new GNSO working group model and a revised GNSO policy development process (PDP). These community-developed initiatives are intended to realize the GNSO improvement initiative objectives of running more inclusive, thoroughly-researched and well-scoped PDPs that yield effective, implementable results. They are

expected to include mechanisms for evaluating the success of those efforts (see: <http://gnso.icann.org/en/improvements/>)

- The GNSO will also finalize recommendations on registration abuse and other domain name issues of concern to registrants, such as the rules governing expiring names.
- As part of ICANN's ongoing strategic commitment to evolve and improve the effectiveness and transparency of its various organizational structures, the Staff will also support community development and execution of improvement implementation plans for the ALAC (see: [https://st.icann.org/at-large-improvements/index.cgi?at\\_large\\_improvements\\_workspace](https://st.icann.org/at-large-improvements/index.cgi?at_large_improvements_workspace)), SSAC (see <http://www.icann.org/en/reviews/ssac/>, and ccNSO communities.
- As part of the respective review efforts of the GNSO and ccNSO, the Staff will support the design and implementation of new GNSO and ccNSO websites and other communications tools to improve community information sharing, collaboration, and participation in ICANN's policy-related activities. These efforts will include working with community members to identify targeted topics and initiatives that would benefit from clear language explanations or overviews to expand the accessibility of ICANN's work to a broader audience.
- Provide community-identified, in-kind administrative services to ensure that fair and consistent services (aka the "toolkit") are available to all eligible GNSO organizations.
- If approved, support production of community-developed studies designed to develop current data to inform community discussion and debate on the Whois service. The community will also likely see recommendations emerging from the SSAC and GNSO urging the standardization of internationalized registration data.
- Support community development and implementation of prioritization methods, benchmarking and self-assessment processes for ICANN's supporting organizations and advisory committees to manage and evaluate the effectiveness of their work and identify opportunities for improvement. Activities include:
  - For the SSAC, a retreat for SSAC members to enable them to plan, prioritize, and benchmark their work and to develop published and updated Work Plans. (See <http://www.icann.org/en/committees/security/ssac-workplan.htm>.)
  - For the ALAC, during the period 2010–2013, support one General Assembly for each of the five Regional At-Large Organizations (RALOs) held in conjunction with either an ICANN or key regional Internet stakeholder meeting in order to set priorities, develop strategies for improving participation, including capacity-building programs, and increase engagement, such as recruiting new At-Large Structures to achieve the goal of at least one At-Large Structure per country worldwide. These community support activities will contribute to a healthy Internet eco-system.
  - For the GNSO, assist the GNSO Council as it prioritizes and manages its strategic coordination and policy activities.

#### **A.9 Global Engagement and Increased International Participation**

- Conduct 20 one-on-one briefings with governmental and regulatory representatives on local and regional levels in FY11 as part of global engagement to promote a healthy Internet ecosystem.
- Support ccTLD interests in accountability frameworks with ICANN, and increase by five the total agreements signed. Support the processes to achieve conclusion, as well as in participation in the ccNSO and regional ccTLD initiatives through Fellowship recipient mentoring, and the inclusion of information in all presentations on ICANN structure.



- Participate in events and provide presentations on ICANN at request of stakeholders, and expect increased interests in all regions as part of global engagement to promote a healthy Internet ecosystem.
- Participate in and monitor activities at international and regional Internet governance discussions, including information on the multi-stakeholder model, advising on strategy and approach to address issues or inform discussions affecting ICANN's mandate or mission as part of global engagement to promote a healthy Internet ecosystem.
- Enhance communications and reporting tools by providing additional metrics made available to the community and general public through the dashboard showing the change each month in agreements signed between ICANN and ccTLDs, the departmental percentage allocation of effort against stakeholder and functional information and the information on the Fellowships program illustrating applications, qualified candidates and attendees.
- Strengthen support for the GAC and continued participation by all governments in the GAC, in particular those from developing countries and territories through travel support for six members per ICANN meeting and enhanced website function to support active engagement of members. Enhanced website functions completed in FY11 to include complete migration of archive materials from previous site and a searchable database.
- Continue to support the Fellowship program, including the alumni program. Participate in three rounds of application promotion, and support Selection Committee in process by providing requested information and assistance. Initiate a new discussion string for Alumni network.
- Improve awareness on ICANN's Affirmation of Commitments and processes related to the implementation of reviews to the global community, by including explanatory information in each overview presentation on ICANN given during the year. Assist the implementation of reviews by disseminating information about the reviews and panels to the global community through regional organizations and constituency lists.

#### **A.10 Travel Support for ICANN Community**

- Update Travel Guidelines with community feedback and providing timely after-meeting reports for transparency.
- Administer and coordinate community stakeholder travel including booking transportation and lodging as well as payment of per diems and stipends for selected community members travel to the international ICANN meetings.
- Provide assistance, as appropriate, in obtaining visas for attending the international ICANN meetings.

#### **A.11 Ombudsman**

- Receive complaints from community concerning the fairness of ICANN staff, board, and supporting organizations actions, decisions or inactions.
- Outreach concerning the activities of the office of the Ombudsman, and ICANN as a leader in online dispute resolution.
- Produce an annual report to the board of directors and community.
- Budget as directed by the bylaw V.
- Evaluate effectiveness of the Ombudsman program.
- Participate in Ombudsman conferences, and present research conducted within ICANN.

- Produce articles for academic and peer publications on ICANN Ombudsman activities and research.
- Monitor the case management and filing system.
- Identify trends and critical issues to ICANN management and Board.
- Increase ICANN's reputational value through efficient neutral party dispute resolution.
- Correspond with complainants in a timely fashion in the language of their choosing.
- Develop internal and external relationships to foster understanding of the Ombudsman process and dispute resolution mechanisms at ICANN.
- Supervise the adjunct Ombudsman.
- (Adjunct) to act on behalf of the Ombudsman during annual leave or absences.
- Maintain physical office at ICANN International Public meetings to meet the community.
- To meet the requirements of the standards of practice of confidentiality, neutrality and impartiality.
- Provide written reports to the Board on a case necessary basis.

#### **A.12 Board Support**

- Maintain the Board Portal, including electronic training and upgrades of the system.
- Provide administrative and travel support for all Board members at two retreats, three ICANN meetings, and as required for regularly scheduled Board meetings or appearances; provide administrative support of all Board committees.
- Effectively manage the Board calendar.
- Support the Board in its work to assess Board skills.

#### **A.13 NomCom Support**

- Provide travel support for NomCom members in accordance with the FY11 Travel Guidelines.
- Develop Short list of candidates in a timely manner.
- Conclude the final selection of candidates by the end of FY11.
- Hire consultant for professional evaluation of candidates, to be available when application period concludes.
- Provide staff support for meeting preparation and follow-up to ensure an efficient and fair process.
- Develop documentation for posting as well as for all outreach events in a timely manner.
- Efficient application and reference handling for timely process.

#### **A.14 DNS Operations**

- Operate DNSSEC root key signing key facilities designs to meet community requirements.
- Operate production-quality DNSSEC services for all zones over which ICANN has responsibility.
- Deploy pilot implementations of L-root local nodes.



#### A.15 Organizational Improvements

- **Affirmation of Commitments review Accountability and Transparency:** supporting the activities of the Review Team (administrative support, logistic support, other activities as requested). The Review Team is an autonomous entity established as prescribed by the Affirmation of Commitments and responsible for the delivery of its Final Report by the end of calendar year 2010.
- **Affirmation of Commitments review Security Stability and Resiliency:** supporting the establishment of the Review Team and its activities, which shall begin October, 1<sup>st</sup> 2010. The Review Team is an autonomous entity to be established as prescribed by the Affirmation of Commitments; it is responsible for the delivery of its Final Report, which is imagined to be ready at the beginning of FY12 (no delivery date available yet).
- **Affirmation of Commitments review (Whois policy):** as above
- **External review of ccNSO:** external review started FY10. Reviewers' report is due by end of May 2010; reviewers' presentation planned at the June 2010 ICANN meeting in Brussels.
- **External review of ASO:** selection of external consultants to be finalized by end of calendar year 2010; reviewers' final report planned to be delivered by beginning of FY12.

DRAFT

## Appendix B – Financial Reports


The Balance Sheet showing assets, liabilities and net assets

Five-year historical budget vs actual/forecast.

Five-year historical budget vs actual/forecast (Euro).

<b>BALANCE SHEET (in US dollars)</b>	<b>FY11 BUDGET</b>	<b>FY10 FORECAST</b>	<b>FY09 ACTUAL</b>
Cash and cash equivalents	\$14,500,000	\$12,500,000	\$27,122,000
Accounts receivable, net	\$15,500,000	\$14,150,000	\$11,758,000
Investments	\$48,550,000	\$47,500,000	\$30,439,000
Prepaid expenses	\$300,000	\$230,000	\$919,000
Other assets	\$165,000	\$120,000	\$345,000
Capital assets, net	\$3,800,000	\$2,394,000	\$2,646,000
<b>ASSETS</b>	<b>\$82,815,000</b>	<b>\$76,894,000</b>	<b>\$73,229,000</b>
Accounts payable and accrued liabilities	\$3,700,000	\$2,500,000	\$9,753,000
Deferred revenue	\$14,100,000	\$12,500,000	\$10,205,000
<b>Total liabilities</b>	<b>\$17,800,000</b>	<b>\$15,000,000</b>	<b>\$19,958,000</b>
Net assets, beginning of the year	\$61,894,000	\$53,271,000	\$46,425,000
Change in net assets	\$3,121,000	\$8,623,000	\$6,846,000
<b>Net assets, end of the year</b>	<b>\$65,015,000</b>	<b>\$61,894,000</b>	<b>\$53,271,000</b>
<b>LIABILITIES AND NET ASSETS</b>	<b>\$82,815,000</b>	<b>\$76,894,000</b>	<b>\$73,229,000</b>

Figure B-1 – The Balance Sheet



**FY11 BUDGET SUMMARY**

(in US dollars)

	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY09 ACTUAL	FY08 ACTUAL	FY07 ACTUAL
<b>Registry</b>	\$32,439,000	\$31,440,000	\$32,450,600	\$24,535,521	\$19,636,365	\$15,046,548
<b>Registrar</b>	\$29,159,000	\$28,560,000	\$27,268,000	\$32,680,334	\$27,856,875	\$25,864,130
<b>RIR</b>	\$823,000	\$823,000	\$823,000	\$823,000	\$823,001	\$823,000
<b>ccTLD</b>	\$1,600,000	\$1,600,000	\$1,600,000	\$1,567,697	\$1,583,406	\$1,277,231
<b>IDN ccTLD</b>	\$780,000	\$0	\$0	\$0	\$0	\$0
<b>Meeting Sponsorships</b>	\$500,000	\$890,000	\$500,000	\$863,498	\$833,502	\$460,177
<b>Revenue</b>	<b>\$65,301,000</b>	<b>\$63,313,000</b>	<b>\$62,641,600</b>	<b>\$60,470,050</b>	<b>\$50,733,150</b>	<b>\$43,471,086</b>
<b>Personnel</b>	\$26,703,114	\$25,010,000	\$23,286,968	\$19,768,047	\$16,746,028	\$13,783,662
<b>Travel &amp; Meetings</b>	\$11,085,875	\$10,810,000	\$12,065,305	\$10,499,628	\$9,448,853	\$6,203,443
<b>Professional Services</b>	\$14,927,509	\$15,640,000	\$12,455,864	\$12,697,774	\$8,853,969	\$5,864,072
<b>Administration</b>	\$6,571,075	\$6,520,000	\$6,558,660	\$6,533,591	\$4,697,709	\$3,079,171
<b>Contingency</b>	\$1,500,000		\$1,500,000			
<b>Operating Expenses</b>	<b>\$60,787,573</b>	<b>\$57,980,000</b>	<b>\$55,866,797</b>	<b>\$49,499,040</b>	<b>\$39,746,559</b>	<b>\$28,930,348</b>
<b>Non-Cash Expense</b>	<b>\$2,600,000</b>	<b>\$2,210,000</b>	<b>\$2,900,000</b>	<b>\$1,784,760</b>	<b>(\$202,533)</b>	<b>(\$2,288,947)</b>
<b>Contribution to Reserve</b>	<b>\$1,913,427</b>	<b>\$3,123,000</b>	<b>\$3,874,803</b>	<b>\$9,186,250</b>	<b>\$11,189,124</b>	<b>\$16,829,685</b>
<b>Investment Income</b>	<b>\$1,000,000</b>	<b>\$4,500,000</b>	<b>\$1,000,000</b>	<b>\$2,334,292</b>	<b>\$0</b>	<b>\$0</b>
<b>Change in Net assets</b>	<b>\$2,913,427</b>	<b>\$7,623,000</b>	<b>\$4,874,803</b>	<b>\$11,520,542</b>	<b>\$11,189,124</b>	<b>\$16,829,685</b>

Figure B-2 – Five-year historical budget vs actual/forecast

Euro FX rate @ April 30th	FY11 BUDGET	FY10 FORECAST	FY10 BUDGET	FY09 ACTUAL	FY08 ACTUAL	FY07 ACTUAL
	0.7555	0.7555	0.7728	0.7568	0.6407	0.7327
Registry	€ 24,507,665	€ 23,752,920	€ 25,077,824	€ 18,568,482	€ 12,581,019	€ 11,024,606
Registrar	€ 22,029,625	€ 21,577,080	€ 21,072,710	€ 24,732,477	€ 17,847,900	€ 18,950,648
RIR	€ 621,777	€ 621,777	€ 636,014	€ 622,846	€ 527,297	€ 603,012
ccTLD	€ 1,208,800	€ 1,208,800	€ 1,236,480	€ 1,186,433	€ 1,014,488	€ 935,827
IDN ccTLD	€ 589,290	€ 0	€ 0	€ 0	€ 0	€ 0
Meeting Sponsorships	€ 377,750	€ 672,395	€ 386,400	€ 653,495	€ 534,025	€ 337,172
<b>Revenue</b>	<b>€ 49,334,907</b>	<b>€ 47,832,972</b>	<b>€ 48,409,428</b>	<b>€ 45,763,733</b>	<b>€ 32,504,729</b>	<b>€ 31,851,265</b>
Personnel	€ 20,174,203	€ 18,895,055	€ 17,996,169	€ 14,960,458	€ 10,729,180	€ 10,099,289
Travel & Meetings	€ 8,375,379	€ 8,166,955	€ 9,324,068	€ 7,946,118	€ 6,053,880	€ 4,545,263
Professional Services	€ 11,277,733	€ 11,816,020	€ 9,625,892	€ 9,609,675	€ 5,672,738	€ 4,296,606
Administration	€ 4,964,447	€ 4,925,860	€ 5,068,532	€ 4,944,622	€ 3,009,822	€ 2,256,109
Contingency	€ 1,133,250	€ 0	€ 1,159,200	€ 0	€ 0	€ 0
<b>Operating Expenses</b>	<b>€ 45,925,012</b>	<b>€ 43,803,890</b>	<b>€ 43,173,861</b>	<b>€ 37,460,873</b>	<b>€ 25,465,620</b>	<b>€ 21,197,267</b>
<b>Non-Cash Expense</b>	<b>€ 1,964,300</b>	<b>€ 1,669,655</b>	<b>€ 2,241,120</b>	<b>€ 1,350,706</b>	<b>(€ 129,763)</b>	<b>(€ 1,677,111)</b>
<b>Contribution to Reserve</b>	<b>€ 1,445,595</b>	<b>€ 2,359,427</b>	<b>€ 2,994,447</b>	<b>€ 6,952,154</b>	<b>€ 7,168,872</b>	<b>€ 12,331,109</b>
<b>Investment Income</b>	<b>€ 755,500</b>	<b>€ 3,399,750</b>	<b>€ 772,800</b>	<b>€ 1,766,592</b>	<b>€ 0</b>	<b>€ 0</b>
<b>Change in Net assets</b>	<b>€ 2,201,095</b>	<b>€ 5,759,177</b>	<b>€ 3,767,247</b>	<b>€ 8,718,746</b>	<b>€ 7,168,872</b>	<b>€ 12,331,109</b>

Figure B-3 – Five-year historical budget vs forecast/forecast (Euro)

## Appendix C – Community Feedback

On 15 February, 2010, the Framework for the FY11 Operating Plan and Budget was posted online for community feedback. In addition, the Framework was presented to community members at a public forum in Nairobi, for various community groups in person and on conference calls. The community feedback provided at the meetings as well as the comments provided on line were summarized and analyzed online. See <http://www.icann.org/en/public-comment/#op-budget-fy2011>. The summary and analysis includes the responses to each comment which is shown in the table that follows.

In addition, a public comment forum was opened for the FY11 Community Support Travel Guidelines. See <http://www.icann.org/en/public-comment/#travel-support-2011>. The FY11 guidelines show how nearly \$1.9 million of ICANN’s budget is spent. The summary and analysis includes responses to each comment and is shown in Table C-1. It should be noted that the ALAC provided a comment statement on May 14, which is currently undergoing the ratification process consisting of a 5 day vote scheduled to close May 19, therefore could not be included in this draft document but will be considered in the final FY11 Travel Support Guidelines.

**Table C-1 – FY11 Community Support Travel Guidelines Community Feedback**

Input	Response
<b>Need for More Information</b>	
More details in general—e.g., cost allocation, unused funds, etc. ( <i>auDA, ALAC, ccNSO SOP WG</i> )	The draft FY11 document contains over 85 pages of details.
It is not clear that there are sufficient funds allocated for GNSO improvements for FY11. Years of work have gone into the improvements and they will primarily be implemented in FY11. Will a detailed breakdown of the budgeted funds for this area be provided? (C. Gomes)	Yes, see sections 4 and 5 - About \$350k
Multiyear views ( <i>IPC</i> )	Yes, see appendix E.
How much is budgeted to improve remote participation capabilities? (C.Gomes, RySG)	Details for this are hard to estimate as it crosses many budget buckets including connectivity costs, staff efforts, and special projects. For example, the Participation and Engagement Committee has \$145k set aside for consultants to progress on this topic.
Headcount by function ( <i>RySG</i> )	See section 5.
Staff v. contractors headcount ( <i>RySG</i> )	Not addressed in the document. Note forwarded to staff and others.
Details of technical operations—e.g., sufficiency of cost levels, cost effectiveness ( <i>C. Gomes, RySG, M. Langenegger, auDA</i> )	See section 5.
IANA infrastructure details ( <i>RySG</i> )	See section 4.3
Capital v. depreciation expenses ( <i>RySG</i> )	See section 5
Security, stability, resiliency details ( <i>C. Gomes, RySG, COA, auDA, ccNSO SOP WG, IPC</i> )	See section 4.4
IDN ccTLD fast track request costs ( <i>M. Palage, ccNSO SOP WG, IPC</i> )	The Cost Accounting Guidelines recently posted addresses how actual costs will be tracked, reported, and independently audited. See <a href="http://www.icann.org/en/financials/cost-accounting-guidelines-22apr10-en.pdf">http://www.icann.org/en/financials/cost-accounting-guidelines-22apr10-en.pdf</a>

Input	Response
Board retreat costs ( <i>C. Gomes, RySG</i> )	Direct costs for travel support are \$300k
FY10 additional costs ( <i>ccNSO Council, ALAC, auDA</i> )	See executive summary, section 2.
Ecosystem portion of strategic plan costs (v. security/stability) ( <i>ccNSO SOP WG, auDA, ALAC</i> )	More details provided in draft FY11 document.
Breakout policy development cost allocations (e.g., GNSO, other SOs and ACs) ( <i>C. Gomes, RySG, ALAC, M. Langenegger</i> )	See section 4.8
Revenues v. costs showing (with comparison by group, and year to year) ( <i>C. Gomes, RySG</i> )	See section F
Allocation of cost assumptions ( <i>ccNSO SOP WG</i> )	More details provided in draft FY11 document.
Reserve fund level and uses ( <i>auDA, C. Gomes, IPC</i> )	Reserve fund is now \$47 million. See section 6
Contingency fund details ( <i>Go Daddy</i> )	See section 5
Overview of total multi-stakeholder-related expenses ( <i>auDA, ccNSO SOP WG</i> )	More details provided in draft FY11 document.
Rationale for Ombudsman increase ( <i>C. Gomes, auDA, RySG, COA</i> )	The FY11 Ombudsman budget is assumed to remain flat from FY10 except for foreign exchange rate differences..
<b>Need for More Resources</b>	
As workload of ccNSO increases, need more staff support; how will cuts affect this staffing? How are cuts and delays identified? ( <i>B. Burr</i> )	Some increase in staffing for policy development support with most additional support coming from efficient use of current staffing.
Funds for fact-based research to support policy development ( <i>M. Cade, B. Tonkin</i> )	More funds (over \$710k) for fact based research to support PDPs. See section 5.
Whois studies and additional resources ( <i>C. Gomes, IPC</i> )	More funds for Whois studies are provided in the draft FY11 document. . See section 5.
Policy development prioritization with efficient staff/contractor resource allocations (e.g. contractual compliance, new gTLDs) ( <i>IPC, Go Daddy</i> )	Indirectly described in the Appendix A.
More contractual compliance support ( <i>MARQUES/ECTA, M. Cade, COA, IPC</i> )	Additional staffing and focus of efforts are assumed in the draft FY11 document. See Section 5 and details in appendix A.
Travel support to avoid curtailing outreach ( <i>auDA</i> )	Point is noted, and savings associated with travel costs are designed to avoid curtailing critical activities. .
At-Large support functions ( <i>ALAC</i> )	Additional staffing and focus are provided for in the FY11 draft document
Support to complement Business Constituency's global outreach efforts ( <i>A. Hassan</i> )	Details for this are hard to cull out as most of this is integrated across other functions of ICANN's activities.
DNS stability and security ( <i>auDA, ccNSO SOP WG</i> )	See executive summary and section 4 The Operating Plan
IDN gTLDs, ccIDNs are priorities (e.g., outreach, implementation, security impact) ( <i>ccNSO SOP WG</i> )	Noted. .See executive summary.
<b>Revenue Management</b>	
Conservative revenue forecasting ( <i>IPC</i> )	Resource experts (ie registries, registrars, ccTLD's) are being asked for validation of all assumptions used in the Revenue calculations. Section 5 describes the assumptions used.
Further discussion of ICANN revenue models ( <i>M. Palage</i> )	The draft FY11 document starts to address the information needs in order to assist the revenue model discussion. The BFC is addressing this topic in their meetings as well.

Input	Response
registry fees—levels and comparison of FY11 & FY10; IDN ccTLD fast track revenue (C. Gomes, RySG, M. Palage)	See section 5 and for more information on ccTLD fees including the assumptions used.
<b>Operations Suggestions</b>	
Strive for Excellence in Core Operations: determine and implement monitoring and measuring methods on performance on core services (ccNSO SOP WG); 14% of total budget spent on Core Operations and 86% spent on others: is this a good balance on how to spend the money? (Rolof/ccNSO)	See section 4.
Staff resource management—improvement/calibration to task levels (ALAC)	Point noted and passed on to executive team and Board
Show changes in actual resources allocations v. approved budget (ALAC, ccNSO SOP WG)	Point noted and passed on to executive team and Board
Distinguish structural v. variable expenses (ccNSO SOP WG)	Point noted and passed on to executive team and Board
Use time sheets; more detail on time allocation of staff/consultants (M. Palage, ALAC)	Point noted and passed on to executive team and Board
Strengthen spending priority decisions (ccNSO SOP WG)	Point noted and passed on to executive team and Board. Also see ICANN's newly posted procurement guidelines: <a href="http://www.icann.org/en/financials/procurement-guidelines-21feb10-en.pdf">http://www.icann.org/en/financials/procurement-guidelines-21feb10-en.pdf</a>
Have clear objectives; use benchmarking for activities (assess value-add) and other performance measurements (ccNSO SOP WG)	Point noted and passed on to executive team and Board
Provide more support for non-contracted parties (COA, IPC, MARQUES/ECTA)	Point noted and passed on to executive team and Board
Prioritize policy development (IPC, Go Daddy)	Point noted and passed on to executive team and Board
No need for more technical operations where others can do this (C. Gomes, RySG, auDA, ccNSO SOP WG)	Point noted and passed on to executive team and Board
More focus on DNS stability (auDA, ccNSO SOP WG)	Point noted and passed on to executive team and Board
Organizational reviews—details, rationale, streamlining for efficiency (C. Gomes, RySG, COA, IPC)	Point noted and passed on to executive team and Board
Do not operate DNS-CERT without community agreement; are its initial costs included in the framework? (auDA, ccNSO SOP WG, RySG)	Point noted and passed on to executive team and Board
Cost effective security training (e.g., online/distance learning for registry staff) (ccNSO SOP WG)	Point noted and passed on to executive team and Board
Multi-year, long-view budget planning for key programs (IPC)	See Appendix E.
25% spent on Professional Svcs-hard to manage this number of people and make sure you get what you are paying for (Rolof/ccNSO)	Point noted and passed on to executive team and Board. Procurement guidelines will address this as well.
<b>Costs Reduction</b>	
Overall spending too high (e.g., staff compensation) (G. Kirikos)	Point noted for Board Finance Committee
Improve meeting expenditure process (e.g., reduce number of meetings, support remote participation) (G. Kirikos, Go Daddy, C. Gomes)	Point noted and passed on to Board committees including Participation and Engagement and Finance Committees.



Table C-2 recaps the responses to community feedback on the FY11 Community Support Travel Guidelines.

**Table C-2 – Responses to Community Feedback – FY11 Community Support Travel Guidelines**

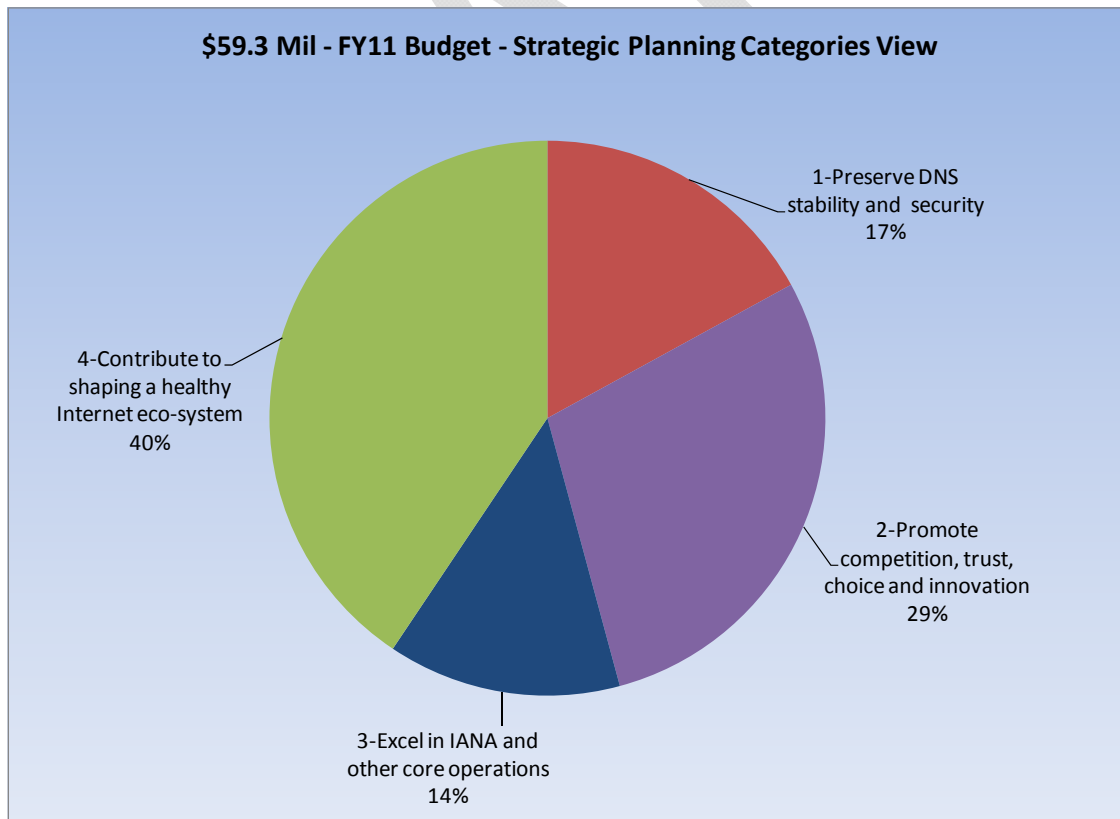
Issue	Response
<p><b>Fellowship Program Selection Committee/Process</b></p> <ul style="list-style-type: none"> <li>--Publish the names of Selection Committee members &amp; their backgrounds</li> <li>--Details needed on how Selection Committee members are chosen &amp; how long they serve</li> <li>--Change Fellow selection process to address geographic gaps</li> <li>--Communicate selection results to applicants even if results are posted on website</li> </ul>	<p>Thank you for the suggestions. .</p> <ul style="list-style-type: none"> <li>--The publishing of selection committee members is in process and will be complete by Brussels</li> <li>--These details are available on <a href="http://www.icann.org/en/fellowships/">http://www.icann.org/en/fellowships/</a></li> <li>--The Fellows selection process already includes a method to address geographic gaps as noted in the selection criteria on <a href="http://www.icann.org/en/fellowships/">http://www.icann.org/en/fellowships/</a></li> <li>--We appreciate this comment on reporting results and will take it under consideration</li> <li>-- We'll include all of these comments in our discussion at the yearly face to face meeting of the selection committee, slated for this June at the Brussels meeting. Keep posted on this topic and other fellowship selection topics by clicking: <a href="http://www.icann.org/en/fellowships/">http://www.icann.org/en/fellowships/</a></li> </ul>
<p><b>Travel program overall</b></p> <p>Travel club should not be funded.</p>	<p>The purpose of the travel support is based upon the core principal to increase policy making efforts and ensure inclusion for those who might not participate otherwise.</p>
<p><b>Need for more metrics</b></p> <p>Policy making efforts should be demonstrably improved from travel support</p>	<p>Thank you for the suggestion. . Certain groups supported by travel have anecdotally shared information providing justification for the travel support they receive. . Including concrete metrics will be considered and this suggestion is being forwarded to responsible staff.</p>
<p><b>Transparency</b></p> <p>Need more remote participation.</p>	<p>Thank you for the suggestion. . The Participation and Engagement Committee (PPC) and the meetings team are taking up this idea more strongly than ever in FY11.</p>

## Appendix D – Views of ICANN's operating expenses

In response to community feedback and in adherence to principles of accountability and transparency, ICANN has increasingly presented more details and more views of its operating expenses. Last year, the FY10 budget included views of operating expenses by functional categories (i.e., organizational activities) as well as by Expense Area Group (EAG) categories which is sometimes called the SO/AC view. For the draft FY11 Operating Plan and Budget, operating expenses are also presented in strategic area views using the four areas of focus presented in the adopted 2010–2013 Strategic Plan.

Additionally, in response to community feedback, this draft FY11 document provides more drill down into these views. Readers of these views, or reports, on ICANN's expenses, are cautioned to note that allocation efforts are required to prepare such reports. Not all costs can be directly captured by each of these views. More explanation about the cost accounting methods of allocation used to prepare such reports is described in ICANN's [Cost Accounting Guidelines](#).

1. **Operating Expenses presented in the Strategic Focus view.** This following chart, Figure D-1, shows ICANN's expenses across the four areas of ICANN's strategic focus as described in the Strategic Plan. The four areas include: (1) Preserve DNS Stability and Security, (2) Promote Competition, Trust/Choice/Innovation, (3) Excel in IANA and other Core Operations, and (4) Contribute to Shaping a Healthy Internet Ecosystem. Also, see Figure 2d (lego) in the Executive Summary presented.



**Figure D-1 – Strategic Focus view**

2. **Operating Expenses presented in the Functional View.** This view shows ICANN’s expenses across the 15 organizational activities: (1) New gTLD Implementation and Delegation, (2) IDN Implementation, (3) IANA Function and Technology Operations Improvements, (4) Security, Stability and Resiliency (SSR) Operations, (5) Contractual Compliance, (6) Core Meeting Logistics, (7) Constituency Support, (8) Policy Development Support, (9) Global Engagement and International Participation, (10) Travel Support for ICANN Community, (11) Ombudsman, (12) Board Support, (13) Nominating Committee (NomCom) Support, (14) DNS Operations, and (15) Organizational Improvement. More details of these activities, and the budget resources required to fund them, are provided in Section 4, The Operating Plan.

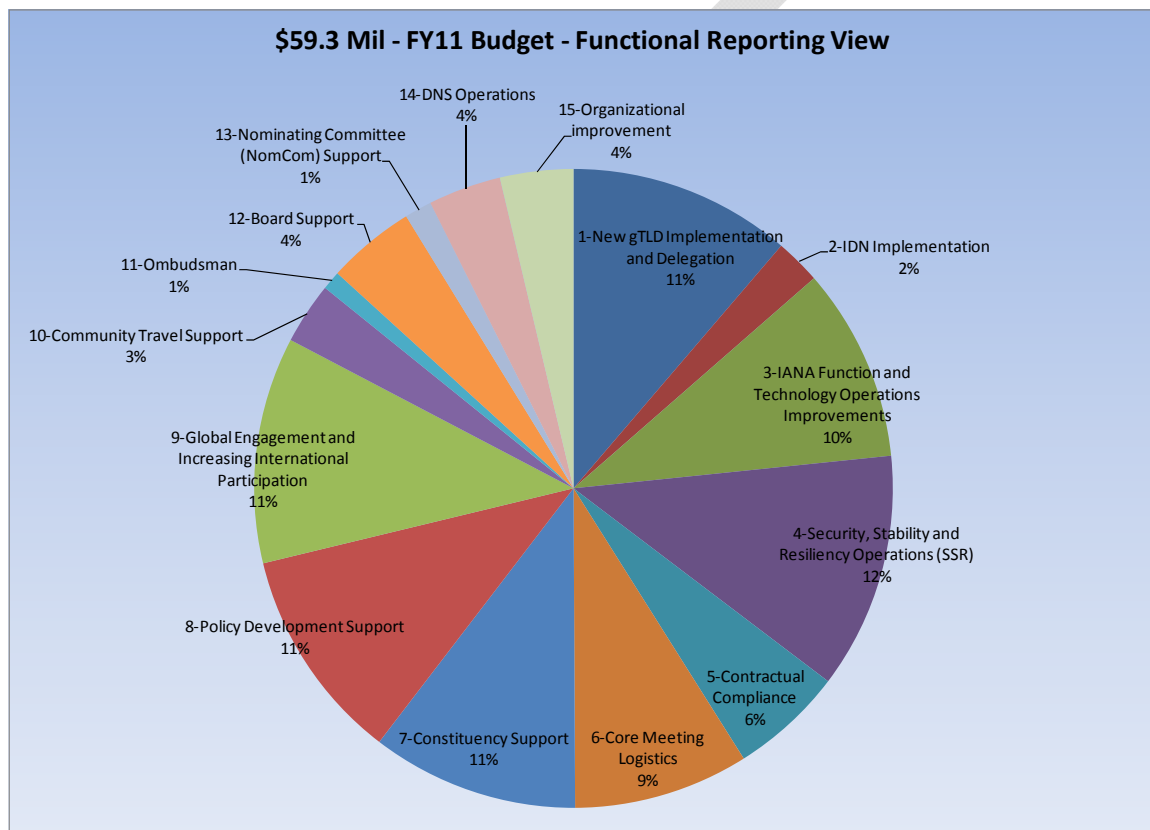


Figure D-2 – Functional Reporting view

3. **Operating expenses presented in Expense Area Group, or EAG, View.** This view shows the spending by SOs and ACs and other components of ICANN in accordance with ICANN’s organizational structure.

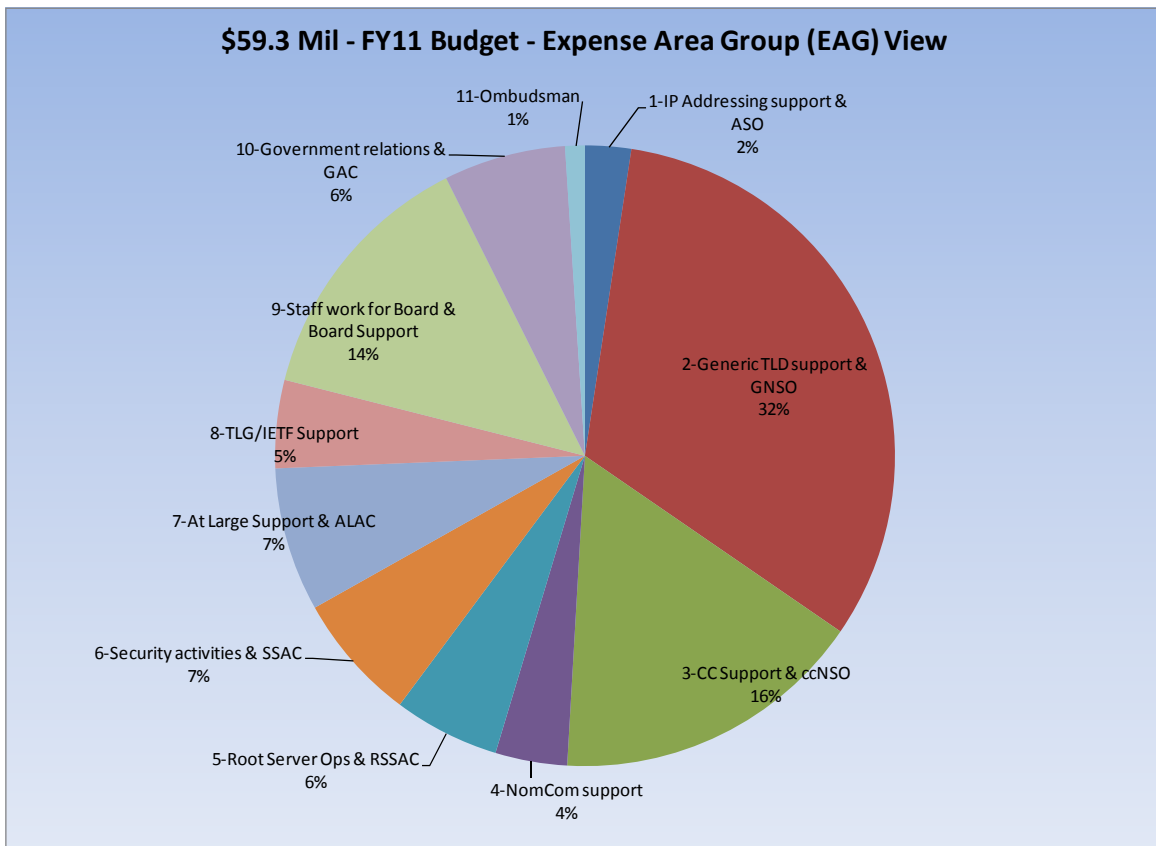


Figure D-3 – Expense Area view

In response to specific community feedback, a drill down analysis into the components of the EAG report is provided in the following tables.

More details on the methodology of this view, including its history and the community feedback received on the EAG view can be found online here: <http://www.icann.org/en/public-comment/public-comment-200906.html#eag-feedback>.

<b>Analysis for Expense Area Groups (EAGs)</b>	<b>Amount</b>	<b>%</b>
<b>1-Support for IP addressing, RIR related activities and NRO/ASO support</b>	<b>1,421,000</b>	<b>2.40%</b>
Portion of IANA personnel costs		
Policy support for the ASO		
Global engagement with regional RIRs		
An allocation of overhead costs such as rent, human resources and accounting		
<b>2-Support for Generic TLD activities and GNSO support</b>	<b>19,134,402</b>	<b>32.27%</b>
Personnel and other costs required to support gTLD registries and registrars		
Contractual compliance for registrars and registries		
Policy work and secretariat support for the GNSO		
Data escrow services for registrants (through registrars)		
IANA functions services for generic registries		
Security, stability, and resiliency efforts for registry/registrar issues		
New gTLD implementation project		
An allocation of overhead costs such as rent, human resources and accounting		
<b>3-Country Code support and support for ccNSO activities</b>	<b>9,690,000</b>	<b>16.30%</b>
IANA functions services for country code registries		
Local presence in regions, engagement with ccTLDs, regional organizations		
Policy work and secretariat support for the ccNSO		
Complete the IDN ccTLD Fast Track implementation plan		
An allocation of overhead costs such as rent, human resources and accounting		
<b>4-NomCom travel, direct support and staff support</b>	<b>2,221,000</b>	<b>3.80%</b>
Provide travel resources for NomCom members and candidates		
Provide secretariat and other administrative and technical support		
Develop informational materials, conduct outreach, event coordination to solicit statements of interest from members of the global internet community		
Conduct independent candidate evaluation and due diligence, using third party contractors as needed		
An allocation of overhead costs such as rent, human resources and accounting		
<b>5-Root Server Operations and Support for RSSAC activities</b>	<b>3,276,000</b>	<b>5.50%</b>
Technical and administrative support for RSSAC		
Readiness building for DNSSEC for IANA-related zones		
Operation and Maintenance of L-ROOT systems		
Recurring bandwidth for co-location servers		
An allocation of overhead costs such as rent, human resources and accounting		
<b>6-Supporting SSAC activities and coordinating with Internet security efforts</b>	<b>3,945,000</b>	<b>6.70%</b>
Technical and administrative support for SSAC		
Conduct ICANN corporate security and continuity programs		
Conduct ICANN collaborative engagement on DNS security, stability and resiliency to include responding to DNS abuse		
Facilitate security, stability and resiliency review of applications for New gTLDs		
An allocation of overhead costs such as rent, human resources and accounting		

Figure D-4 – EAG Analysis

<b>Analysis for Expense Area Groups (EAGs)</b>	<b>Amount</b>	<b>%</b>
<b>7-At Large Support and support for ALAC activities</b>	<b>4,440,000</b>	<b>7.50%</b>
Policy work and secretariat support for ALAC		
Outreach efforts to regional organizations and global engagement		
Translation of documents		
Interpretation costs for meetings and conference calls		
An allocation of overhead costs such as rent, human resources and accounting		
<b>8-TLG/IETF Support</b>	<b>2,718,000</b>	<b>4.60%</b>
IANA functions		
IANA efforts to review Internet drafts		
An allocation of overhead costs such as rent, human resources, accounting		
Engagement with respective organizations		
An allocation of overhead costs such as rent, human resources and accounting		
<b>9-Travel and coordination for Board activities &amp; staff support for meeting preparation</b>	<b>8,106,000</b>	<b>13.70%</b>
Travel support for Board members to various meetings and workshops		
Training for Board members		
Specialized software for Board		
Executive efforts to support Board actions and activities		
Staff support for Board members'		
Conference calls		
An allocation of overhead costs such as rent, human resources and accounting		
<b>10-Government Relations and support for GAC activities</b>	<b>3,774,000</b>	<b>6.40%</b>
Policy work and secretariat support for GAC		
Engagement in international intergovernmental foras, partnerships with governmental organizations		
Regional liaison efforts with local governments		
An allocation of overhead costs such as rent, human resources and accounting		
<b>11-Ombudsman</b>	<b>562,291</b>	<b>0.95%</b>
Salary, travel support, and administrative costs to operate office of the Ombudsman		

Figure D-4– EAG Analysis (cont)

## Appendix E – Multi-year View of ICANN’s Financials

To understand the longer-term view of ICANN’s financial strategies, the impact of new gTLDs on ICANN’s financial position, the cost recovery mechanisms, and the possibility of alternative revenue sourcing strategies, a multi-year model of ICANN’s revenues and expenses was developed. The potentially large impact of the New gTLD Program, and its requirement to be revenue-cost neutral, drove this effort. The analysis of the results of the multi-year model shows the longer term impact of ICANN’s activities on its financial position. In addition to run rate analyses, the impact of large programs such as the New gTLD Program and the impact on various strategic decisions (e.g., pricing for fees, application pool sizes, etc.) can be analyzed.

Selected assumptions used in the multi-year financial analysis

- New gTLD fees, and refunds, as described in the Applicant Guidebook
- Registry Fees (after delegation)
- \$25k/year
- \$0.25/transaction after 50k domain names

Figure E-1 describes the possible impact of the first round of new gTLD applications. Development costs of \$17.4 million, within revenue from application fees beginning in Year 1 and continuing into Year 2. Operating expenses are incurred to process and evaluate applications for new gTLDs. This scenario in the figure shows how the net impact would provide a \$4.3 million deficit. The \$17.4 million is used to replenish the Reserve Fund, and the balance of the \$92.5 million of revenue collected is used for evaluating applications, covering other gTLD costs, and refunds. A shortfall, as shown here, would be factored into the analysis for future rounds.

	Startup Costs	Application Launch	Year 1	Evaluation Year 2	Year 3	New gTLD
Revenue	-	-	85,750	6,750	-	92,500
Expenses	17,409	5,000	35,025	3,868	-	61,302
Refund of Evaluation Fees	-	-	4,968	578	-	5,546
Other gTLD Costs	-	-	30,000	-	-	30,000
<b>Change in Net Assets</b>	<b>(17,409)</b>	<b>(5,000)</b>	<b>15,757</b>	<b>2,304</b>	-	<b>(4,348)</b>
Change in working Capital		(5,000)	(1,652)	2,304	-	(4,348)
Working Capital	\$ 20,000	\$ 15,000	\$ 13,348	\$ 15,652	\$ 15,652	15,652
Change in Reserve Fund	\$ (17,409)	\$ -	\$ 17,409	\$ -	\$ -	-
Reserve Fund	\$ 45,000	\$ 45,000	\$ 62,409	\$ 62,409	\$ 62,409	62,409

**Figure E-1 – Potential Impact of 1<sup>st</sup> Round gTLDs**

Figure E-2 shows the impact of ongoing registry (and registrar) fees after new gTLDs are processed through the evaluation. The model shows what the level of ongoing revenue to ICANN might be as well as ICANN’s ongoing operating costs required to support the new gTLDs reflecting an increasing efficiency of operations over time.



	New gTLD Year-1	New gTLD Year-2	New gTLD Year-3
<b>gTLD's in operation</b>	<b>146</b>	<b>381</b>	<b>406</b>
Registry Fixed Fees	3,650,000	9,525,000	10,150,000
Registry Fees	346,750	904,875	964,250
Registrar Fees	277,400	723,900	771,400
<b>Revenue</b>	<b>4,274,150</b>	<b>11,153,775</b>	<b>11,885,650</b>
Payroll	1,726,000	3,277,000	3,492,000
Travel	25,000	47,000	50,000
Professional Service	1,643,000	2,000,000	1,523,000
Administration	1,289,720	2,023,120	1,924,700
<b>Expenses</b>	<b>4,683,720</b>	<b>7,347,120</b>	<b>6,989,700</b>
<b>Change in Net Assets</b>	<b>(409,570)</b>	<b>3,806,655</b>	<b>4,895,950</b>

Figure E-2 – Impact of Ongoing Registry and Registrar Fees

Figure E-3 layers the New gTLD Program onto ICANN's traditional revenue and expense structure.

	ICANN new gTLD FY11	ICANN new gTLD FY12	ICANN new gTLD FY13
<b>REVENUE</b>			
Traditional revenue	66,509	67,175	67,850
<b>Evaluation Fees (cost neutral)</b>	85,750	6,750	-
<b>New gTLD Registry Fixed Fees</b>	3,650	9,525	10,150
<b>New gTLD Registry Fees</b>	347	905	964
<b>New gTLD Registrar Fees</b>	277	724	771
<b>Total Revenue</b>	<b>\$ 156,533</b>	<b>\$ 85,079</b>	<b>\$ 79,736</b>
<b>EXPENSES</b>			
Personnel	26,703	27,504	28,329
Travel & Meetings	11,086	11,419	11,761
Professional Services	14,928	15,375	15,837
Administration	6,571	6,768	6,971
<b>New gTLD Evaluation Costs</b>	50,725	2,882	-
<b>Refund of Evaluation Fees</b>	(4,968)	(578)	-
<b>New gTLD Operation Costs</b>	4,684	7,347	6,990
Non Cash Expenses	2,600	2,678	2,758
<b>Total Expenses</b>	<b>\$ 112,329</b>	<b>\$ 73,395</b>	<b>\$ 72,646</b>
<b>Other gTLD Costs</b>	\$ 30,000	\$ -	\$ -
<b>Contingency</b>	\$ 1,500	\$ 1,500	\$ 1,000
<b>Change in Net Assets</b>	<b>\$ 12,704</b>	<b>\$ 10,184</b>	<b>\$ 6,090</b>

Figure E-3 – New gTLD View with Revenue and Expense

The implications from the multi-year financial analyses include:

- Revenue less costs for each new gTLD round can be analyzed and the impact managed strategically.
- New gTLD operations, and significant flows of funds, naturally impose requirements for detailed cost accounting and reporting to ensure confidence, trust, and clarity.
- As models mature, ICANN should consider opportunities to mix revenue sources.
- Historical contributions to reserve fund recouped, and likely to attain full funding of Reserve Fund.

## Appendix F – Revenue Analyses

In response to requests from the community, operating expenses by EAG category is shown next to the FY11 revenue by source.

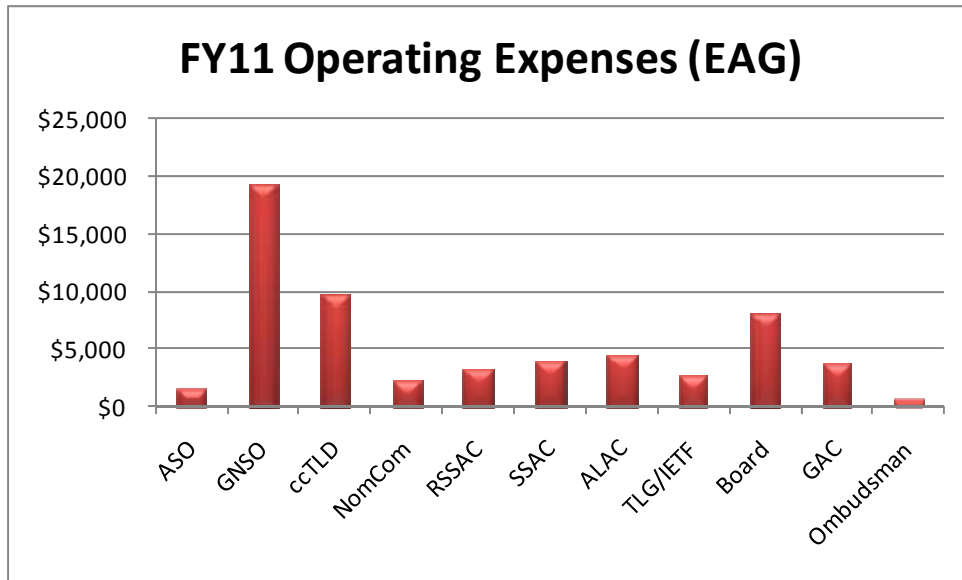


Figure F-1 – Operating Expenses by EAG (SO/AC)

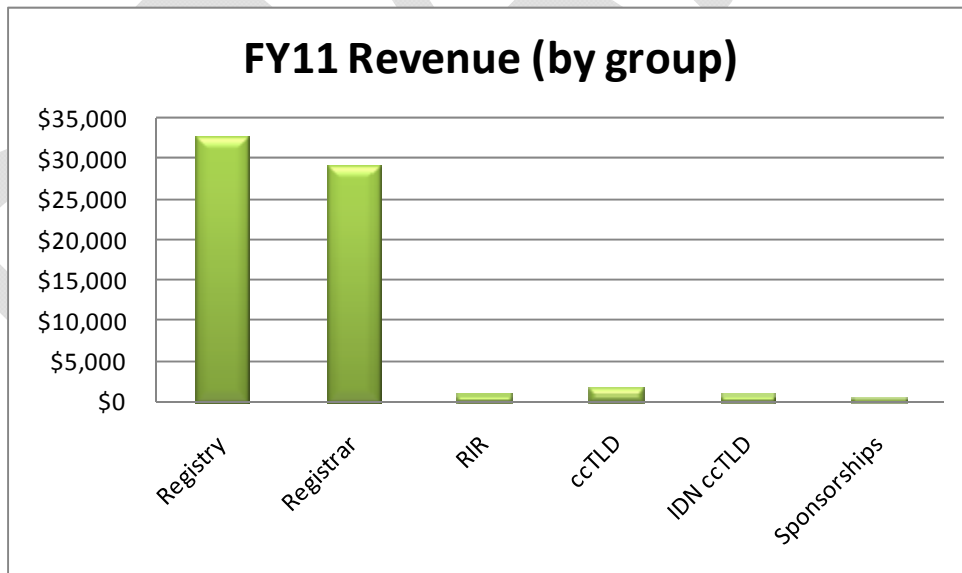


Figure F-2 – Revenue by Source

ccTLD Contributions are reported on the website regularly. See <http://www.icann.org/en/financials/cctld-contributions-multi-year-31mar10.htm.pdf>. The following tables show contributions from each ccTLD across historical periods as of 31 March 2010.

Two Letter Code	Country/Region	FY10 as of 3/31/2010	FY09	FY08	FY07	Notes
.ag	Antigua and Barbuda				1,000	
.am	Armenia	1,000	1,000	500	500	
.an	Netherlands Antilles				500	
.as	American Samoa		5,000			
.at	Austria	20,000	20,000			
.au	Australia		172,149	157,832	122,974	
.aw	Aruba		500	500		
.az	Azerbaijan		500	500		
.be	Belgium		80,000		80,000	
.bg	Bulgaria				500	
.bo	Bolivia		300			
.br	Brazil		40,000	40,000		in kind contributions due to offset of ICANN meeting support
.bs	Bahamas	500		500	500	
.bt	Bhutan		500			
.bv	Bouvet Island		500	500	500	
.ca	Canada		85,000	233,750		233.75k is for prior years as well
.cc	Cocos Island		5,000			
.ch	Switzerland	70,000	70,000	70,000	40,000	
.cl	Cote d'Ivoire		500	500	500	
.cl	Chile				10,000	
.cl	Chile	15,000	12,000	12,000	10,000	
.cn	China		50,000			
.co	Colombia	8,500		8,000		
.cr	Costa Rica	1,016	1,016	500		
.cx	Christmas Island	500	3,000	3,000	6,000	
.cz	Czech Republic		15,000	15,000	11,500	
.de	Germany		90,000	90,000	170,000	
.dk	Denmark		25,000	28,000	46,000	
.do	Dominican Republic	500				
.ec	Ecuador		3,000	1,500	750	
.eu	European Union		40,000	40,000	40,010	
.fi	Finland		6,000	6,000	5,000	
.fj	Fiji		500	1,000		
.fk	Falkland Islands	500	500	500	500	
.fm	Federated States of Micronesia		1,000			
.fr	France		44,000	88,000	36,045	
.gd	Grenada				500	
.gi	Gibraltar	500				
.gl	Greenland			1,000		
.gr	Greece	5,000	5,000	5,000	10,000	
.gt	Guatemala		500	500	500	
.gu	Guam		500	500	500	
.hk	Hong Kong	12,000		6,000	6,000	
.hn	Honduras	500	500	500	500	
.ht	Haiti	500				
.hu	Hungary		22,000	22,000	22,000	
.il	Israel			9,000	9,000	
.im	Isle of Man			500	500	
.is	Iceland			3,600	7,100	
.it	Italy		85,000	170,000	85,000	
.jo	Jordan				750	
.jp	Japan		100,000	161,124	144,999	
.ke	Kenya		500			
.kr	Korea		30,000	30,000	20,000	
.ky	Cayman Islands		500	500		
.kz	Kazakhstan		500	500	1,000	

Figure F-3 – Contributions from ccTLDs as of 31 March 2010

Two Letter Code	Country/Region	FY10 as of 3/31/2010	FY09	FY08	FY07	Notes
.lt	Lithuania		5,000	5,000	10,000	
.lu	Luxembourg	5,000	10,000	5,000	5,000	
.lv	Latvia		5,000	5,000	10,000	
.ly	Libya		1,000	500	1,000	
.md	Moldova, Republic of	1,000			1,000	
.mn	Mongolia		500			
.mo	Macau		500	500	1,000	
.mt	Malta		500		500	
.mx	Mexico		25,000	20,000	27,000	
.na	Namibia		1,500		3,000	
.nf	Norfolk Island		2,000		4,000	
.ni	Nicaragua		1,500		1,500	
.nl	Netherlands		100,000	185,000	85,000	
.no	Norway		30,000	30,000	30,000	
.nu	Niue		20,000	18,000	38,758	
.nz	New Zealand	15,000	15,000	15,000	10,000	
.pa	Panama		500	500	1,000	
.pe	Peru			1,000	1,000	
.pl	Poland		20,000			
.pn	Pitcairn Island		500	500	1,000	
.pr	Puerto Rico		5,000	5,000		
.pr	Puerto Rico				3,000	
.pt	Portugal				5,139	
.pw	Palau		500			
.ro	Romania	12,936	12,936	12,936	25,872	
.rs	Serbia	500	500			
.ru	Russia		55,000	30,000	30,000	
.sb	Solomon Islands		500			
.se	Sweden		60,000	30,000	30,000	60k is for previous years as well
.sg	Singapore				5,000	
.si	Slovenia	5,000	5,000	5,000		
.sj	Svalbard and Jan Mayan Islands		500	500	500	
.sk	Slovak Republic				5,000	
.sn	Senegal		2,000	2,000		
.sv	El Salvador		1,000	500	500	
.th	Thailand		1,500	1,500		
.tj	Tajikistan		500	300	300	
.tl	Timor-Leste			500	250	
.tr	Turkey			5,000	10,000	
.tt	Trinidad and Tobago			500	500	
.tw	Taiwan		39,851	39,412	37,232	
.ua	Ukraine	2,000			2,500	
.uk	United Kingdom	235,000	85,000		85,000	235k is for 85k in FY09, 150k in FY10
.us	United States		40,000	40,000		
.uz	Uzbekistan		500			
.vi	Virgin Islands, U.S.		500	1,000		
.vn	Vietnam			500		
.vu	Vanuatu	500				
.za	South Africa		1,500	1,500		
n/a	Non specified				190,187	
		<b>412,952</b>	<b>1,567,752</b>	<b>1,670,954</b>	<b>1,552,865</b>	

Figure F-3 – Contributions from ccTLDs as of 31 March 2010 (cont)