FY12 Operating Plan and Budget
Fiscal Year Ending 30 June 2012

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1.   Executive Summary of the FY12 Operating Plan and Budget

Striking the balance between responding to the needs and requests of ICANN's diverse community and ensuring responsible use of ICANN's funds for ongoing operations and increasing initiatives does not come about easily. It is important that the budget planning process be undertaken using a bottom-up, collaborative approach involving ICANN constituency groups, stakeholders (including those who contribute to its revenue), ICANN staff and the ICANN Board of Directors. The process for earlier input thus far has greatly enhanced communication among stakeholders and between ICANN and the Internet community.

In FY11, ICANN undertook multiple initiatives to improve transparency, build a stronger executive team, elevate ICANN meetings to the next level, advance the New gTLD operational readiness, increase DNSSEC adoption, facilitate IPv4 transition to IPv6, strengthen contractual compliance and engage the global community at a higher level.

With an FY11 approved budget of $59.3 million, ICANN achieved significant progress on most of the planned activities of the fiscal year. This was a transformational year on ICANN's journey to strengthen the multi-stakeholder model and meets the agreed upon deliverables within the Affirmation of Commitments.

FY11 work was a combination of core operating activities, funded projects, and board approved initiatives within the operating year. These board approved initiatives, totaling an additional $2.9 million in expenses, included:

- Additional AOC review costs
- Third ICANN Board retreat
- ICANN Board/GAC meeting (and preparations)
- IDN Variant Panel

To accomplish this work, the Board approved the use of the $1.5 million contingency to cover the costs incurred in FY11, which leaves the remaining $1.4 million to be carried over into the draft FY12 budget.

Looking forward, FY12 appears even more challenging as ICANN progresses towards a higher level of excellence and a wider portfolio of work required by the community. In addition to a six percent forecasted increase in operating expenses to offset cost of living adjustment, new projects such as implementing the ATRT recommendations, Whois studies, development of IDN guidelines, and infrastructure improvements add another layer of commitment and cost. Although more than half of the twenty-seven ATRT recommendations are implemented and maintained by existing staff, the implementation of the remaining recommendations requires

an additional $3.6 million, $1 million of which is budgeted in the FY12 contingency fund for potential Board compensation.

With the scope of work now defined, the budget owners' bottom up forecast for FY12 resulted in a budget of $73 million. In addition to the resources needed to perform the activities included in the Strategic Plan, consideration was given to budget submission requests from the ICANN Supporting Organizations, Advisory Committees, and stakeholder groups for the first time. These requests were posted for public comment on 17 May 2011 in conjunction with the posting of the FY12 Framework.

In order to establish an appropriate target for the FY12 budget, a top down model was created from the current FY11 forecast to arrive at a target operating expense budget amount of $67 million.

In response to the challenge of balancing the community needs with the development of a reasonable budget, department owners took a closer look at the activities that were integral to the Strategic Plan. Difficult decisions then had to be made as to the work that would not be funded in FY12, which included some hiring activity and travel. The end result of this collaborative effort is a $67 million breakeven draft FY12 Operating Plan and Budget.

To understand the full impact of the work that ICANN has been called upon to engage in for FY12, it is best to compare the current year expenses to what is projected in the draft FY12 plan.

(in US dollars)	FY12 DRAFT BUDGET	FY11 FORECAST	FY11 BUDGET
Registry	$34,753,000	$32,772,000	$32,647,000
Registrar	$30,902,000	$29,803,000	$29,159,000
RIR	$823,000	$823,000	$823,000
ccTLD	$1,600,000	$1,600,000	$1,600,000
IDN ccTLD	$780,000	$780,000	$780,000
Meeting Sponsorships	$900,000	$1,283,000	$500,000
Revenue	**$69,758,000**	**$67,061,000**	**$65,509,000**
Compensation	$23,844,000	$19,847,000	$20,846,000
Employee Benefit	$2,857,000	$3,286,000	$2,512,000
Other Personnel Costs	$2,508,000	$2,880,000	$3,088,000
Airfare	5,138,000	$4,035,000	$4,111,000
Lodging & Meals	3,404,000	$2,950,000	$3,048,000
Other travel & meetings	4,452,000	$4,927,000	$3,920,000
Professional Services	17,276,000	$16,412,000	$15,191,000
Facilities	$2,100,000	$1,950,000	$2,109,000
Other Administration costs	$5,421,000	$4,877,000	$4,462,000
Operating Expenses	**$67,000,000**	**$61,164,000**	**$59,287,000**
Bad debt expense	$900,000	$781,000	$1,400,000
Depreciation	$1,800,000	$1,408,000	$1,200,000
Operating Income/ (Loss)	**$58,000**	**$3,708,000**	**$3,622,000**
Investment Income/ (Loss)	$2,600,000	$5,000,000	$1,000,000
Change in Net Assets before Contingency	**$2,658,000**	**$8,708,000**	**$4,622,000**
Contingency	$2,500,000	$0	$1,500,000
Change in Net assets	**$158,000**	**$8,708,000**	**$3,122,000**

Figure 1-1 – FY11/ FY12 budget

The FY12 budget for operating expenses is expected to be $7.7 million greater than FY11 budget. This increase is primarily due to the following:

1. Compensation: $3.0 million - The increase in budgeted personnel costs is due to the following:
   o Four percent annual merit increase

- o Proposed additional resources in support of Global Engagement and Increasing International Participation
- o Proposed additional resources in support of Contractual Compliance

2. Overall Travel: $1.9 million -This increase is largely due to the following:

- o Effort to support a larger number of staff and community travel
- o Increase in meetings costs due to the larger scale of the international meetings
- o Increase of 20 selected community members provided with airfare, lodging, meals, and incidental expenses support
- o GAC/Board meeting

3. Professional Services: $2.1 million – includes:

- o Required studies to support ICANN's policy development processes
- o Consulting services to support further progress on the New gTLD Pre-launch activities
- o Communication and Legal costs
- o Software development and technology improvements
- o Organizational reviews
- o ATRT Implementation

The development of this FY12 draft Operating Plan and Budget presents a new twist, as there are actually two budgets to consider: one without a New gTLD Program launch in FY12 and one with the assumption that the Board will vote to approve the New gTLD Program launch in FY12. The uncertainty of this decision showcases that there are still many moving parts and unknowns going into this next fiscal year. Though there are costs that will be incurred with or without a launch, there are also variables in the costs and timing of expenses such as: staffing, professional services, communications, and operations.

Assuming the Board does not approve the New gTLD Program launch in FY12, ICANN will continue to fund the development of the New gTLD Program as there are certain activities and costs that will be incurred regardless of the timing of the launch decision.

If there is Board approval for the New gTLD Program launch in FY12 (assuming 500 applications at $185,000 each in a cost neutral model), costs will be recovered through application fees.

Additionally, $12.5 million will be recovered from historical development costs and net assets are budgeted to increase by $18.8 million in FY12.

(in US dollars)	No gTLD Launch FY12 Draft Budget No gTLD Launch	With gTLD Launch Core Operations & Projects	New gTLD	FY12 Draft Budget With gTLD Launch
Revenue	$ 69,758,000	$ 69,758,000	$ 84,240,000	$ 153,998,000
Operating Expenses	$ 67,000,000	$ 60,815,000	$ 24,115,000	$ 84,930,000
Non-Cash Expense	2,700,000	2,700,000	-	2,700,000
FY13 Processing Expenses Provision	-	-	17,625,000	17,625,000
Historical development recovery	-	(12,500,000)	12,500,000	-
New gTLD Risk	-	-	30,000,000	30,000,000
Operating Income/ (Loss)	$ 58,000	$ 18,743,000	$ -	$ 18,743,000
Investment Income/ (Loss)	2,600,000	2,600,000	-	2,600,000
Change in Net Assets before Contingency	$ 2,658,000	$ 21,343,000	$ -	$ 21,343,000
Contingency	2,500,000	2,500,000	-	2,500,000
Change in Net Assets	$ 158,000	$ 18,843,000	$ -	$ 18,843,000

Figure 1-2 – draft FY12 budget

2. Introduction

This draft FY12 Operating Plan and Budget, for the fiscal year beginning 1 July 2011 and ending on 30 June 2012, was developed in line with ICANN's evolving strategic planning process, from which the key initiatives and focus areas for community and staff were derived. The process for earlier input thus far has greatly enhanced communication among stakeholders and between ICANN and the Internet community.

In addition to the focus on proposed projects, ICANN must also sustain and strengthen ongoing core operations. These day-to-day operations consist of such services as the IANA functions, improved contractual compliance, registrar and registry liaison, policy development, core meeting logistics and language services, IDN Fast Track, Global Engagement and continued work on organizational excellence. Ongoing operations also include administrative support for project work and infrastructure, including rent, utilities, technical support, and connectivity.

This year's draft budget does not take into account the FY12 budget components involved in the launch of the New gTLD Program, although it does include the pre-launch budgeted activities. Section 7 of this Operating Plan provides the additional budget and operating costs in the case of approval to launch within FY12. Within this draft Operating Plan and Budget, you will find:

- Description of the key initiatives that ICANN will be focusing its resources on (aligned with the adopted 2012-2014 Strategic Plan);
- A description of this year's operations planning and budgeting process;
- Core operations and project work anticipated to be undertaken by staff and community;
- Explanation of the revenue model and spending plan for the year;
- Impact of the New gTLD Program in the case of launch approval in FY12;
- Community feedback from the FY12 Framework of the Operating Plan and Budget and
- Financial analysis and reporting

After any additional public comments and input from the ICANN community on this draft Plan, and discussions with the ICANN Board of Directors' Finance Committee, the budget will be submitted for adoption to the ICANN Board in Singapore on 24 June 2011.

As a reminder, the community and staff work described in the FY2012-2014 Strategic Plan is meant to be spread out over that three-year period; all of the work cannot be accomplished in a single fiscal year and prioritization of activities needed to happen in order to accommodate the highest priority items requested this year.

3.   The Planning Process

ICANN's planning process helps keep the focus on ICANN's mission, mandate, and responsibilities. The goals are to maximize effective community engagement, ensure that ICANN's plans are set with the appropriate priorities and resource allocations, and to ensure their financial soundness.

ICANN produces a three-year Strategic Plan (reviewed and updated annually), along with a framework for the draft Operating Plan and Budget, and an annual Operating Plan.

The planning process is continuous and allows for the three components to overlap. The Strategic Plan is developed with community input, generally between July and February. The development of the Framework for the Operating Plan and Budget begins in mid-fiscal year with community input and target setting, and the draft Operating Plan and Budget is posted by 17 May of each year for final community review. ICANN's bylaws require that 45 days before adoption of the budget, a draft is posted for community feedback.

This year, in reaction to the community's request for earlier engagement and input into the planning process, work with the chairs of the Supporting Organizations, Advisory Committees and stakeholder groups began in late 2010. Through community calls and work sessions in Cartagena, a basic set of services and costs for each individual group was determined to be included in the fiscal year budget. It was decided that any additional requests would be accepted for review over the months leading up to the posting of the draft Plan and Budget. Once reviewed, estimated and prioritized by the community and ICANN executives, those accepted requests would be included in the draft FY12 Operating Plan and Budget for final consideration.

The Framework for the Operating Plan and Budget was posted 17 February 2011 for public comment.

This year's approved Strategic Plan 2011-2014 (Figure 3-1) was posted after being adopted by the ICANN Board at the Silicon Valley Meeting.

The Operating Plan and Budget defining ICANN's yearly goals and priorities will be before the Board for adoption at the next ICANN Meeting in Singapore.

More information about the planning process ICANN uses to develop its Strategic and Operating Plans can be found at http://www.icann.org/en/planning/.

Strategic Plan 2011-2014: Four Strategic Focus Areas
Supporting… One World. One Internet.

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

Multi-stakeholder – Collaborative – International – Transparent - Accountable

Figure 3-1 – Strategic Plan Overview

4. The FY12 Operating Plan

The Operating Plan and Budget views of ICANN have traditionally been categorized into ICANN's organizational activities. This fiscal year, as stated in the FY12 Framework for the Operating Plan and Budget, the view has transitioned to include focus on Core Operations (day-to-day activities) and Projects (a temporary large endeavor undertaken to create a unique product, service or result) that are set within a scenario that does not include the launch of New gTLDs in FY12. The view will still provide the detail from these organizational areas, but with emphasis on Core vs. Project work.

The core organizational activities are summarized below:

Operating Expenses in Functional View(in Thousands of US Dollars)

Organizational Activities	FY12 Draft Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
1-New gTLD pre-Launch	6,185	7,568	6,683	(498)	-7.5%
2-IDN Programs	1,650	1,480	1,365	285	20.9%
3-IANA and Technology Operations Improvements	6,540	5,649	5,804	736	12.7%
4-Security, Stability and Resiliency Operations(SSR)	7,836	6,909	7,087	749	10.6%
5-Contractual Compliance	4,250	3,163	3,399	851	25.0%
6-Core Meeting Logistics	5,822	5,525	5,255	567	10.8%
7-Community Support	8,947	8,273	8,068	879	10.9%
8-Policy Development Support	6,825	6,246	6,421	404	6.3%
9-Global Engagement and Increasing International Participation	8,006	6,072	6,792	1,214	17.9%
10 - Organization Effectiveness and Excellence	455	189	-	455	n/a
11-Ombudsman	562	597	562	-	0.0%
12-Board Support	3,462	3,189	2,647	815	30.8%
13-Nominating Committee (NomCom) Support	844	785	820	24	2.9%
14-DNS Operations	2,645	3,131	2,185	460	21.1%
15-Organizational reviews	2,971	2,388	2,199	772	35.1%
Total Operating Expenses	**67,000**	**61,164**	**59,287**	**7,713**	**13.0%**

Figure 4-1 –Operating Expenses in Functional View

4.1 New gTLD Pre-Launch

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
1-New gTLD pre-Launch	6,185	7,568	6,683	(498)	-7.5%

As work continues on the development of the New gTLD Program, resources in support of this program remain an important part of the Operating Plan. It is necessary that certain activities (and costs) continue to occur regardless of whether the New gTLD Program is approved during the upcoming fiscal year. In FY12, ICANN will take the remaining steps necessary for approval of the Applicant Guidebook, and to complete the design and development of processes and systems necessary to conduct application processing.

Budget resources required in FY12 for these costs are estimated to be $6.1 million, about 7.5 percent less than the FY11 budget. This reduction is primarily because ICANN is completing many of the New gTLD planned projects in preparation of approval of the New gTLD Program. The FY12 Operating Plan and Budget for New gTLD Pre-launch covers salaries, professional services, travel, and administration costs, and will be allocated across the following major activities:
  • Completion and approval of Applicant Guidebook
  • Completion of processes and systems for application processing (e.g. business processes, risk management activities, customer support, TLD Application System)
  • Continuing communication activities

4.2 IDN Programs: IDN Variant, IDN Guidelines and IDN Fast Track

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
2-IDN Programs	1,650	1,480	1,365	285	20.9%

Various IDN-related community initiatives such as IDN Variant Management, IDN Guideline Development, and IDN Fast Track Operations will be focused on in FY12.

Resource commitments for the FY12 Budget are expected to be $1.6 million or 21 percent over FY11's budget and reflect the resources required to continue processing IDN ccTLD requests, primarily from staff labor costs, associated travel costs, and outside consulting. This will be allocated across the following activities:

- Development of the next version of the IDN guidelines for new IDNA protocol
- Encourage implementation of the new protocols in the DNS community and measure the implementation penetration and its effectiveness in making IDNs "work"
- Monitor and implement recommendations provided by the IDN PDP working group
- Completion of case studies regarding IDN Variant Management including a summary and issues report
- Completion of a study of issues related to the delegation of IDN variant TLDs including:
  - A summary and issues report of common and case specific issues on as many as six case studies in the following scripts: Arabic, Chinese (Traditional and Simplified), Cyrillic, Devanagari, Greek, and Latin.
  - A commonly understood glossary of terms to ensure that such terms are accurate and vetted with appropriate technical and linguistic communities to improve the dialogue among participants.
  - Identification of the set of challenges of working with IDN variant TLDs that are based on (a) linguistic accuracy, (b) technical feasibility and accuracy, (c) usability, (d) accessibility, and (e) security and stability.
- Execute the IDN ccTLD operations utilizing the principles of Business Excellence

4.3 IANA and Technology Operations Improvements

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
3-IANA and Technology Operations Improvements	6,540	5,649	5,804	736	12.7%

ICANN will enhance IANA Function and Technology Operations by continuing efforts to ensure that 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 at the second level, scaling the number of TLDs, and other online services. The IANA department must accommodate process development and execution associated with potential

new gTLDs and ongoing IDN ccTLD requests. 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 FY12, $6.5 million of budget resources, a 12.7 percent increase over FY11, are required to support the continuing operation as well as strengthening of the IANA Function and Technology Operations.

The focus on this function for FY12, as reflected by its placement as one of the four strategic focus areas for ICANN, will be:

- Continued investment in automating the manual processes of handling transactions
- Execute external reviews of IANA Function RZM software as well as number resource and protocol parameter processes
- Develop Framework of Interpretation for ccTLD delegation and re-delegation
- IANA Contract Renewal
- Community wiki development and maintenance

4. 4 Security, Stability and Resilience Operations (SSR)

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
4-Security, Stability and Resiliency Operations(SSR)	7,836	6,909	7,087	749	10.6%

In FY12, budget resources required to support SSR activities are estimated at $7.8 million, a 10.6 percent increase over FY11's budget. The increase for SSR in FY12 is due to continued collaboration and engagement in the following activities:

- Support the IDN Program with reviews of the variant management case studies
- Conduct risk reassessment exercises prior to FY13
- Support cross-community DNS Security and Stability Analysis Working Group (DSSA-WG) through facilitating its efforts so that it delivers a gap analysis of the DNS risks and threats by the end of FY12
- Collaborate with DNS Operations on DNSSEC – periodic key rollover & audit
- Implement improvements from FY11 L-Root contingency exercise; L-single nodes

- Implement objectives contained in the FY12 SSR Framework after the community and Board of Directors buy-in
- Develop long-term plan and obtain resources to support TLD capability training in developing countries (conducting education and training programs in partnership with the Internet Society (ISOC), regional TLD organizations, and the local Internet communities)
- Close gaps identified with ISO 27002 standard for ICANN's internal Information Security and maturing comprehensive ICANN Business Continuity practices

4.5 Contractual Compliance

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
5-Contractual Compliance	4,250	3,163	3,399	851	25.0%

ICANN recognizes Contractual Compliance as part of its core operations and organizational priorities to support ICANN's mission and commitments under the Affirmation of Commitments (AOC).

Budget resources for Contractual Compliance are estimated to be $4.2 million, about 25 percent greater than FY11. This includes hiring compliance staff in FY12 as well as ongoing and heightened efforts at contractual compliance across all areas of ICANN such as support from the Registrar Liaison, Registry Liaison, Legal, and Policy, Security and IT departments.

Work in FY12 will focus on:
- Provide additional resources to solidify and progress the current processes needed to proactively monitor and enforce the contractual provisions of registrar and registry
- Improve communications with, and reporting to, the community
- Enforce existing policy relating to Whois, including refining Port 43 monitoring tool and methodology and continuing to monitor and enforce registrars' obligation to provide public access to Whois and publish findings as least once a year
- Conduct FY12 Whois Data Reminder Policy Audit and publish findings
- Further improvements to the Whois Data Problem Reporting System and analyze complaint data to assess trends, determine compliance actions
- Compile and communicate compliance statistics and facts and data to inform deliberations and policy recommendations
- Implement an upgrade or replacement of the consumer complaint intake system (C-Ticket), to improve data collection and analysis, overall enforcement of contracts and reporting to the community while continuing to automate key business functions

- Develop stronger relationships through dedicated outreach to registries and registrars in Europe, Middle East, Africa, South America, and Asia Pacific regions by June 30, 2012

4. 6 Core Meetings Logistics

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
6-Core Meeting Logistics	5,822	5,525	5,255	567	10.8%

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.

Resources required for Core Meeting activities in FY12 are budgeted at $5.8 million, a 10 percent increase over the FY11 budget. Meeting costs in FY12 may exceed FY11's budget largely due to continued extra security considerations, increased meeting space requirements due to the rising number of participants and supported travelers, and the cost of providing the requested type of venues with the appropriate technology to support our meetings. The FY12 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, staff, and supported community members are covered elsewhere.

In response to the overall increase in the costs of holding the ICANN international meetings, as well as increased funding requests from the community for travel support to these meetings, the meetings team will increase its efforts to generate sponsorship contributions to help offset these cost increases. The FY12 draft budget reflects these plans, with a sponsorship contributions budget amount of $900,000, which represents an 80 percent increase over the FY11 budget amount of $500,000.

Ongoing activities in support of the ICANN meetings are:
- 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
- Implement the meeting site selection process developed by the ICANN Board of Directors Public Participation Committee, which provides the processes necessary to identify and select appropriate venues for ICANN 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
- Support ICANN public meetings (three per year) and other ICANN meetings by providing a range of language services including real-time-transcription (RTT) service, translation and interpretation.

4. 7 Community Support

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
7-Community Support	8,947	8,273	8,068	879	10.9%

In previous fiscal year budget documents, this section combined services and activities that combined traditional expenses devoted to support services to contracted parties. The category has been reclassified for FY12 to capture the more basic and traditional support functions that are designed to provide the basic infrastructure for community participation in ICANN.

Resources required for Community Support in FY12 are budgeted at $8.9 million.

The ICANN FY12 budget supports an extensive infrastructure of capabilities and services for various parts of the ICANN community. This infrastructure is designed to maximize the ability of community groups to participate substantively in policy development, be active in community discussions and manage general organizational governance.

Over time, individual communities and different ICANN staff departments have requested or developed helpful tools that promote these goals. For the first time, the FY12 Budget document addresses these disparate elements in a comprehensive manner. The new "Community Support" line item incorporates services such as Language Services, Technical Services and Administrative Services.

Language Services: For the past several years, ICANN has been consistently improving its transcription, translation and interpretation capabilities. The FY12 budget reflects this continuing improvement by expanding the amount of both translation and interpretation services to be provided. Detail is provided in Section 5 of this document.

Technical Services: A critical capability offered to ICANN community members is the support for regular Internet and teleconference connectivity to support community governance, policy development and general information exchange within the community. Through aggressive member management, the staff has been able to expand services, such as more frequent teleconferences and Adobe Connect capability, while keeping costs relatively constant. The FY12 budget reflects an increased service capability offered to community groups while maintaining a relatively flat budget. In response to community requests, the FY12 budget also maintains a small contingency fund for expanded web support costs for individual community groups. The budget also includes funding to continue to support and grow remote participation capabilities at ICANN Public meetings.

Administrative Services: A growing theme within the community and staff is to "level the playing field" for supporting organizations, advisory committees and their sub-groupings. The FY12 budget attempts to capture the various expenses devoted to these activities – especially the particular services that are provided by the staff secretariat functions allocated to specific groups for each SO and AC and the needs and desires for additional support by various constituencies in each of those organizations.

Travel Support: In FY12, ICANN will provide travel support to approximately 125 community members who travel to most ICANN meetings, in accordance with posted guidelines developed through community collaboration and feedback. The purpose of travel funding continues to be 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, as well as stakeholder groups. Discussions with the community on the size and administration of this resource occur each fiscal year.

Ongoing activities include:
- Update Travel Guidelines as needed with community feedback and provide timely post-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 member travel to the international ICANN meetings
- Provide assistance, as appropriate, in obtaining visas for attending international ICANN meetings

- 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

Additional Service Requests: In response to community requests for earlier and more extensive involvement in planning community focused activities as part of the FY12 budget development process, staff invited leaders of the SOs, ACs and stakeholder groups to engage in preliminary discussions in the fall of 2010. These discussions continued in Cartagena in December 2010, where agreement was reached on the "basic set of services" that are offered to these groups to further aid them in their work. An opportunity was provided to each constituency and stakeholder group to submit additional requests for support or activities for consideration in the proposed FY12 budget. These requests were summarized and posted for public comment with the FY12 Framework in February, and followed up on through the Silicon Valley meeting and up to the posting of this draft Operating Plan.

It was determined that for FY12, additional funding will be allocated for the agreed upon requests, and are included in the budget above. In developing the prioritization process for the community budget requests, ICANN collaborated with the community, using the feedback from the posted Framework and SO/AC/SG request document. In order to clarify the strategic value and financial impact to the FY12 budget, ICANN also held one-on-one sessions with many of the constituency groups.

The proposed funded requests are shown below and a more detailed document can be found at http://www.icann.org/en/public-comment/public-comment-201104-en.htm#op-budget-fy2012

Request	SO/AC/SG	Activity	Short Description	Costs
FY12-1	BC	Contractual Compliance	Increase headcount to 15 in contractual compliance	$ -
FY12-2	BC	Whois studies	Ensure that the full funding for the WHOIS studies is available and budgeted	$ -
FY12-3	BC	Policy support	Staff support for the GNSO's policy group	$ -
FY12-4	BC	Toolkit	Provide the Toolkit menu of services to the Business Constituency	$ -
FY12-5	BC	Outreach Support	Establish a constituency support fund of $20,000 per Constituency/SG	$ -
FY12-6	SSAC	SSAC Retreat	Funding of annual SSAC Retreat	$ 80,000
FY12-7	SSAC	SSAC Meetings at IETF Meetings	Funding for audio/visual equipment rental, room rental, teleconference facilities, and dinner	$ 10,000
FY12-8	SSAC	SSAC Member Travel	Travel funding for 20 SSAC members to attend 3 ICANN meeting	$ 60,000
FY12-9	SSAC	SSAC Support Staff Travel	Travel funding for 3 support staff members to attend 3 ICANN meetings to manage the several SSAC meeting	$ -
FY12-10	SSAC	SSAC Admin Face-to-Face Mtgs	Travel funding for the SSAC Chair, Vice-Chair, Board Liaison, and 3 support staff to attend 3 face-to-face meetings in DC and in Europe	$ -
FY12-11	NCSG	Assist NCSG in bringing new voices to ICANN	Translate the new gTLD final applicant guidebook into all ICANN supported languages	$ -
FY12-12	ALAC-AFRALO	Capacity Building and outreach for the AFRALO ALSes in Dakar	1- Travel support for 36 participants for 6-7 days including airfare, accommodation and per diem 2- A room for 45 persons, equipped with the simultaneous interpretation infrastructure. 3- Two translators (English and French)	$ 25,000
FY12-13	ALAC-AFRALO	Mobilize local support for new gTLDs (regional media campaign, and workshops at IGF 2012 and e-learning Africa 2012)	Media campaign: 1 month Workshop 1: Relevance and timeliness of new gTLDs : 3 days Workshop 2: applicant guide for new gTLDs: 3 days	$ -
FY12-14	ALAC-LACRALO	LACRALO Technology Fest	Annual virtual meeting, with at least 1 delegate for each LACRALO ALS participating and contributing on various relevant ICANN topic	$ -
FY12-15	ALAC-NARALO	NARALO presence at smaller ICANN meetings involving the contracted parties	Funding of travel expenses for members of the North American At-Large community to travel to ICANN regional and community meetings involving the contracted parties	$ -
FY12-16	ALAC-LACRALO	In-reach and Out-reach Material	Funding for Spanish and Portuguese translation of various documents including but not limited to gTLD and gTLD funding applications; IDNs; DNSSEC; and IANA functions	$ -
FY12-17	ALAC-NARALO	Regional survey research work on matters of policy importance to consumers in the NA region	Regional survey research work on matters of policy which are of key importance to consumers in North America	$ 5,000
FY12-18	ALAC-NARALO	Creation and maintenance of a real NARALO web site and presence	Creation and maintenance of a NARALO Web Site and an updatable online presence	$ -
FY12-19	ALAC-LACRALO	Out-reach to countries without ALSes	Funding for monthly conference call/adobe & interpreter with organizations in 18 of the 33 LAC countries with no ALS to present about ICANN	$ -
FY12-20	ALAC-LACRALO	Out-reach for Program Radio, TV or podcasts	Content on ICANN, At-Large and LACRALO for Public Dissemination on media	$ -

Request	SO/AC/SG	Activity	Short Description	Costs
FY12-21	ALAC-NARALO	Outreach video for YouTube, Blip.TV and other fora	Production of a YouTube video	$ 1,000
FY12-22	ALAC-EURALO	Funding for EURALO F2F GA 2012 in Europe	Travel funding for EURALO General Assembly (GA) with 20 of its members in line with the next ICANN meeting in Europe in 2012	$ 25,000
FY12-23	ALAC-LACRALO	Funding for LACRALO GA: Core operations including IANA	Travl funding for LACRALO annual meeting in 2012. One day for General Assembly and two days for LACNIC meeting	$ 25,000
FY12-24	ALAC-APRALO	APRALO General Assembly Face-to-face 'AGM' with funding for 1 rep per ALS	Travel funding for APRALO General Assembly (GA) in line with the next ICANN meeting in Asia	$ -
FY12-25	ALAC-APRALO	APRALO presence at Regional community events	APRALO presence at Regional IGF and AP* events, Outreach to Regional Internet community events, Throughout the year (up to six times), 2 days to 1 week per event	$ -
FY12-26	ALAC-EURALO	EURALO Outreach/EuroDIG 2012	Travel funding for 3 Euralo members to attend the EuroDIG event in Summer 2012 in Sweden	$ -
FY12-27	ALAC-LACRALO	LACRALO Leadership Awareness and Cohesion	Travel support for attendance of LACRALO leadership to LACNIC and LACTLD Meetings	$ -
FY12-28	ALAC-NARALO	ICANN/At-Large presence at major Consumer-focused IT conferences Jan 9-13, March 5-10, June 13-15 (2012)	Travel funding and booth development costs for 3 IT conferences: CES (USA), Cebit(Germany), Computex(Taiwan)	$ -
FY12-29	ALAC-AFRALO	Workshop in the IGF 2011	Request travel support funding for 5 participants to attend IGF 2011 in Nairboi for 4-5 days	$ -
FY12-30	ALAC-NARALO	Annual conference of community access providers Pacific Community Networks Association Conference	Travel funding for Pacific Community Networks Association Conference	$ -
FY12-31	ALAC-LACRALO	Request document translation	Key documents translated in Spanish, French or Portuguese	$ -
FY12-32	ALAC-NARALO	Reduce EOT barriers to policy critical data	Set up a working group to produce a document with the help of legal and technical experts	$ -
FY12-33	GAC	Policy Support	ICANN staff member to serve as liaison to the GAC	$ -
FY12-34	GAC	Technical Support	Provide 3 ICANN email addresses in addition to the website support and email list	$ -
FY12-35	GAC	Language Services	Translation and interpretation in 5 UN languages. About 300 pages/yr for the 3 ICANN meetings and 6 conference calls per year	$ -
FY12-36	GAC	Telecom Support	Approx 51 calls per fiscal year. Calls to be recorded, transcribed and interpreted	$ -
FY12-37	GAC	ICANN meetings travel support	Provide travel support to ICANN meetings to 14 addl GAC members (from 6 supported members to 20)	$ 210,000
FY12-38	GAC	Outreach Support	Continued travel support for other ICANN and/or GAC meetings	$ 500,000
FY12-39	IPC	Administrative support	Administrative support shared with BC	$ -
FY12-40	IPC	Technical Support	Website Operations; Listserv costs	$ -
FY12-41	IPC	Telecom Support	Conference calls	$ -
FY12-42	IPC	Outreach Support	Travel support for 2 IPC officers to 3 ICANN meetings	$ 30,000

Figure 4-2 – SO/AC/SG Additional Requests

Staff is working to develop and ensure that procedures and operations to support all of its community members are transparent, accountable, and accessible to effectively and efficiently serve their needs.

4.8   Policy Development Support

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
8-Policy Development Support	6,825	6,246	6,421	404	6.3%

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 FY12. 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 on-going 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 FY12. In addition to funds for on-going 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 FY12 Policy Development Support activities are estimated at $6.8 million, a 6.3 percent increase over FY11's budget. 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.

- 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), 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 by the GNSO Council, 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 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
  - Assist the GNSO Council as it prioritizes and manages its strategic coordination and policy activities

4.9 Global Engagement and Increasing International Participation

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
9-Global Engagement and Increasing International Participation	8,006	6,072	6,792	1,214	17.9%

ICANN's commitment to global engagement work and efforts to increase international participation are demonstrated by the increased allocation of resources for FY12 from FY11. Global engagement is integral to ICANN's day-to-day activities. This takes the form of outreach and recruitment to increase participation in ICANN organizations and processes. The increase in participation by ccTLDs in the ccNSO is demonstrated by the rise in ccNSO membership to 111, and the signing of two additional ccTLD accountability frameworks thus far in the fiscal year with several more under negotiation. Similarly, GAC membership has increased to 107 members and 16 official observers thus far in FY11. Increased participation and agreements are all examples of strengthening engagement in ICANN. ICANN staff, and particularly the Global Partnerships team, will work to further these participation gains in FY12. This is to ensure that all stakeholders have a voice in discussions, that there is improved accountability and transparency, and to provide on-going awareness of the importance of a single, global, interoperable 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 $ 8 million, up 17.9 percent from the FY11 budget and include the following:

- Conduct one-on-one briefings with governmental and regulatory representatives on local and regional levels in FY12 as part of global engagement to promote a healthy Internet eco-system
- Support ccTLD interests in accountability frameworks with ICANN. Thus far in FY11 we have added two more agreements, for a total of 64 and for FY12 our goal is to 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 interest in all regions as part of global engagement to promote a healthy Internet eco-system
- Participate in and monitor activities at international and regional Internet governance discussions. This may include offering information on the multi-stakeholder model and 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 eco-system. This includes participation in the multi-stakeholder advisory group to the international Internet Governance Forum (IGF) and as the technical community liaison to the working group of the Committee for Science Technology and Development (CSTD) charged with identifying areas of improvement for the IGF
- 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, and the information on the Fellowship 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 increased travel support per ICANN meeting and collaboration and assistance to the new GAC Secretariat
- Continue to support the Fellowship program through development of an external wiki, and enhanced participation with constituency groups and stakeholders as mentors for improved capacity building

4.10 Organizational Effectiveness and Improvements

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
10 - Organization Effectiveness and Excellence	455	189	-	455	n/a

The Organization Effectiveness Initiative (OEI) began as a response the Board's recommendation that ICANN staff address three areas for improvement:

1. Operations and Process
2. Staff Development, Culture, Morale and Leadership
3. The impact of globalization on the ICANN systems and structures

An organizational effectiveness survey was designed and authored with input from the entire staff. The survey was administered and analyzed, and the results formed the basis of

recommended strategic improvements to be made in the near future. Three teams were formed to address what were seen as the highest priority and most influential issues:

- Operations and Processes
- Internal Communication
- Staff Development

All three teams have completed the goal definition phase and have begun to either deliver program or policy changes.

In addition, an advisory body has been formed to assure that the program is bottom-up in both governance and implementation. The Organizational Effectiveness Advisory Team meets monthly to rank the remaining organization-wide problems and to address them using the OEI methodology based upon the best practices of John Kotter and Jim Collins. These two thought leaders are recognized authorities in Change Leadership and Organization improvement.

Resources required for the Organizational Effectiveness Initiative (OEI) and other Excellence activities in FY12 amount to $455,000. Resources include staffing, as well as funding for staff training, communication tools and surveys. Key activities for this fiscal year include:

- Staff Development
- Communication Flow Work Team
- Operations and Process Improvements Team
- HRMS – Integrate the five HR packages currently in use (Silkroad, RedCarpet, Halogen, ADP and Kroll) into an easy to use, accurate HRMS. Either "buy" or "build" program
- IANA Business Excellence

4.11 Ombudsman

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
11-Ombudsman	562	597	562	-	0.0%

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 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 of Directors 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.

- o Receive complaints from community concerning the fairness of ICANN staff, Board, and supporting organizations actions, decisions or inactions
- o Outreach concerning the activities of the Office of the Ombudsman, and ICANN as a leader in online dispute resolution
- o Produce an annual report to the Board of Directors and community
- o Budget as directed by Bylaw V
- o Produce articles for academic and peer publications on ICANN ombudsman activities and research
- o Monitor the case management and filing system
- o Identify trends and critical issues to ICANN management and Board
- o Increase ICANN's reputational value through efficient neutral party dispute resolution
- o Correspond with complainants in a timely fashion in the language of their choosing
- o Develop internal and external relationships to foster understanding of the ombudsman process and dispute resolution mechanisms at ICANN
- o Supervise the adjunct ombudsman
- o (Adjunct) to act on behalf of the Ombudsman during annual leave or absences
- o Maintain physical office at ICANN international public meetings to meet the community

4.12 Board Support

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
12-Board Support	3,462	3,189	2,647	815	30.8%

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 of Directors consists of 16 voting members and five 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 FY12 amount to $3.4 million. In addition to direct travel support, Board resources include staffing, as well as funding for Board training, communication tools and self-assessment.

- Maintain a variety of tools to support the work of the Board including the Board Portal
- Provide administrative and travel support for all directors 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, including regular tracking of the work of the Board and committees
- Support the Board of Directors in its work to assess Board skills and provide a variety of training options for directors
- Provide implementation support for recommendations of the ATRT

4.13 NomCom

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
13-Nominating Committee (NomCom) Support	844	785	820	24	2.9%

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.

FY12 budget for NomCom is estimated to be $844,000, to fund the following activities:

- Provide travel support for NomCom members in accordance with the FY12 Travel Guidelines
- Develop short list of candidates in a timely manner
- Conclude the final selection of candidates by the end of FY12
- 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
- Adapt processes in line with agreed ATRT recommendations

4.14 DNS Operations

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
14-DNS Operations	2,645	3,131	2,185	460	21.1%

The DNS Operations is responsible for the operation of various components which support the global DNS infrastructure, including one of the thirteen DNS root servers (L-Root) and servers which support the number-to-name mapping in IPv4 and IPv6 (the so-called reverse DNS). All of these servers require routine maintenance and operational response in the event of observed anomalies, and all require periodic upgrades in order to ensure error-free and high-stability service.

DNSSEC in the root zone is supported by quarterly cryptographic key ceremonies which are undertaken with a high degree of transparency and public scrutiny. Each ceremony requires preparation including on-site testing, verifying availability of trusted community representatives and operational coordination with VeriSign. DNSSEC in other zones is managed through the DNS Operations Generic Signing Infrastructure (GSI).

The proposed FY12 budget for DNS operations is $2.6 million, a 21 percent increase over FY11's budget. This increase includes:

- Recurring expenses 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
- Operate production-quality DNSSEC services for ARPA zone over which ICANN has responsibility
- Operate pilot implementation of L-root single nodes
- Deploy and refine a measurement platform to provide an open and extensible vehicle for the collection of global performance data for the root server system in order to facilitate analysis and identification of long-term trends in system performance related to operational stability
- Perform substantial upgrade to the GSI which will include refined key management procedures and corresponding documentation, integration of a more recent release of Open DNSSEC and hardening our fail-over procedures
- Perform the role of chairman in two IETF working groups

4.15 Organizational Reviews and Implementation

(in Thousands of US Dollars)

Organizational Activities	FY12 Budget	FY11 Forecast	FY11 Budget	FY12 Budget less FY11 Budget	
15-Organizational reviews	2,971	2,388	2,199	772	35.1%

Resources required for the proposed Organizational Improvement activities are estimated to be $2.9 million, up 35 percent from FY11. In FY12, the increase is largely due to the implementation of the ATRT recommendations.

In ICANN's continued efforts to facilitate the shaping of a healthy Internet eco-system, focus will be on:

- **Affirmation of Commitments review of Security Stability and Resiliency:** supporting the establishment of the Review Team and its activities, which began 1 October 2010. The Review Team is an autonomous entity established as prescribed by the Affirmation of Commitments; it is responsible for the delivery of its Final Report, which is foreseen to be ready during FY12
- **Affirmation of Commitments review of Whois:** supporting the establishment of the Review Team and its activities, which began 1 October 2010. The Review Team is an autonomous entity established as prescribed by the Affirmation of Commitments; it is responsible for the delivery of its Final Report, which is foreseen to be ready during FY12
- **External review of ASO**: conducted under the auspices of the NRO, in close liaison with Organizational Reviews and the Structural Improvements Committee. Final report from the independent reviewers is expected during FY12
- **Implementation reporting and follow-up activities for other reviews:** Multiple organizational reviews concluded the first review phase during FY11 and the outcomes have been transferred to the departments responsible for their implementation. Organizational Reviews is assisting these departments in their processes and reports progress to the SIC that is responsible for supervising implementation. In one case, namely the TLG Review, the outcome prompted the Board to establish a Board Working Group to investigate how best to replace the TLG structure. This Working Group is under formation and its main activities will occur during FY12, calling for sustained support activities from Organizational Reviews staff

Proposed FY12 Project Work (Budgeted within the draft FY12 Plan)

1. Accountability & Transparency Implementation – $2.6 million

ICANN's international, bottom-up, multi-stakeholder model and its accountability to the global community were permanently reinforced in September 2009 when ICANN and the US Department of Commerce signed the Affirmation of Commitments. This agreement affirms ICANN's independence and commitment to making decisions in the public interest that are accountable and transparent. The Affirmation also commits ICANN to reviews performed by the community — including the Accountability and Transparency review, the Whois Policy review, and the Security, Stability & Resiliency of the DNS review. ICANN intends to fulfill, and where possible exceed, our obligations under the Affirmation, and in FY12 this includes implementing these three reviews as directed by ICANN's Board.

a. Accountability and Transparency Review

The Accountability and Transparency Review Team's (ATRT) final report contains 27 recommendations to improve ICANN focused on four areas — the Board (including the Nominating Committee's selection processes), the Governmental Advisory Committee, public input and policy development, and review mechanisms for Board decisions. In March 2011, the Board found that "all 27 of the recommendations have the potential to advance ICANN's transparency and accountability objectives and may be implemented by ICANN following careful and transparent consideration, and with the necessary support and resources." As of this writing, as directed by the Board, staff is providing: final proposed plans for the implementation of all recommendations and input on implementation costs; proposed metrics to quantify and track activities called for in the Affirmation and final report; and proposed benchmarks that will enable ICANN to compare its accountability and transparency-related efforts to international entities' best practices.

Although implementation of a significant number of ATRT recommendations can be accommodated with incremental funding increases and staff resources contained in the initial, proposed FY12 budget, significant additional resources will be required for full implementation of the ATRT Report (implementation details are available here). To complete ATRT implementation activities in FY12, a total of US$2.6 million in additional funds will be needed. This covers:

- Four additional full-time personnel
- Funds for professional services to address implementation of numerous ATRT recommendations and
- Funds for translation, travel and meetings, which include resource requests recently received from the GAC and estimated funds for implementation of GAC-related ATRT recommendations

In addition, staff recommends that $1.0 million be added to the contingency fund to ensure staff work and Board consideration of ATRT Recommendation #5 – a compensation structure for voting Board Directors – is appropriately supported.

b. Whois & SSR Reviews

- The Whois Policy Review Team is charged with a "review of Whois policy and its implementation to assess the extent to which Whois policy is effective and its implementation meets the legitimate needs of law enforcement and promotes consumer trust." The SSR Review Team's mandate is to review ICANN's execution of its commitment to develop and regularly update a plan "to enhance the operational stability, reliability, resiliency, security, and global interoperability of the DNS..." As of this writing, both Teams' work is ongoing and they are expected to provide the Board with final reports during FY12.

2. **IDN Programs - $1.1 million**

   a. **IDN Guidelines:** 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

   b. **IDN Variant Management**: We expect that new research and development areas will be undertaken in the management of variant TLDs

3. **Security, Stability and Resiliency (SSR) Programs – $585,000**

Maintaining and enhancing the security, stability and resiliency of the established system of unique identifiers is a collaborative process and a core element of ICANN's work. The recently posted ICANN Security, Stability and Resiliency (SSR) Framework describes ICANN's role and boundaries to a wide range of stakeholders on how ICANN will contribute to global efforts through the FY12 operational year.

The Affirmation of Commitments identifies three areas of emphasis for SSR: continuity and contingency work, maintaining clear processes, and focus on emerging threats and issues. On continuity and contingency work, ICANN will remain active in FY12, supporting annual contingency exercises and participating in larger international exercises as a contributor or observer. ICANN intends to continue working with partners in the regions that have expressed a need and interest in capacity building training and education. Closing gaps on ICANN's internal information security processes toward ISO 27002 standard best practices and maturing a comprehensive ICANN business continuity plan fall under ICANN's Affirmation of Commitments to maintain clear processes and ensure appropriate business continuity planning. Under the category of emerging threats and issues, ICANN recognizes that others in the eco-system lead some of this work. ICANN may be following these activities as an observer or may play a larger

collaborative or facilitating role, depending on the topic and community interest. A specific example of community work related to emerging threats and risks is the DNS Security and Stability Analysis Working Group (DSSA-WG). The objective of the DSSA-WG is to draw upon the collective expertise of the participating Supporting Organizations and Advisory Committees, solicit expert input and report back on issues revolving threats to the DNS.

4. **Whois improvements - $672,000 (not including AOC review)**
   a. **AOC review (noted above under ATRT Implementation)**
   b. **Technical improvements**

   - Facilitate and promote discussion within the community about the technical evolution of Registration Data Directory Services and the potential use of a new protocol that overcomes the limitations of Whois
   - Develop and support the standardization of a new Registration Data Directory Service in the IETF that will not be limited by the issues that current Whois has (e.g., supports internationalized registration data) and is extensible to support a wide array of policies present and future

   c. **Compliance - fulfill commitments under the AOC, specifically in:**

   - ensuring accountability, transparency and the interests of global Internet users;
   - preserving the security, stability and resilience of the DNS;
   - promoting competition, consumer trust, and consumer choice; and
   - enforcing its existing policy relating to Whois

   d. **Policy improvements**

   i. Whois Misuse Study – Approved by the GNSO Council in September 2010, initiated in April 2011 – Carnegie Mellon University will spend approximately one year analyzing the extent, nature, and impact of harmful actions taken using Whois contact information

   ii. Whois Registrant Identification Study – still being considered by the GNSO Council – this study would gather info about how business/commercial domain registrants are identified, and correlate such identification with use of proxy/privacy services

   iii. Whois Proxy and Privacy "Abuse" Study – Approved by the GNSO Council on 28 April 2011 –a research firm will spend about one year comparing a broad sample of privacy and proxy-registered domains associated with alleged harmful acts to assess:

- How often bad actors try to obscure their identity in Whois
- How this rate of abuse compares to overall proxy and privacy use
- How this rate compares to alternatives like falsified Whois data, compromised machines, and free web hosting

iv. **Whois Proxy and Privacy "Relay and Reveal" Pre-Study Survey –** Originally the GNSO Council asked staff to assess the feasibility of a study that would analyze communication relay and identity reveal requests sent for privacy and proxy-registered domains to explore and document how they are processed, and to identify factors that may promote or impede timely communication and resolution. As explained in the reports posted below, the Council decided to approve a pre-study feasibility survey, which will contact potential participants to assess whether a sufficient data sample can be obtained to launch a full study. The pre-study was approved by the GNSO Council on 28 April 2011, and will take about four months to conduct once a contract is finalized.

5.   The FY12 Budget

ICANN's FY12 Budget includes estimated revenues of $69.8 million (vs. $65.5 million in FY11), a 6.5 percent increase over the FY11 budget, and $67 million in operating expenses (vs. $59.3 million in FY11), a 17.4 percent increase over the FY11 budget.

Figure 5-1 shows the FY12 proposed budget as compared to FY11's budget and FY11's forecast.

(in US dollars)	FY12 DRAFT BUDGET	FY11 FORECAST	FY11 BUDGET
Registry	$34,753,000	$32,772,000	$32,647,000
Registrar	$30,902,000	$29,803,000	$29,159,000
RIR	$823,000	$823,000	$823,000
ccTLD	$1,600,000	$1,600,000	$1,600,000
IDN ccTLD	$780,000	$780,000	$780,000
Meeting Sponsorships	$900,000	$1,283,000	$500,000
Revenue	**$69,758,000**	**$67,061,000**	**$65,509,000**
Compensation	$23,844,000	$19,847,000	$20,846,000
Employee Benefit	$2,857,000	$3,286,000	$2,512,000
Other Personnel Costs	$2,508,000	$2,880,000	$3,088,000
Airfare	5,138,000	$4,035,000	$4,111,000
Lodging & Meals	3,404,000	$2,950,000	$3,048,000
Other travel & meetings	4,452,000	$4,927,000	$3,920,000
Professional Services	17,276,000	$16,412,000	$15,191,000
Facilities	$2,100,000	$1,950,000	$2,109,000
Other Administration costs	$5,421,000	$4,877,000	$4,462,000
Operating Expenses	**$67,000,000**	**$61,164,000**	**$59,287,000**
Bad debt expense	$900,000	$781,000	$1,400,000
Depreciation	$1,800,000	$1,408,000	$1,200,000
Operating Income/ (Loss)	**$58,000**	**$3,708,000**	**$3,622,000**
Investment Income/ (Loss)	$2,600,000	$5,000,000	$1,000,000
Change in Net Assets before Contingency	**$2,658,000**	**$8,708,000**	**$4,622,000**
Contingency	$2,500,000	$0	$1,500,000
Change in Net assets	**$158,000**	**$8,708,000**	**$3,122,000**

Figure 5-1 – Summary of FY12 budget

5.1 Revenue

Financial resources to fund ICANN's operating activities are primarily derived from registrant transactional fees, and are paid to ICANN via generic registries and registrars which are accredited by, and contracted with, ICANN. Additionally, RIRs and ccTLD registries contribute annually to ICANN. Another source of revenue for ICANN is from requests for IDNs through the Fast Track IDN ccTLD program. Total revenue expected for FY12 is $69.8 million, an increase of about 6.5 percent over FY11. 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 FY12, and domain name transaction-based revenue is expected to increase slightly. As has been done in prior years, contracted parties and non-contracted contributors to ICANN's revenues are queried as to whether ICANN's bases used for revenue estimates are reasonable and consistent with industry experts. The following table summarizes by source the FY12 revenue budget as compared to FY11.

(in US dollars)	FY12 Draft Budget	FY11 Forecast	FY11 Budget	FY12 Draft Budget change from FY11 Budget	
Registry	$34,753,000	$32,772,000	$32,647,000	$2,106,000	6.5%
Registrar	$30,902,000	$29,803,000	$29,159,000	$1,743,000	6.0%
RIR	$823,000	$823,000	$823,000	$0	0.0%
ccTLD	$1,600,000	$1,600,000	$1,600,000	$0	0.0%
IDN ccTLD	$780,000	$780,000	$780,000	$0	0.0%
Meeting Sponsorships	$900,000	$1,283,000	$500,000	$400,000	80.0%
Revenue	$69,758,000	$67,061,000	$65,509,000	$4,249,000	6.49%

Figure 5-2 – FY12 Revenue budget

gTLD Registry Fees

ICANN has contracts with registry operators of 18 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.

FY12 Draft Budget - Registry Revenue - Transaction & Fixed Fees				
gTLD	Fixed Fee	Fee per Trans	Estimated Trans Volume	Trans Fee	Total
aero	$ 5,000	$ -	7,500	$ -	$ 5,000
asia	-	$ 0.50	145,800	72,900	72,900
biz	-	$ 0.25	2,259,600	564,900	564,900
cat	10,000	$ 1.00	46,300	46,300	56,300
com	18,000,000	$ -	96,413,100	-	18,000,000
coop	5,000	$ -	7,300	-	5,000
info	-	$ 0.25	7,897,400	1,974,350	1,974,350
jobs	10,000	$ 2.00	7,000	14,000	24,000
mobi	-	$ 0.41	1,381,400	566,370	566,370
museum	500	$ -	-	-	500
name	-	$ 0.25	219,500	54,880	54,880
net	-	$ 0.75	14,023,300	10,517,480	10,517,480
org	-	$ 0.25	9,019,800	2,254,950	2,254,950
post	-	$ 0.25	-	-	-
pro	25,000	$ 0.25	78,800	19,700	44,700
tel	-	$ 0.40	130,100	52,040	52,040
travel	10,000	$ 2.00	32,100	64,200	74,200
xxx	25,000	$ 2.00	230,000	460,000	485,000
Total	$ 18,090,500		131,899,000	$16,662,070	$ 34,752,570

Figure 5-3 – Registry revenue

Notes:

- Transaction-based fees for .mobi and .tel are based on the average price of registrations during a billing period. The estimated rate is the average of the actual rates during FY11

- The registry fees for .post will not be effective until the TLD has been entered into the root zone. As of April 2011 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 increase in FY12 by 6.5 percent

The single largest source of registry revenue is from the .com contract. The .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 .com contract. The thresholds are defined in Section 7.2 (b) of the .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

FY12 $18 million

In FY12, the fixed fee for .com is to remain the same as FY11 at $18 million.

Aside from .com, there are eight other registries, identified above, that pay fixed fees to ICANN. Those registry fixed fees are subject to an increase each fiscal year. For FY12, ICANN will not assess increases to any fixed fees.

Registrar Fees

Over 960 registrars are currently accredited by ICANN. This relationship is governed by the Registrar Accreditation Agreement (RAA), which was updated in 2009. At present, over 96 percent 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:

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

In addition, the budgets since FY09 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 FY12 budget. Figure 5-4 shows all registrar fees.

(in US dollars)	FY12 Draft Budget	FY11 Forecast	FY11 Budget	FY12 Draft Budget change from FY11 Budget	
Application Fees	$140,000	$120,000	$100,000	$40,000	40.0%
Accreditation Fees	$3,600,000	$3,631,000	$3,600,000	$0	0.0%
Variable Fees	$3,420,000	$3,480,000	$3,420,000	$0	0.0%
Transaction Fees	$23,742,000	$22,548,000	$22,039,000	$1,703,000	7.7%
AGP Deletion Fees	$0	$24,000	$0	$0	n/a
Registrar Revenue	$30,902,000	$29,803,000	$29,159,000	$1,743,000	5.98%

Figure 5-4 – Registrar revenue

Application fees are paid one time by prospective registrars at the time of the application. For FY12, the application fees are estimated to be $140,000 based upon a volume of 40 applications and a per application fee of $3,500 per application. This represents a $1,000 increase in the per application fee from FY11'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 FY12, 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 percent 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 FY12 revenue budget assumes a 10 percent 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 FY11 per-transaction rates. As of April 2011, over 96 percent of domain names are managed by registrars under the 2009 RAA. The FY12 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 32 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 50 deletes or 10 percent 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 FY11 so far is less than $6,000. 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.

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 2009	28,589,294	14.0%
	Apr-Jun 2009	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	32,626,132	13.7%
	Apr-Jun 2010	33,688,140	3.3%
FYE 30 June 2011	Jul-Sep 2010	30,205,527	-10.3%
	Oct-Dec 2010	31,084,328	2.9%
	Jan-Mar 2011	n/a	n/a
	Apr-Jun 2011	n/a	n/a
Proposed FY12 Budget			
FYE 30 June 2012	Jul-Sep 2010	31,044,000	-3.0%
	Oct-Dec 2010	31,742,000	2.3%
	Jan-Mar 2011	35,043,000	10.4%
	Apr-Jun 2011	34,070,000	-2.8%
		131,899,000	

Figure 5-5 – Transaction volume

Regional Internet Registry (RIR) Contributions

The RIRs traditionally contribute financially once a year and support ICANN's efforts by attending meetings, inviting ICANN to attend RIR meetings, and participating in the ASO. In recent years, the Number Resources Organisation (NRO) has been contributing to ICANN on

behalf of each of the five RIRs: the American Registry for Internet Numbers (ARIN), the Réseaux IP Européens Network Coordination Centre (RIPE-NCC), the Latin American and Caribbean Internet Addresses Registry (LACNIC), Asia Pacific Network Information Centre (APNIC), and the African Network Information Center (AfriNIC).

Consistent with prior years, the RIR contribution is expected to be $823,000 for the FY12 fiscal year.

ccTLD Contributions

Many ccTLDs have expressed support of the ICANN model and understand its value. 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 at http://www.icann.org/en/cctlds/agreements.html. In addition, many ccTLDs without formal agreements with ICANN contribute to ICANN's revenues to demonstrate support for the ICANN process. Historical ccTLD contributions can be viewed at http://www.icann.org/en/financials/cctld-2011/cctld-contributions-10-11.pdf

The ccTLD contributions for FY12 are estimated to remain at the same level as budgeted in FY11, or $1.6 million.

Fast Track IDN ccTLD

In November 2009, ICANN launched the Fast Track IDN ccTLD program, which allows countries to request an Internationalized Domain Name (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; as such, the expectation is not to achieve the entire amount in revenue.

The FY12 revenue from Fast Track IDN ccTLD is estimated at $26,000 for 30 estimated requests, or $780,000, the same level as budgeted in FY11.

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 FY12 is estimated at $900,000

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 percent. 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 2011, the Reserve Fund balance was $52.1 million. Total investment income for FY12 is budgeted to be $2.6 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 FY12 is summarized in Figure 5-6.

(in US dollars)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Compensation	$ 23,844,000	$ 19,847,000	$ 20,846,000	$ 2,998,000	14.4%
Employee Benefit	2,857,000	3,286,000	2,512,000	345,000	13.7%
Other Personnel Costs	2,508,000	2,880,000	3,088,000	(580,000)	-18.8%
Airfare	5,138,000	4,035,000	4,111,000	1,027,000	25.0%
Lodging & Meals	3,404,000	2,950,000	3,048,000	356,000	11.7%
Other travel & meetings	4,452,000	4,927,000	3,920,000	532,000	13.6%
Professional Services	17,276,000	16,412,000	15,191,000	2,085,000	13.7%
Facilities	2,100,000	1,950,000	2,109,000	(9,000)	-0.4%
Other Administration costs	5,421,000	4,877,000	4,462,000	959,000	21.5%
Operating Expenses	**$ 67,000,000**	**$ 61,164,000**	**$ 59,287,000**	**$ 7,713,000**	**13.01%**

Figure 5-6 – Operating expenses

FY12 operating expenses are budgeted to be $67 million (without contingency) an increase of 13 percent over FY11's budget. FY12 personnel costs are expected to be $29.2 million, an increase of 10 percent over FY11, reflecting an increase in budgeted staffing from 143 to 158. FY12 travel and meeting costs are expected to be $12.9 million, an increase of 17 percent from FY11. This increase is largely due to the scaling of the ICANN international meetings. FY12 professional service costs are expected to be $17.3 million, an increase of 13.7 percent reflecting the continuing project nature of ICANN's work and the many activities and deliverables in the FY12 operating plan. FY12 administration costs are expected to increase by 14 percent and reach $7.5 million. The contingency allowance is proposed to be $2.5 million for FY12. The sections that follow described in more detail the cost estimates used for the FY12 operating expense budget, including the assumptions used.

5.2.1   Personnel costs

(in US dollars)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Compensation	$ 23,844,000	$ 19,847,000	$ 20,846,000	$ 2,998,000	14.4%
Employee Benefit	2,857,000	3,286,000	2,512,000	345,000	13.7%
Other Personnel Costs	2,508,000	2,880,000	3,088,000	(580,000)	-18.8%
Personnel	**$ 29,209,000**	**$ 26,013,000**	**$ 26,446,000**	**$ 2,763,000**	**10%**
	158 FTEs	**n/a**	**143 FTEs**	**15 FTEs**	**10%**

Figure 5-7 – FY12 Personnel costs

Personnel costs are budgeted to be $28.9 million in FY12, an increase of 10 percent over FY11. Most of the year-over-year increase in compensation is due to the new staff joining ICANN later in the FY11 year while budgeted for an entire year in FY12.

ICANN's current staff headcount is 127 as of 17 May 2011. A current listing of ICANN staff can be found at http://www.icann.org/en/general/staff.html

ICANN Staffing by Organizational Activities	FY12 Budget	FY11 Budget	FY10 Budget
1-New gTLD Implementation	15	14	16
2-IDN Programs	6	5	6
3-IANA and Technology Operations Improvements	18	17	18
4-Security, Stability and Resiliency Operations(SSR)	11	10	11
5-Contractual Compliance	15	13	15
6-Core Meeting Logistics	11	10	10
7-Constituency Support	17	16	17
8-Policy Development Support	22	20	20
9-Global Engagement and Increasing International Participation	19	16	19
10 - Organization Effectiveness and Excellence	2	2	2
11-Ombudsman	1	1	1
12-Board Support	6	5	5
13-Nominating Committee (NomCom) Support	2	2	2
14-DNS Operations	9	8	8
15-Organizational reviews	4	4	3
	158	**143**	**153**

Figure 5-8 – Summary of FY12 staffing

The increase in budgeted personnel costs is primarily due to proposed additional resources in support of the following functions:

o Global Engagement and Increasing International Participation – As part of the strengthening of the multi-stakeholder model and increasing globalization, new management positions are budgeted for Africa, India and northeast Asia, as well as a GAC manager

o Contractual Compliance – To enhance support of ATRT related hires, key assumptions used to calculate the costs of personnel in FY12, including the costs of the new hires, include:

o 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 web site: http://www.icann.org/en/financials/compensation-practices-01mar11-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

o   Employee Benefit (i.e., burden or fringe benefits) are approximately 12 percent of gross total compensation 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:

o   Vacation expense (2 percent) 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 percent 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

o   Retirement expense is now approximately 7 percent of gross total compensation and is based on ICANN's retirement plans and historical trends of participation

o   Payroll taxes (7.65 percent) are based on payroll regulations (FICA).

o   Benefits for non-US based staff members are based on contract terms if available

o   Benefit costs for Australia-based staff members include 9 percent for pension, 6 percent for workers compensation, and 6 percent for payroll taxes

o   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 percent of base pay

o   Other Personnel Costs are approximately 10 percent of gross total compensation for all staff. These costs include medical/dental insurance premiums, recruitment and relocation costs

5.2.2 Travel and Meeting Costs

(in US dollars)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Airfare	5,138,000	4,035,000	4,111,000	1,027,000	25.0%
Lodging & Meals	3,404,000	2,950,000	3,048,000	356,000	11.7%
Other travel & meetings	4,452,000	4,927,000	3,920,000	532,000	13.6%
Travel & Meetings	$ 12,994,000	$ 11,912,000	$ 11,079,000	$ 1,915,000	17%

Figure 5-9 – FY12 Travel and Meetings costs

Travel and Meeting Costs for FY12 are budgeted at $12.9 million, almost 2 million more than the $11 million budgeted for FY11. This increase is largely due to ICANN recent effort to support a larger number of community members' travel and an increase in meetings costs due to the larger scale of the international meetings.

Travel and Meeting costs at ICANN are primarily incurred in two categories: costs for ICANN's international and regional meetings which include 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; travel costs by ICANN staff (and some Board members) required to execute or implement ICANN's program operations or projects.

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 FY12 Budget is that travelers are supported for the ICANN meetings as follows: 23 travelers from GNSO constituencies, 12 from ccNSO members, 25 participants of the Fellowship program, 25 At-Large members, 20 GAC members and 5 from SSAC. No travel support is assumed for the RSSAC. ASO/NRO support is offered, but has traditionally been

declined and thus does not factor into the budget. This reflects the importance to ICANN of maintaining supported travel while striving to improve the efficiency of this support. Separately, a draft of the http://www.icann.org/en/topics/travel-support/draft-travel-support-guidelines-fy12-14apr11-en.pdf 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 FY12 will be finalized after the Singapore meeting in June.

In addition to ICANN's public 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, and 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 $1.5 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 $750,000 per meeting
        - Food and catering, registration administration, printing, office supplies, and shipping are estimated at $250,000 per meeting
        - Meeting interpretation, scribe services, pre-meeting site inspections, and professional planning services are estimated at $500,000 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 $2500 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 per day or $500 per 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)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Professional Services	17,276,000	16,412,000	15,191,000	2,085,000	13.7%

Figure 5-10 – Summary of FY12 Professional Services costs

Professional Service costs for FY12's budget are $17 million, a 13.7 percent increase over FY11's budget. Professional services includes required studies to support ICANN's policy development processes, consulting services to support further progress on the new gTLD Pre-launch activities, communication costs, legal costs, software development, organizational reviews, and technology improvements.

Professional Services	FY12 Draft Budget
Financial and administrative services	$500,000
Legal services	$2,715,000
Media and communication	1,500,000
Organization leadership support and others	700,000
WHOIS and other studies	1,000,000
Organization review and improvement	700,000
ATRT recommendations implementation	$1,200,000
gTLD and IDN activities	$2,540,000
IDN Variant analysis	$900,000
IANA support	$264,000
RDE & Registry services	$1,974,000
Security & DNS activities	1,117,000
Technical support	580,000
Language services	$1,586,000
	$17,276,000

Figure 5-11 – Breakdown of FY12 Professional Services costs

- Financial and administrative services, with an FY12 budget of $0.5 million includes:
  - Audits of financial statements
  - Internal audit studies
  - Business insurance premiums
  - Cost accounting reports, including third-party validations

- Legal services, with an FY12 budget of $2.7 million, includes:
  - Litigation
  - Support for new gTLDs
  - Corporate and contractual support services
  - Lobbying efforts
- Media and communication, with an FY12 budget of $1.5 million includes:
  - Media and communication coordination services
  - Webinar, podcast, video production
  - Graphic designers, photography
  - Web content management
  - Publishing services
  - Public relations and Government Affairs
- Organization leadership support and others, with an FY12 budget of $0.7 million includes:
  - Board training and skill evaluation services
  - Leadership support for CEO and Chair
  - Organization effectiveness initiative
  - IGF secretariat support
  - NomCom recruitment support
- Whois and other studies, with an FY12 budget of $1 million, includes:
  - Whois fact based studies for policy development efforts as requested by the GNSO
  - Studies to support the Policy Development Process
  - Economic studies to complete New gTLD implementation
- Organization review and improvement, with an FY12 budget of $0.7 million includes:
  - SO/AC improvement implementations (e.g., SSAC, GNSO, ccNSO, ALAC)
  - External facilitator for Affirmation reviews
  - Administration support for Affirmation review teams
- ATRT Recommendations implementation, with an FY12 budget of $1.2 million includes:
  - Board Resolutions/Rationales Database Project
  - Board Skills Evaluation - Training Program Design
  - Public Comment Forum Improvements
- gTLD and IDN activities, with an FY12 budget of $2.5 million, includes:
  - IDN: IDNA protocol implementation support
  - gTLD: Complete remaining Application evaluation processes; design and other development activities for the TLD Application System (TAS)
- IDN Variant analysis for $0.9 million in FY12
- IANA Function support services, with a budget of $0.3 million, includes:
  - IANA Business Excellence program
  - RZM software review
- RDE and registry services, with an FY12 budget of $1.9 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 FY12 budget of $1.1 million includes:
  - Security audits and assessments
  - Business continuity and security program certifications
  - DNSSEC development and deployment efforts
- Technical support, with an FY12 budget of $0.6 million includes:
  - Technical training
  - Mail server hosting services
  - Maintenance support services
- Language services, with an FY12 budget of $1.6 million, and described below in more detail includes:
  - Translation services
  - Interpretation services
  - Transcription services
  - Transcribing services

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.

Language Services Program:

- Translation $900,000

The number of documents to be translated through the new period will increase greatly as more support is provided to the Board and the GAC.

The Communications Department, along with Language Services has acknowledged the need to also maintain a multilingual ICANN Blog. All articles posted will be translated on a daily basis to mirror the English site, providing a larger audience faster news, updates and reading material.

Language Services has also deployed a monthly maintenance of our TM (Translation Memories) System which will bring about further savings on translation and allow 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 $100,000

Interpretation services are provided at each of the three ICANN public meetings as well as at some regional meetings. A contract for the provision of equipment for interpretation during the ICANN 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 $150,000

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

• Real-time Transcriptions $240,000

Real Time Transcription (RTT) is also referred to as scribing services, and 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. 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 website.

• Transcription of Audio Files $120,000

Transcribing audio recordings for sessions taking place during ICANN 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).

5.2.4 Administration Costs

(in US dollars)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Facilities	2,100,000	1,950,000	2,109,000	(9,000)	-0.4%
Other administration costs	5,421,000	4,877,000	4,462,000	959,000	21.5%
Administration	$ 7,521,000	$ 6,827,000	$ 6,571,000	$ 950,000	14%

Figure 5-12 – Summary of FY12 Administration costs

Administration costs for FY12 are budgeted to be $7.5 million, about $1 million more than FY11's budget.

Administration	FY12 Draft Budget
Facilities	$2,100,000
Colocation & Insurance	$1,280,000
Equipment & Software	$530,000
Telecommunication & Network Connectivity	$1,481,000
Office Administration	$660,000
Contributions, Training & Conferences	$1,020,000
Warranty & Support services	$450,000
	$7,521,000

Figure 5-14 – Breakdown of FY12 Administration costs

- Facilities, with an FY12 budget of $2.1 million, are 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

- Co-location and Insurance, with an FY12 budget of $1.3 million includes:

  - Co-location services for ICANN operations

  - Co-location for L-Root services

  - General business insurance

- Equipment and software, with an FY12 budget of $0.5 million includes:

  - Computer supplies

  - Computer and small equipment

  - Application software and license purchase

- Telecommunication & Network connectivity, with an FY12 budget of $1.5 million includes:

  - Internet bandwidth

  - Telephone services (Landline, Skype and others)

  - Mobile phone services

  - Audio conferencing

- Office administration, with an FY12 budget of $0.6 million includes:

- General office supplies

- Printing, postage and shipping

- Taxes, licenses and fees

- Contributions, training and conferences, with an FY12 budget of $1 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 FY12 budget of $0.4 million includes:

  - Warranties and Maintenance

  - Hosting services

  - Taxes, fees and licenses

(in US dollars)	FY12 BUDGET	FY11 FORECAST	FY11 BUDGET	FY12 BUDGET change from FY11 BUDGET	
Marina Del Rey*	$930,000	$930,000	$930,000	$0	0.0%
Brussels	$230,000	$220,000	$300,000	($70,000)	-23.3%
Sydney	$130,000	$120,000	$100,000	$30,000	30.0%
Washington, DC	$420,000	$380,000	$395,000	$25,000	6.3%
Palo Alto	$390,000	$300,000	$384,000	$6,000	1.6%
Total Facilities	$2,100,000	$1,950,000	$2,109,000	($9,000)	-0.4%

* includes parking

Figure 5-15 – FY12 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 2012; calls for occupancy of 19,757 square feet and total costs for MdR occupancy are expected in FY12 to be $930k, flat with FY11. ICANN also maintains branch offices in Brussels, Sydney, Washington D.C., and Palo Alto.

- Staff in Sydney has had office space provided 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. The current lease expires February 2013. Included in the lease is an annual escalation clause increasing the rent each year under the lease.

- The Brussels office FY12 occupancy costs are anticipated to be reduced for the fiscal year. The reduction in cost will be achieved by moving to a more cost effective space during the fiscal year. Negotiations for new space are already underway.

- The Washington D.C. office opened at the end of FY 10 and included six months of free rent which overlapped into FY11. FY12 is budgeted at $420,000 based on the multi-year lease arrangement (through 2017). This lease contains a predetermined annual rent increase..

- The Palo Alto office opened in September 2010. The FY11 forecast includes free rent at the beginning of the lease. FY12 is anticipated to have occupancy costs of $390,000.   This lease contains a predetermined annual rent increase.

5.3   Non-cash Expenses

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

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

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)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Bad debt expense	900,000	781,000	1,400,000	(500,000)	-35.7%
Depreciation	1,800,000	1,408,000	1,200,000	600,000	50.0%
Non Cash Expenses	$ 2,700,000	$ 2,189,000	$ 2,600,000	$ 100,000	4%

Figure 5-16 – FY12 Bad Debt expense and Depreciation

5.3.3   Capital Expenditures

(in US dollars)	FY12 BUDGET	FY11 FORECAST	FY11 BUDGET	FY12 BUDGET change from FY11 BUDGET	
Business Applications	$725,000	$500,000	$1,140,000	($415,000)	-36.4%
Infrastructure Improvement	$430,000	$200,000	$290,000	$140,000	48.3%
Business Continuity and Disaster Recovery	$100,000	$40,000	$200,000	($100,000)	-50.0%
New TLD Application System	$425,000	$180,000	$395,000	$30,000	7.6%
IANA Automation	$65,000	$150,000	$65,000	$0	0.0%
Registry and Registrar Automation	$125,000	$50,000	$115,000	$10,000	8.7%
Participation and Engagement Infrastructure	$250,000	$55,000	$110,000	$140,000	127.3%
LRoot - Infrastructure Improvement	$425,000	$125,000	$225,000	$200,000	88.9%
Leasehold Improvement	$1,530,000	$0	$0	$1,530,000	N/A
Capital	**$4,075,000**	**$1,300,000**	**$2,540,000**	**$1,535,000**	**60.4%**

Figure 5-18 – FY11 Capital expenditures

The draft capital budget for FY12 is $4 million, which is a $1.5 million increase from the $2.5 million in the FY11 budget. A key piece of the FY12 capital expenditure plan includes the deployment of delayed application software initiatives such as: a new financial system, a document management system, and a human resources management system. Additionally, there will be an enhancement to the existing RADAR (Registrar) system and for a new Registry Onboarding system. The FY12 capital budget reflects significant growth in funds for participation and engagement as driven by ATRT. Another expenditure will be facility improvements for both MdR and Brussels offices that were delayed in FY11 and will be incurred in FY12. ICANN is currently exploring new facilities for additional staff in FY12 if space for immediate expansion is required.

5.4   Contingency

(in US dollars)	FY12 Budget	FY11 FORECAST	FY11 BUDGET	FY12 Budget less FY11 Budget	
Contingency	2,500,000	0	1,500,000	1,000,000	66.7%

Figure 5-20 – FY11 Contingency

Individual FY12 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 $2.5 million is included in the budget for FY12, an increase of $1.0 million over the level set in FY11. In general, the contingency covers items such as unplanned litigation/dispute resolution,

unanticipated expenses, and required new initiatives identified during the fiscal year. During FY11, the $1.5 million contingency was released for operating expenses due to significant Board-initiated activities such as additional Board and GAC travel support, additional AOC reviews, and other costs associated with the IDN Variant studies. The FY12 contingency is established to cover such items as:

- **Litigation/Dispute resolution** – Litigation is expected. Although the draft FY12 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 FY12 budget at $1.0 million, additional Board costs are possible.

- **Currency exchange risk** – ICANN's revenue is denominated in US dollars, but about 20 percent 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.

6. 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 fiscal years, the annual budgets have planned about half that amount or less 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, the draft FY12 budget does not plan for a contribution to the Reserve Fund.

Plans are being considered to fine-tune the determination of the most appropriate level for the Reserve Fund. Questions being considered include: What should the Reserve Fund cap be set at? Should it be a rolling or fixed cap? What types of *black swan* emergencies should be anticipated? What core operations would need to be funded if other resources are not available? 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 FY12 budget proposal is designed to balance competing priorities including the necessary funding for key FY12 initiatives, and balancing revenue levels from contracted and volunteer contribution sources.

When the New gTLD 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. Subsequent contributions of $8 million and $11 million were made to the Reserve Fund in August 2008 and September 2009, respectively, for total contributions of $44 million. In addition, net investment income since inception has been about $8 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 November 2010, and is posted online. Figure 6-1 and Figure 6-2 show the balances for the Reserve Fund since its inception in November 2007.
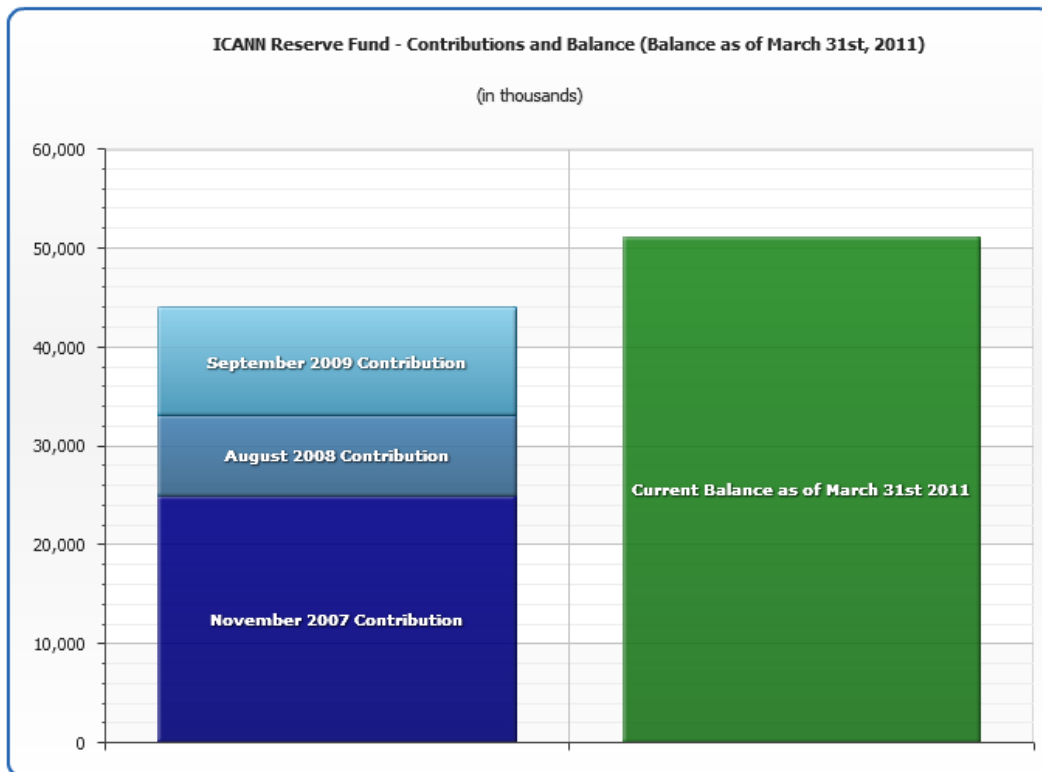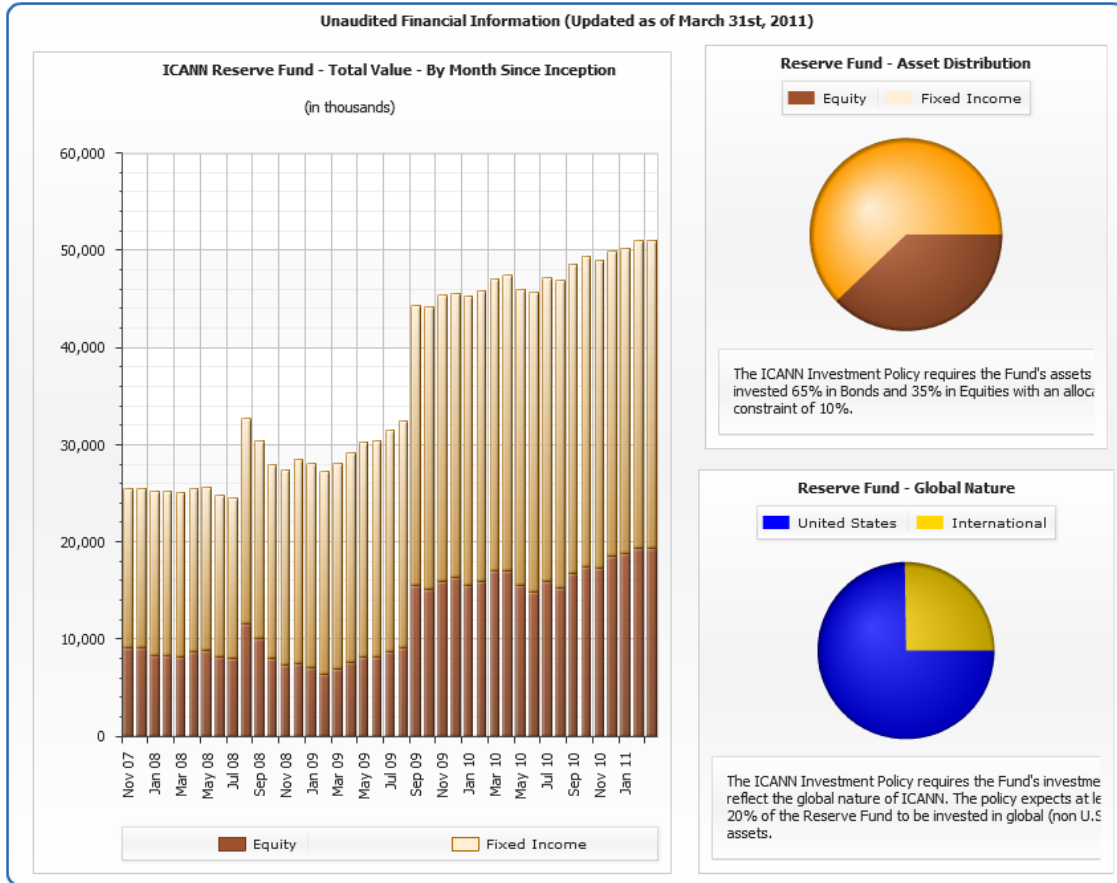
Figure 6-1 – Reserve Fund balances

7.   New gTLD Program Launch Scenario

New gTLD Launch	FY12 Draft Budget
New gTLD pre-launch	$6,185,000
Development Finalization	$1,880,000
Program Administration	$1,900,000
Initial Evaluation	$9,190,000
Quality Control	$550,000
ICANN Operations Readiness	$4,410,000
	$24,115,000

Figure 7-1 – New gTLD Launch Scenarios

The ICANN budget described above assumes a Board vote to launch the New gTLD Program in Singapore, to account for the largest possible spend in FY12. This proposed budget includes many of the costs necessary to prepare for the launch of the New gTLD Program, including allocating space for the application processing team. It does not include the final preparation costs or costs of operating the program (i.e. evaluating applications). In the case of program approval within FY12, the projected expenses in this section, shown above, include:

- **Final Development Activities:** These are the incremental development costs to complete the program. These activities have been purposefully postponed because, in these cases, it does not make business sense to do them until there is an established launch date. This includes costs necessary to complete the implementation of processes and systems for handling applications, execute a communication campaign, hire additional staff, and bring Evaluation panelists on board.

- **Application Processing**: These are costs necessary to physically accept and process new gTLD applications. These include:

  o   Program administration: securing of application coordination and customer service resources, services of Independent Objector, translation, legal services; hiring of additional staff to support the program; and continued execution of the communications campaign

  o   Initial Evaluation: initiation of the full set of evaluation panel activities for applications received. This is a fraction of the expected evaluation expenses as it only covers two months of a longer process.

o   Quality control: review for consistency and procedural compliance across panels during evaluation of applications received.

Application processing costs will vary depending on the number of applications that are received. For the purposes of the budget, it is assumed that ICANN will receive and begin processing 500 applications. While this number almost certainly incorrect – it provides a basis for budgeting. Actual costs will vary directly with the number of applications received. ICANN has calculated expenses on a per-application basis to ensure costs will be covered by applications fees.

Pursuant to community-developed policy advice, the new gTLD program is 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. Expenses are not likely to rise to the level of proceeds from evaluation fees during FY12.

For example, 500 applications will result in $92.5 million in evaluation fees. Of each application fee of $185,000, approximately $100,000 will be expended processing applications, $60,000 will be earmarked for low probability – high amount events (e.g., service interruption, system failure) described in New gTLD budget documentation, and $25,000 would go to recovering development costs – originally paid for by registrant fees. It is projected that through the end of the application round, expenses will match the proceeds of evaluation fees.

ICANN Operational Readiness

Under the scenario where the program launches within FY12, costs will be incurred in securing additional resources for impacted departments, including registry and registrar liaison functions, IANA, Contractual Compliance and additional legal support.

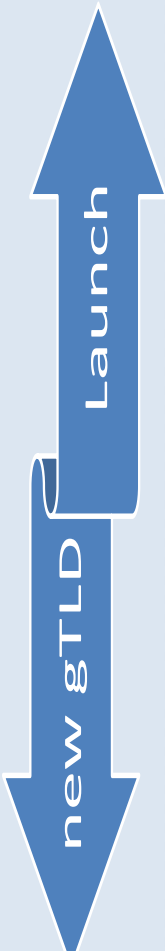| (in US dollars)	No gTLD Launch	With gTLD Launch		
	FY12 Draft Budget No gTLD Launch	Core Operations & Projects	New gTLD	FY12 Draft Budget With gTLD Launch
Traditional Revenue	69,758,000	69,758,000	-	69,758,000
New gTLD Application Fees	-		92,500,000	92,500,000
Application Refund	-		(8,260,000)	(8,260,000)
Revenue	**$ 69,758,000**	**$ 69,758,000**	**$ 84,240,000**	**$ 153,998,000**
1-New gTLD pre-Launch	6,185,000		6,185,000	6,185,000
2-IDN	1,650,000	1,650,000	-	1,650,000
3-IANA	6,540,000	6,540,000	-	6,540,000
4-Security	7,836,000	7,836,000	-	7,836,000
5-Compliance	4,250,000	4,250,000	-	4,250,000
6-Meetings	5,822,000	5,822,000	-	5,822,000
7-Community Support	8,947,000	8,947,000	-	8,947,000
8-Policy Development	6,825,000	6,825,000	-	6,825,000
9-Global Engagement	8,006,000	8,006,000	-	8,006,000
10 - Organization Effectiveness	455,000	455,000	-	455,000
11-Ombudsman	562,000	562,000	-	562,000
12-Board Support	3,462,000	3,462,000	-	3,462,000
13-Nom Com	844,000	844,000	-	844,000
14-DNS Operations	2,645,000	2,645,000	-	2,645,000
15-Org Improvement	2,971,000	2,971,000	-	2,971,000
ICANN Operations Readiness	-	-	4,410,000	4,410,000
Development finalization	-	-	1,880,000	1,880,000
Program Administration	-	-	1,900,000	1,900,000
Initial Evaluation	-	-	9,190,000	9,190,000
Quality Control	-	-	550,000	550,000
Operating Expenses	**$ 67,000,000**	**$ 60,815,000**	**$ 24,115,000**	**$ 84,930,000**
Bad debt expense	900,000	900,000	-	900,000
Depreciation	1,800,000	1,800,000	-	1,800,000
FY13 Processing Expenses Provision	-	-	17,625,000	17,625,000
Historical development recovery	-	(12,500,000)	12,500,000	-
New gTLD Risk	-	-	30,000,000	30,000,000
Operating Income/ (Loss)	**$ 58,000**	**$ 18,743,000**	**$ -**	**$ 18,743,000**
Investment Income/ (Loss)	2,600,000	2,600,000	-	2,600,000
Change in Net Assets before Contingency	**$ 2,658,000**	**$ 21,343,000**	**$ -**	**$ 21,343,000**
Contingency	2,500,000	2,500,000		2,500,000
Change in Net Assets	**$ 158,000**	**$ 18,843,000**	**$ -**	**$ 18,843,000**

Figure 7-2 – New gTLD Launch Scenarios Budget

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 FY12 Operating Plan and Budget.

- Appendix A – Community Feedback to the FY12 Framework for the Operating Plan and Budget and the SO/AC/SG Additional Requests
- Appendix B – Historical Financial Reporting
- Appendix C — Views of ICANN's Operating Expenses.
    - **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 A – Community Feedback

On 17 February, 2011, the Framework for the FY12 Operating Plan and Budget was posted online for community feedback. In addition, the Framework was presented to community members at a public forum in Silicon Valley, and to various community groups in person and on conference calls. Summary responses to the community feedback through the public comment forum are now posted at http://www.icann.org/en/public-comment/public-comment-201104-en.htm#op-budget-fy2012 and below. Note that any comments regarding the additional constituency and stakeholder budget requests are not shown; these were addressed through the separate process set up with each of these groups.

The Focus Areas for the Framework Public Comment Responses were divided up into the following categories:

- Framework Format

- Staff Work

- Expense Areas

- Revenue

- New gTLD Budget

- Community Support

Framework Format:

- Though there were comments that supported the easy to manage PowerPoint style presentation, and the new idea of separating the budget's core and project activities, most respondents felt that the content was "insufficient to enable any serious analysis of the cost drivers or establish a relationship with the strategic goals and priorities….therefore quite difficult to provide meaningful or constructive feedback." It was stated that "...the level of detail in the "Core Operating Expenses… " should be detailed and compared, as in previous years. In the "Projects field, incorporating the AC/SO/SG requests for activities and services, the ALAC would prefer to see the projects expenses detailed so that the amount allocated to the community requests are clearly defined." Additional clarity was also requested around the terms "Core Operations" and "Project."

- Although the four focus areas, and details on how they should be carried out, are mentioned briefly in the Operating Plan, it is not clear to the Dansk Internet Forum (DIFO) how the budget should be connected to them. The Operating Plan specifies the

cost of the main areas but fails to specify the costs on specific projects. It is important to DIFO that the Operating Plan (and Budget) clearly set out what expenses should be used in order to fulfill the Strategic Plan 2011-2014.

ICANN's response is that the impetus behind this year's change in format and content was in response to comments in previous years that the Framework was "nearly baked" when presented in February, and did not seem to allow for community comment and input – hence this year providing a framework in the truest sense of the word – an outline of how the budget would be approached and viewed, allowing for constructive feedback as to its development (how the budget should be utilized). The detail behind both Core Operations and Projects is now included in this year's draft FY12 Operating Plan and Budget.

To clarify Core Operations – these are the "day-to-day" activities and services provided through the work of ICANN staff as detailed in Section 1: Introduction. Projects are a temporary large endeavor undertaken to create a unique product, service or result.

ICANN will take these responses and the suggestions made by the community into account when developing next year's Framework and Operating Plan.

Staff Work:

- The community clearly supports the work of the ICANN staff, especially when it comes to Policy Development and Contractual Compliance, and makes the point that this work needs to be prioritized in FY12. "Funding should be provided in support of policy development, inclusive of support to the Policy Council and to the Working Groups as well as travel to attend relevant meetings for face-to-face time." An area that the community specifically requested ICANN to provide funding for expert studies is Whois: "ICANN's budget process should support the Whois studies funding, fully, and in a timely manner. ICANN's senior staff must recognize and maintain full support to this priority." A suitable budget for staff travel in support of constituencies/stakeholder groups is also important. The Business Constituency proposed that there should be contingency funds set aside for staff expertise to travel to regional and constituency meeting to present, as well as a separate contingency fund to be established with a reasonable amount of funding – e.g. $150,000 – that can be drawn on for short-term urgent needs of retaining experts to support policy analysis or should an emergency Council meeting be needed.

- Several comments were made referring to Contractual Compliance and that it is important that staffing be brought up to the appropriate levels and essential automation resources be provided as compliance is a key element of the organization's reputation.

ICANN's response is that if staff expertise, additional analysis or emergency council meetings are required, and the FY12 proposed budget does not already accommodate this request, the Policy staff can formally request additional funding to be drawn from ICANN's overall Contingency fund. In addition, the entire policy team participates at all three ICANN meetings as well other venues as needed. That support will continue in FY12, with additional resources made available as needed.

Regarding Contractual Compliance, two staff members were hired for the Contractual Compliance team subsequent to the posting of the FY12 Framework, with several more on the way.

- Finally, it was noted that "according to information provided during the San Francisco meeting about the number of staff employed by ICANN, conservative estimates would lead to personnel costs of $180,000 per employee. ICANN would be well inspired to provide benchmarks or any relevant information to explain such high level of salary. To the international observer, this amount may indeed seem extremely high."

ICANN response: this $180,000 average noted above includes all personnel related expenses in addition to compensation, such as payroll taxes, health insurance, worker's compensation insurance, pension, continuing education, relocation, and recruitment expense. As a result, ICANN is providing more detail in this draft Operating Plan and Budget.

Expense Area:

- There was some confusion caused by the inclusion of "New gTLD Projects" expenses in the column titled "FY12 Framework w/out New gTLD Launch." After further review and discussion, we believe this $6.79 million represents ramp-up expenses that will be incurred in FY12 to build and staff New gTLD Project operations whether applications are accepted in FY12 or not. If this is the case, we recommend that ICANN clarify the table accordingly with some text or a footnote. Additionally, there was some confusion around the definitions of "New gTLD Project" and "New gTLD Application." We recommend ICANN further clarify the definitions to explain the distinction.

ICANN response: clarification to the comments above can be found in Section 4 and Section 7 of this draft Operating Plan and Budget.

- "The two fastest-growing expenditure categories listed are Travel & Meetings (36 percent growth from FY11 budget) and Professional Services (15 percent). $3.6 million of the $4 million growth for Travel & Meetings is due to FY12 Projects, according to Slide 12. How is this sum allocated among the nine projects listed on Slide 14? Is the lion's share going to the "Global DNS SSR Symposium," which is the only project listed that

seems to consist solely of a meeting to which people might be paid to travel? For Professional Services, the $6.8 million allocated to projects far exceeds the $2.3 million growth called for in this category. Which of the nine projects necessitate this large allocation? "

- "The increase of Travel & Meeting expenses is striking. Plus 36 percent, $4 million should be somehow related to a strategic project, discussed with the community. We have not been able to find, either in the documentation, or through questions raised during the San Francisco meeting, any reasonable explanation of such increase."

ICANN response: in regard to Travel & Meeting costs, there is a 35 percent increase from FY11 to FY12 due to the following reasons: ICANN's recent effort to support a larger number of community members' travel; an increase in staff who travel upon community request; Board and GAC consultations; and an increase in meeting costs due to the larger scale of the international meetings. To clarify the comments above regarding Travel & Meeting costs related to Projects, the information on slide 12 was merely a view to showcase Core Operations vs. Projects, not to imply that the incremental spend in travel is wholly attributed to Projects.

- "...25 percent of expenses are professional services. It is well known that ICANN often relies on external consultants, sometimes even to perform core functions. We question whether this high level of professional services can be appropriately managed by the organization, and whether the choice of relying on professional services is consistently weighed against other options. "

- "Which Professional Services will be trimmed from the core operations functions to accommodate this huge growth in Professional Services for projects? How much of the hit will be taken, for example, by Professional Services used to support contract compliance? Or policy development?"

- "Along with the high average of wages there is also a high cost of Professional Services. These expenses rise from $13.6 million to $17.2 million - not including the launch of new TLDs (which will raise the amount to $50.2 million). ....to DIFO it does not seem clear why ICANN needs this excessive use of professionals outside the organization, compared with the fairly high number of staff in ICANN."

ICANN response: The FY12 draft Budget represents an increase of 15 percent from the FY11 Budget. Most of the incremental Professional Services costs are attributed to an increase in Core Operations, such as legal services, language services, data escrow, and RSTEP panel. Additionally, the FY12 draft Budget includes funding for ATRT implementation and studies related to IDN Variant Management and WHOIS.

- "Publishing an Operating Plan and budget with a deficit put an unnecessary pressure on the launching of new TLDs, which DIFO finds unacceptable. ICANN needs to present an Operating Plan without new TLDs which at least has a break even result and not a deficit of 2.9 million dollars - even if this will mean cut in expenses (preferably on professional services) Slide 11 "FY12 Operating Expense Framework" noted a 15 percent increase in expenses which seems excessive considering there is only a 5 percent projected increase in revenue."

- "...considering that the budget without new gTLDs already appears to be in deficit, we believe no additional requests should be granted unless an equivalent source of cost reduction is identified and approved for the FY12. Such policy is necessary if ICANN wishes to demonstrate that it manages its budget, which is the fruit of its unique position as manager of global resources, in a responsible manner."

ICANN response: We listened to the comments of the community, identified non- critical areas where ICANN could reduce costs without compromising services, and pushed harder to reduce costs in travel and professional services in order to resolve the deficit issue.

Revenue:

- Are the new gTLD application fees considered revenue? If so, the revenue line and the new gTLD application fees line in column two should be sub-totaled.

ICANN response: Yes, the projected revenue for new gTLDs is $92.5 million based on 500 applications at $185,000 each. The current revenue information can be found in Section 7 of this draft FY12 Operating Plan and Budget.

- It would be helpful if ICANN provided the basis for the 2 percent growth under the registry and registrar Transactional Fees sections. What is the 2 percent based on? Also, why were registrar application fees increased by $1000 per application?

ICANN response: The revenue projections described in the registrar and registry transactional fee section are based on fee obligations described in existing contracts with gTLD registries, holding the $0.18 per domain name registration registrar fee constant and small growth in the projected number of domain name registrations. The $1000 increase to the Registrar Accreditation fee represents additional costs incurred as a result of due diligence background checks in the registrar accreditation process requested in community discussions. The increase was calculated based on a cost/revenue neutral model.

- "ICANN's budget figure for revenue this year from ccTLDs ($1.6 million) is almost double the amount actually expected to be collected by 30 June 2011 ($835,000). Yet the same budget figure is given for FY12. Why was ICANN's budget so far off from reality this

year? Is it due to one-time aberrations, or to more persistent features of the ccTLD environment? Is the FY12 budget figure grounded in reality, or is it wishful thinking about what ccTLDs should contribute?"

- "The FY11 forecast for ccTLD contributions appears to be half of the FY11 budget, while the proposed FY12 budget is similar to the FY11 budget. We find this highly surprising. Either the FY11 forecast is inaccurate or the FY12 budget should be more conservative. We tend to believe the former is the best option, but this raises questions about the way these forecasts were estimated."

ICANN response: The FY11 forecast is based on a trended budget and represents a conservative estimate based on current fiscal year-to-date FY11 contributions. ICANN will vigorously pursue additional ccTLD contributions through the end of the fiscal year in an effort to meet the budgeted amount. ICANN recognizes the need for concerted efforts to increase ccTLD contributions and believes that these efforts will result in contributions approximating the FY12 draft Budget.

New gTLDs:

- "The new gTLD application program, assuming it launches in FY12, will bring in $92.5 million in revenue (slide 9). However, only $36 million of that will be spent on the launch. An additional $6.8 million is listed as "New gTLD Project," which we assume to be money that will be spent even if the new gTLD launch window does not open in FY12. How will these project expenses be covered if the program does not launch next year?"

ICANN response: It is correct that additional project implementation costs of $6.8 million will be expended regardless of whether the program is approved by the Board and launched. For cash flow purposes, those costs will be funded from regular revenue and included as part of the ICANN budget. In the longer term, the development costs will be recouped at the rate of $26,000 per application until this registrant-furnished funding is covered.

- "Assuming it does launch, expected revenue will exceed expenses by at least $49.7 million ($92.5 million – ($36 million + $6.8 million)). How is this revenue accounted for in the budget framework? We have been told that roughly one-third of the cost-recovery application fee (@$185,000) is set aside for a contingency reserve for litigation and similar risks. That will be roughly $31 million. This still leaves $18.7 million to be accounted for. As with any risk contingency there is some chance that the actual expenses either will exceed the $31 million figure or that that they will be significantly less than anticipated. How are these chances reflected in the budget framework?"

ICANN response: If the program is approved and launched, only a fraction of the evaluation effort will occur during this fiscal year. Therefore, only a fraction of the planned evaluation expenditures will be spent during this fiscal year and a majority of the expenses will be incurred in FY13. Approximately $60,000 of each evaluation fee will be set aside for so-called "risk" costs. These costs can be better described as the expected value of low-probability, high-amount costs. For example, there is some set aside for unplanned legal expenses, for the costs associated with the possibility that there be a service outage, and so on. The costs are not merely a reserve, but a calculated expected amount of these costs. They were calculated with the help of professional insurance and risk management firms. It is thought that it will take approximately three years for expenses to be realized and determine whether the set-aside was under or over-calculated.

- "As this slide [17} notes, one feature of the new gTLD launch will be auctions to resolve string contention. How does the budget framework account for the funds ICANN would receive as a result of the auction process? How much revenue is anticipated, and how is it proposed to be spent (presumably only a small fraction will be needed to defray the expenses of running the auction)?"

ICANN response: Auctions are a contention resolution mechanism of last resort. Auctions would occur only after community priority evaluations and negotiations among parties are exhausted. No auctions are anticipated during this fiscal year. Initial evaluation might begin but would still be underway at the close of the fiscal year and so no final contention sets will be established. In any event, the new gTLD program calls for the establishment of a foundation as described in the Applicant Guidebook. The foundation would have mechanisms to ensure expenditures of auction funds are made in accordance with community consultation or representation process.

- '"New gTLD": What assumptions are made for the number and revenue associated with any gTLDs that may be granted reduced application fees?"

ICANN response: ICANN is looking forward to the report of the Joint Application Support Working Group that will be delivered to the ALAC and GNSO. That report is expected to recommend criteria for creating reduced application fees, and possibly sources of those funds to aid applicants. It is anticipated that the GNSO and ALAC will consider and recommend all or aspects of the report to the Board.

- '"FY12 Revenue Framework": We note that fees paid by gTLD registrants make up the overwhelming amount of ICANN's revenue (over 94 percent). Rather than going down as a percent of total revenue, the prediction is that this is increasing. Does it make sense to subsidize almost all ICANN programs from gTLD fees while some GNSO community needs are going unmet?"

ICANN response: The increase in percentage is primarily due to increases in the number of registries and registrants. ICANN recognizes that revenue should come from more diverse sources and is actively engaged with the ccNSO and others to develop other sources of revenue.

- "We also notice that without consideration of the New gTLD Program, the expenses for the FY2012 will exceed the revenues by $1.287 million (1.88 percent). It is the first time that ICANN is faced with this situation. The ALAC wonders how this deficit will be compensated and hopes that this would not need to be met by the reserve or contingency funds."

ICANN response: The Framework indicated this potential difference between revenue and expense due to the development of new expense requirements such as funding ATRT recommendation implementation. Without these new initiatives, expenses are targeted at low growth (~6 percent). As indicated in the new version of the budget, ICANN is working to reduce this difference that would be funded out of reserves if not eliminated.

- "Looking at the financial data associated with the new gTLD launch process, the ALAC is concerned that the Framework shows a massive surge in Professional Services Cost equal to nearly half the total operating expenses while only a very moderate increase in Personnel costs is shown. This leads the ALAC to be concerned that not enough investment is made in a managerial structure of increased ICANN staff count to keep track of the Professional Services contracted and keeping its costs contained. We are also concerned about the reduced levels of transparency associated with contracting out services that might be better served by staff."

ICANN response: ICANN certainly shares this goal, that implementation of new gTLDs occurs in a well-managed, economical, competent manner. The new gTLD implementation plan, including the evaluation of applications, has been carefully designed to provide careful oversight of the process, including a quality control function. This organization has also been carefully designed so that it can grow and shrink with demand in order to preserve resources and economically provide services. Additionally, key talents and skills will not be available as permanent staff and are available only through contracting. These decisions have been based on extensive consideration and evaluation.

- "...no information is available as to how ICANN will manage the proposed 30 million dollars contingency fund for the new gTLD programme...or how and when it will be released, we call for this how ICANN will manage these funds, or how and when it will be released, we call for this money to be escrowed separately from the reserve fund, and donated to Internet-related foundations two years at the latest after the launch of new gTLDs."

ICANN response: Approximately $60,000 of each evaluation fee will be set aside for so-called "risk" costs. These costs can be better described as the expected value of low-probability, high-amount costs. For example, there is some set aside for unplanned legal expenses, for the costs associated with the possibility that there be a service outage, and so on. The costs are not merely a reserve, but a calculated expected amount of these costs. They were calculated with the help of professional insurance and risk management firms. It is thought that it will take approximately three years for expenses to be realized and determine whether the set-aside was under or over-calculated.

- '"Contributions to Reserve Fund": Instead of recovering the historical new gTLD costs, we recommend that it would be better to reduce application fees, especially for needy applicants and underserved language communities."

ICANN response: It was determined that the costs of new gTLD program development should not be borne by today's registrants but should be borne by the applicants. This is inline with the GNSO Policy. Going forward, in the event that recovering development costs exceeds ICANN expenses or reserve fund requirements, the result will be to reduce registrant fees that are paid through gTLD registries and registrars. As discussed earlier, ICANN is looking forward to the Joint Application Support Working Group's report that will be delivered to the ALAC and GNSO. That report is expected to recommend criteria for creating reduced application fees, and possibly sources of those funds to aid applicants. It is anticipated that the GNSO and ALAC will consider and recommend all or aspects of the report to the Board.

Community Support:

- "Travel support should continue for the meetings of the Nominating Committee representatives, and their meetings should be timed to coincide in all cases with the face-to-face ICANN meetings, so that these parties can travel to such meetings, and interact with the community, observe the interactions of Board and other organizations they are responsible to make appointments to."

- "GNSO support should be increased, including services for SGs and constituencies."

ICANN response: ICANN acknowledges the importance of the Nominating Committee and its interaction with the Board and community at the ICANN meetings. The Nominating Committee holds its own budget for its activities and travel, and as of FY11 has supported its committee members' attendance at each ICANN meeting. Regarding gNSO and other constituency and stakeholder group support, ICANN has an agreed-upon set of basic services that it offers each SO, AC, and SG. Starting in FY11, additional services have been requested for inclusion in the FY12 Budget, and those that were able to be accommodated in this fiscal year are included in Section 5 of this draft Operating Plan.

Appendix B – Financial Reports

Five-year historical financial information (actual/forecast/budget)

(in US dollars)	FY12 BUDGET	FY11 FORECAST	FY11 BUDGET	FY10 Actual	FY09 Actual	FY08 Actual
Registry	$34,753,000	$32,772,000	$32,647,000	$31,915,000	$24,536,000	$19,636,000
Registrar	$30,902,000	$29,803,000	$29,159,000	$30,189,000	$32,680,000	$27,857,000
RIR	$823,000	$823,000	$823,000	$823,000	$823,000	$823,000
ccTLD	$1,600,000	$1,600,000	$1,600,000	$1,666,000	$1,568,000	$1,583,000
IDN ccTLD	$780,000	$780,000	$780,000	$236,000	$0	
Meeting Sponsorships	$900,000	$1,283,000	$500,000	$939,000	$637,000	$834,000
Revenue	**$69,758,000**	**$67,061,000**	**$65,509,000**	**$65,768,000**	**$60,244,000**	**$50,733,000**
Compensation	$23,844,000	$19,847,000	$20,846,000	$19,040,000	$14,439,000	$12,064,000
Employee Benefit	$2,857,000	$3,286,000	$2,512,000	$2,952,000	$2,513,000	$2,142,000
Other Personnel Costs	$2,508,000	$2,880,000	$3,088,000	$2,966,000	$2,816,000	$2,540,000
Airfare	$5,138,000	$4,035,000	$4,111,000	$4,215,000	$4,129,000	$3,831,000
Lodging & Meals	$3,404,000	$2,950,000	$3,048,000	$2,984,000	$2,608,000	$2,665,000
Other travel & meetings	$4,452,000	$4,927,000	$3,920,000	$3,410,000	$3,721,000	$2,953,000
Professional Services	$17,276,000	$16,412,000	$15,191,000	$14,605,000	$12,698,000	$8,854,000
Facilities	$2,100,000	$1,950,000	$2,109,000	$2,245,000	$1,580,000	$1,281,000
Other Administration costs	$5,421,000	$4,877,000	$4,462,000	$4,605,000	$4,845,000	$3,417,000
Operating Expenses	**$67,000,000**	**$61,164,000**	**$59,287,000**	**$57,022,000**	**$49,349,000**	**$39,747,000**
Bad debt expense	$900,000	$781,000	$1,400,000	$140,000	$837,000	$259,000
Depreciation	$1,800,000	$1,408,000	$1,200,000	$1,485,000	$1,105,000	($462,000)
Operating Income/ (Loss)	**$58,000**	**$3,708,000**	**$3,622,000**	**$7,121,000**	**$8,953,000**	**$11,189,000**
Investment Income/ (Loss)	$2,600,000	$5,000,000	$1,000,000	$4,316,000	($2,107,000)	$0
Change in Net assets	**$2,658,000**	**$8,708,000**	**$4,622,000**	**$11,437,000**	**$6,846,000**	**$11,189,000**
Contingency	$2,500,000	$0	$1,500,000			
Change in Net assets after Contingency	**$158,000**	**$8,708,000**	**$3,122,000**	**$11,437,000**	**$6,846,000**	**$11,189,000**

Figure B-1 – Five year historical

Appendix C – Views of ICANN's operating expenses

The FY12 budget includes 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.

Operating Expenses presented in the Functional View.

This view shows ICANN's expenses across the 15 organizational activities:

(1) New gTLD Pre-launch

(2) IDN Programs

(3) IANA Function and Technology Operations Improvements

(4) Security, Stability and Resiliency Operations

(5) Contractual Compliance

(6) Core Meeting Logistics

(7) Community Support

(8) Policy Development Support

(9) Global Engagement and Increasing Global Participation

(10) Organizational Effectiveness and Excellence

(11) Ombudsman

(12) Board Support

(13) Nominating Committee Support
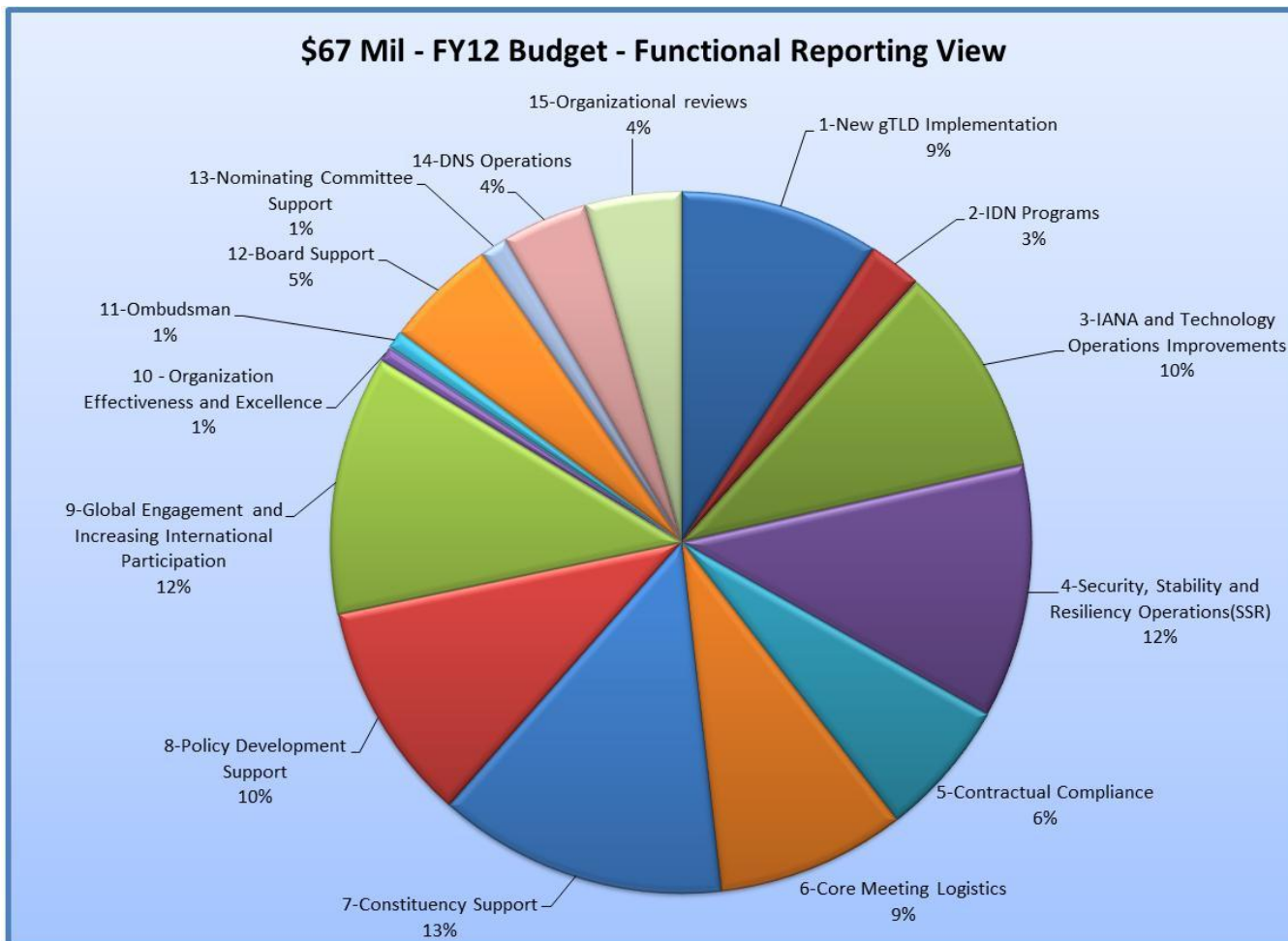
(14) DNS Operations

(15) Organizational Reviews

Figure C-1 – Functional Reporting view

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.
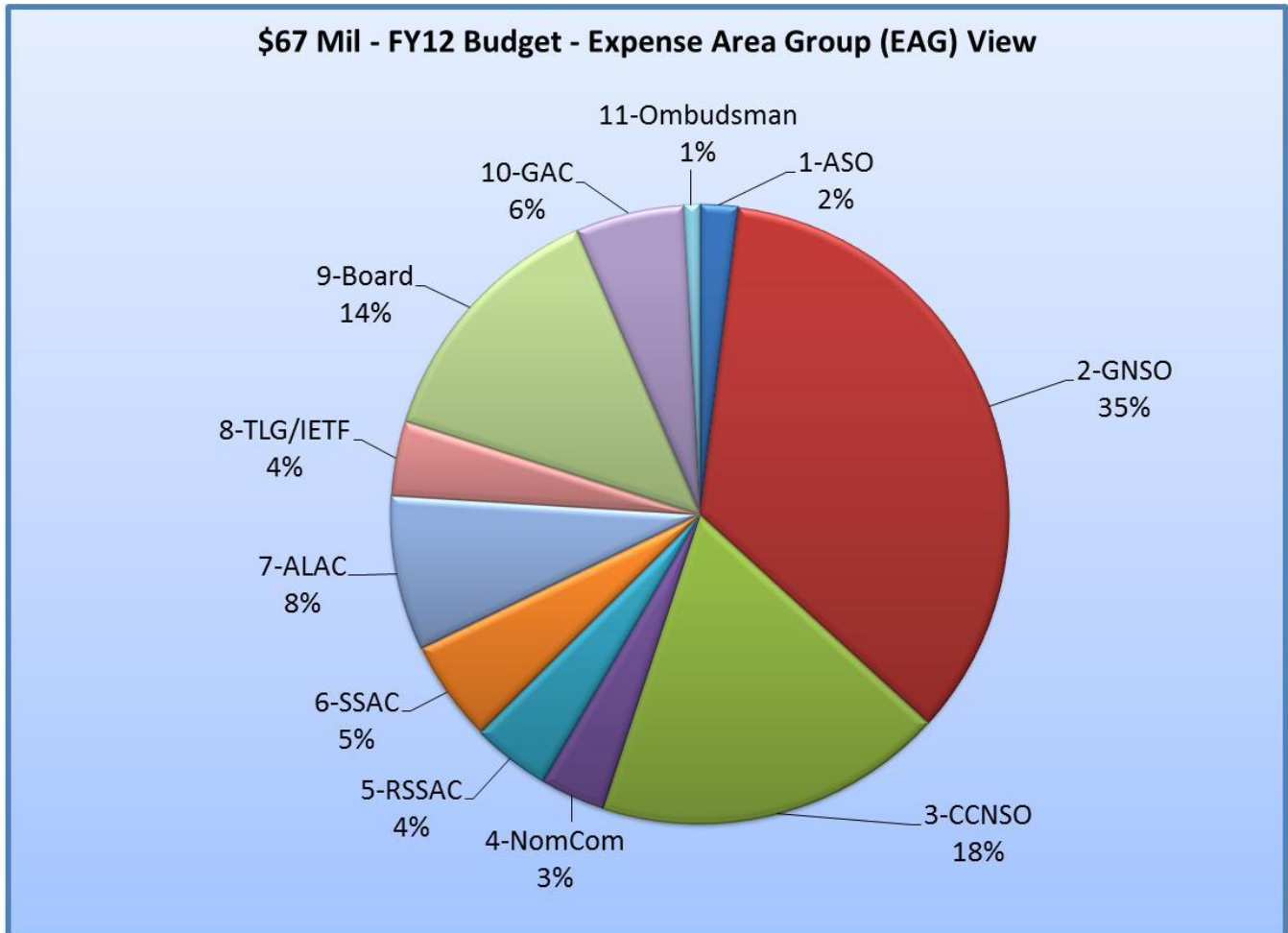

Figure C-2 – Expense Area Group (EAG) View

Analysis for Expense Area Groups (EAGs)	Amount	%
1-Support for IP addressing, RIR related activities and NRO/ASO support	**1,340,000**	2.00%
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		
2-Support for Generic TLD activities and GNSO support	**23,290,000**	34.90%
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		
3-Country Code support and support for ccNSO activities	**12,261,000**	18.30%
IANA functions services for country code registries		
Local presence in regions, engagement with ccTLDs, regional organizations		
Policy work and secretariat support for the ccNSO		
Manage the IDN ccTLD Fast Track operations		
An allocation of overhead costs such as rent, human resurses and accounting		
4-NomCom travel, direct support and staff support	**2,278,000**	3.40%
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		
5-Root Server Operations and Support for RSSAC activities	**2,747,000**	4.10%
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 resurses and accounting		
6-Supporting SSAC activities and coordinating with Internet security efforts	**3,551,000**	5.30%
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 C-3 – Analysis of Expense Area Group (EAG)

Analysis for Expense Area Groups (EAGs)	Amount	%
7-At Large Support and support for ALAC activities	**5,427,000**	8.10%
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		
8-TLG/IETF Support	**2,613,000**	3.90%
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		
9-Travel and coordination for Board activities & staff support for meeting preparation	**9,112,000**	13.60%
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		
10-Government Relations and support for GAC activities	**3,819,000**	5.70%
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		
11-Ombudsman	**562,000**	0.70%
Salary, travel support, and administrative costs to operate office of the Ombudsman		

Figure C-2 –Analysis of Expense Area Group (EAG)