# Proposed Budget:
# Fiscal Year 2006–2007

## 17 May 2006

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# Planning Process

This proposed fiscal year 2006-07 budget provides a description of the ICANN budgeting process for this upcoming year, the annual operating plan describing the outcomes that the organisation has set out to achieve, and an explanation of the revenue model and spending plan for the year. After public comment and follow-up discussions with constituency groups and the ICANN Board of Directors' Finance Committee, the budget will be amended and submitted to the ICANN Board for adoption in Marrakech on 30 June 2006.

ICANN's twelve-month planning calendar is divided into two six-month segments. The first six months of the fiscal year (July through January in ICANN's case) is devoted to strategic planning. The Strategic Plan is based on a bottom up, multi-phase consultation with the ICANN community. It attempts to set out the community's views of the priorities that ICANN needs to adopt in the next three years as it continues to evolve as a global organisation serving the Internet community in maintaining the stability and security of the Internet's unique identifier systems.

Development of this strategic plan began at the ICANN meeting in Luxembourg in July 2005. Extensive consultation with the community was undertaken in workshops with the Supporting Organizations (SOs) and Advisory Committees (ACs), and also in general sessions conducted in English, French and Spanish. At the request of the community, a further series of questions was posted for comment on a public forum on the ICANN website.

During the second half of the fiscal year, ICANN pointed its planning activities toward the annual Operating Plan and Budget, i.e., the one-year plan that works to accomplish the objectives set out in the three-year Strategic Plan. In particular, the Operating Plan is comprised of the set of projects necessary to accomplish the objectives described in the longer-term Strategic Plan. This draft plan (see, http://www.icann.org/announcements/announcement-04may06.htm) was presented for review and comment in Wellington and in public comment forums. The revised Operating Plan arising from of those consultations is posted below. ICANN now is posting an Expense Budget based upon the goals below and upon regular operating expenses.

ICANN staff developed this budget through a bottom-up, collaborative approach involving key ICANN stakeholders, including those who contribute to its revenue.

In order to develop budgetary requirements in a zero-based, bottom-up fashion, ICANN department heads each created departmental annual operating objectives. ICANN senior staff

then met as a group to identify additional objectives that are shared as a team. After compiling these objectives into a single operational plan and identifying the owner of each objective, each manager wrote a departmental budget. The departmental budgets were reviewed by management to ensure effective and efficient use of funds. Senior management then conducted an additional review of the consolidated budget.

The process also included (and will continue to include) consultations with the ICANN Board of Directors Finance Committee and ICANN constituency groups. Consultations with the community will continue through the public comment period for the proposed budget.

The process thus far has greatly enhanced communication among stakeholders and between ICANN and the Internet community. There has been a great exchange of information among the parties describing the challenges and opportunities facing all.

ICANN's 2006-07 budget is intended to enable ICANN to meet the requirements of the Internet community and fulfil the obligations in the final year of the MoU with the U.S. Department of Commerce.  The new budget was developed through ICANN's evolving strategic planning process.  The budget incorporates the "operational objectives" identified through that planning process.

# Operational Objectives

## Operational Plan Highlights

The ICANN Operational Plan describes over 50 individual measurable projects set out for the fiscal year. Several of these goals (or groupings) of them are of prime importance to many constituency groups. Therefore, before describing the Operational Plan in detail, it is first meaningful to briefly discuss some of the important aspects of the plan in more detail.

## Compliance

The budget provides that ICANN will augment the corporate compliance program, including the system for auditing registry and registrar contracts for compliance by all parties to such agreements. ICANN published its compliance program at http://www.icann.org/compliance/.

The compliance program will build upon existing, constructive relationships with the registrar and registry communities. The elements of the initial program will consist of:

- Establishment of technical and non-technical audit functions to review, on a regular basis, registry/registrar operations to ensure compliance with contracts and appropriate standards.

- Statistical tracking and analysis of registrant and user complaints/comments regarding specific registries/registrars.

- Rapid follow-up on specific instances of behaviour. Working constructively with registries and registrars to implement and complete corrective action plans.

- Implementing a planned escalation of actions and associated cure periods, including legal and specific performance remedies, in order to correct ongoing harm and to ensure legitimacy for the compliance function.

- With the registrar constituency, re-writing the Registrar Accreditation Agreement to better define acceptable forms of operation.

An effective compliance program will protect peer and client members of the Internet community by ensuring consistency of conduct across the registrar and registry communities.

## Improvement of Registration Services

Registration providers offer an invaluable service to the global Internet community by registering domain names and IP number assignments and publishing the information that ensures stable mapping of names to Internet resources. ICANN will provide and improve the following services to registration providers:

- Provide improved staff support for the GNSO, ccNSO, ASO and advisory committees to facilitate integrated development and implementation of the framework of technical rules, standards and agreed procedures (which the Internet community refers to as "policies") that together facilitate the effective management of the domain space and IP address allocations.

- Provide staff and infrastructure to supply data escrow coordination and services.

- Improve the accreditation process and issue accreditations, eliminating backlog and effectively evaluating and dealing with problematic accreditation applications made for securing deleted names only.

Services to registrants:

- Facilitate the implementation of failover mechanisms to protect registrants in the event of registry failure.

- Enhance the website and staff the public participation function to educate consumers about resources for protection of consumer interests, dispute resolution, consumer protection and law enforcement, as well as promote consumer interests through information and service tools.

- Improve Whois accuracy through ICANN's Whois Data Problem Reports system. The new closed-loop system will provide follow-up from staff to ensure that corrections are made or names are deleted. ICANN staff will also undertake proactive statistical sampling studies to determine the overall database accuracy and then develop a plan for improvement.

- Implement tracking mechanisms for facilitating the channelling and resolution of customer service issues.

Meeting the needs of registration providers and consumers is already a significant element of ICANN's budget, but there are many activities that are under-funded and under-staffed in light of the demand for such services. To provide the level of service that appropriately fulfils ICANN's service goals will require substantial investments in systems, infrastructure, regional presence and personnel.

## IANA Performance

ICANN's stakeholders require timely, reliable, and accurate responses to their operational requests, and responsiveness to their evolving needs.

To increase its effectiveness, ICANN's IANA function has initiated a work program to map its processes and activities. Systemic improvements to these processes will enable faster, more efficient and more accurate performance of ICANN's operational functions.

Significant accomplishments achieved this year that improved performance are:
- completion of the planned staffing of the IANA function,
- completed the implementation of a request tracking and response management system to improve turnaround times across the operation,
- publication of meaningful, accurate statistics describing IANA performance, and
- frequent communication with requestors of IANA services.

On an ongoing basis, ICANN staff will meet performance targets, continually improve those targets ("raise the bar"), and refine the management system based on experience and feedback from ICANN's stakeholders. These goals are defined in detail below.

## Introduction and Designation of New gTLDs

The development of an appropriate process and policy for the creation of new generic top-level domains (gTLDs) is central to fostering choice and competition in the provision of domain registration services, and as such is critical to the promotion of ICANN's core values. The questions to be addressed in the implementation of a new gTLD strategy are complex and draw

on technical, economic, operational, legal, public policy and other elements. Many stakeholders in the global Internet community will be interested in participating in the implementation of the strategy, and ICANN is committed to facilitating their participation and involvement.

ICANN is bringing to close two processes: the designation of new sponsored TLDs as a result of the recent round of ten applications; and the gNSO policy development process (PDP) that will guide the introduction of TLDs going forward. The former process has resulted thus far in the designation of five new TLDs and the experiences gained are also informing the PDP. Previously, in accordance with the Memorandum of Understanding with the USG, ICANN published and began implementation of its strategy for designation of new TLDs (see, http://www.icann.org/topics/gtld-strategy-area.html). The implementation of the GNSO created process, resulting in an on-going methodology for the designation of new TLDs will signify the full implementation of ICANN's strategy created for this purpose.

## Deployment of Internationalised Domain Names

Internationalised Domain Names (IDNs) are domain names represented by local language characters. Such domain names could contain letters or characters from non-ASCII scripts (for example, Arabic or Chinese). Many efforts are ongoing in the Internet community to make domain names available in character sets other than ASCII.

These "internationalised domain name" (IDN) efforts were the subject of a 25 September 2000 resolution by the ICANN Board of Directors, which recognized "that it is important that the Internet evolve to be more accessible to those who do not use the ASCII character set," and also stressed that "the internationalization of the Internet's domain name system must be accomplished through standards that are open, non-proprietary, and fully compatible with the Internet's existing end-to-end model and that preserve globally unique naming in a universally resolvable public name space."

ICANN is now in a position to effectuate, eventually, the deployment of IDN TLDs. Recent achievements include the formation of a President's Advisory Committee, publication of updated guidelines for IDNs at the second-level, and publication of a timeline to place IDN TLDs (with appropriate safeguards) in the root-zone on an experimental basis (see, http://www.icann.org/topics/idn/).

## Contingency Planning

In accordance with good business practices and the objectives described in the MoU with the U.S. Department of Commerce, ICANN has developed a contingency plan to ensure continuity of operations in the event the organisation incurs a severe disruption of operations, or the threat thereof, by reason of its bankruptcy, corporate dissolution, a natural disaster, or other financial, physical or operational event. Similarly, ICANN has developed a contingency plan to ensure continuity of registry and registrar relations in the event that any such organisation suffers a severe disruption of operations.

The budget for the contingency plan requires capital investment, new geographically diverse infrastructure, and staff time to put into place agreements, relationships and procedures that will guarantee on-going operations.

## Globalisation & Outreach

ICANN has translated documents into 17 different languages. As a global organisation, ICANN will provide multilingual communications and materials to communicate with regional Internet communities in order to provide relevant expertise, assistance, and information. As part of developing and implementing an economical and effective strategy, ICANN will, in consultation with the community:

- identify appropriate languages and materials for translation,

- translate at meetings to facilitate effective participation,

- seek to work with appropriate entities, interested parties within the ICANN structure, and the Supporting Organisations, and Committees, as appropriate, to implement the strategy to facilitate multilingual communications, and

- use existing resources and opportunities to implement a strategy as efficiently and effectively as possible.

ICANN has been contacted by several governmental and non-governmental agencies regarding establishing regional presences/partnerships in certain locations. This budget contains seed money to develop those inquiries, take initial steps to explore the establishment of potential presences to ensure the efficacy and appropriate operational strategy for the site, and retain the services of regional liaisons. ICANN will conduct consultations regarding the establishment of regional presences with the Internet community and provide an operational plan to the Board for approval.

ICANN's newly retained regional presences in Africa, the Middle East, Europe, the Caribbean, and Latin America will be augmented by an additional presence in Asia-Pacific and will:

- Enable responsiveness to local needs in multiple time-zones.

- Cooperate closely with key regional stakeholders, such as ccTLD operators or RIRs.

- Permit ICANN staff to participate in regional Internet-related activities economically.

- Engender participation in the ICANN process by representatives of developing countries.

## The MoU with the Department of Commerce

To date, ICANN has timely met 16 of the 25 deliverables described in the MoU with the U.S. Department of Commerce. Several others have been essentially completed pending publication of final reports or notices. A significant portion of the budget will be dedicated toward achieving the remaining objectives set forth by the MoU and for continuing to evolve the ICANN organisation in preparation for the post-MoU environment.

Key areas of focus (described in more detail in this document) in driving toward completion of all deliverables are: achieving stable agreements with ccTLD operators that address, among other things, issues affecting the stable and secure operation of the DNS; formalization of relationships under which root name servers throughout the world are operated and continuing to promote best practices; and continuing the process of implementing new top level domains

# Introduction to ICANN Operational Objectives

This draft version of the ICANN Operating Plan is a one-year plan based upon the goals set out in the ICANN Strategic Plan (see, http://www.icann.org/strategic-plan/consultation-process-2005-06/). It is comprised of projects and annual operating objectives compiled by the ICANN staff. Throughout the first half of the present 2005-06 fiscal year ICANN has developed its Strategic Plan in consultation with the ICANN community. Successive versions of the work-in-progress Strategic Plan were published as it has been developed through those consultative discussions until it was approved by the ICANN Board of Directors at the ICANN meeting in Wellington. During the second half of the fiscal year, ICANN points its planning activities toward the annual Operating Plan and Budgeting, i.e., the one-year plan that works to accomplish the objectives set out in the three-year Strategic Plan. In particular, the Operating Plan is comprised of the set of projects necessary to accomplish the objectives described in the longer-term Strategic Plan.

During last year's review, collaboration and discussion of the Operating Plan, three suggestions were made regarding the form and format of the plan:

- The objectives described in the plan should be linked to specific goals in the strategic plan,

- Budget should be established for each of the projects outlined in the Operating Plan, and

- Specific outcomes should be defined for each of the projects so that an objective degree of success can be determined.

This year's Operating Plan takes steps to address those requests. This year's Operating Plan is a series of projects with allocated resources and deliverables. The headings below are the objectives described in the ICANN Strategic Plan. Under each of those headings are the projects that comprise the operating plan so that each project is linked to a specific strategic objective. Following the Project plans is a matrix describing the budget associated with each project. A complete description of the Operating Plan, including project descriptions, budget and specific

outcomes can be found at http://www.icann.org/announcements/announcement-04may06.htm or http://www.icann.org/.

This draft plan was presented for review and comment in Wellington and in public comment forums. The revised plan, arising as a result of those consultations, is posted below. ICANN has now developed an Expense Budget based upon the costs associated with the goals below and upon calculation of projected regular operating expenses, i.e., the organisation necessary ("business as usual) to support the accomplishment of the objectives. Some comments made during the above-mentioned consultations indicated that ICANN should carefully weigh "make-buy" decisions, i.e., whether to hire staff or outsource specific resource needs. Having defined and revised this plan, the budgeting and ongoing management process includes making economic decisions concerning staffing levels, outsourcing, resource acquisitions and other items to ensure that the accomplishment of these objectives is being conducted in an economical manner.

# Organisational Excellence in Operations

## Operations performance targets

### IANA
- Measure and subsequently improve IANA customer satisfaction through:
  - ensuring necessary and sufficient resources are devoted to the IANA function,
  - the design and implementation of surveys and other methodologies to measure client requirements,
  - implementation of additional automation techniques for receiving and processing requests,
  - provision of 24/7 service,
  - improved statistical reporting in order to direct continuous improvement efforts (including publication of IANA statistics to indirect beneficiaries of IANA services such as providers and users).

- Improve the robustness of IANA infrastructure, including disaster preparedness, in order to ensure ongoing operations in the event of physical or business disruption. This includes
  - Archiving existing IANA data and implementing a system for ongoing archiving of data in order to provide additional secure backup of historical IANA information

### gTLD Registry tasks
- Registry failover – Establish a comprehensive plan to be followed in the event of financial, technical, or business failure of a registry operator, including full compliance with data escrow requirements and recovery testing.

- Policy implementation - Establish the infrastructure, resources and workflow for the implementation of the ICANN developed consensus policy: (i) form necessary external relationships; (ii) test, then create internal work-processes and simulation of such; (iii) review implementation plan with gTLD registries, management and ICANN Board; (iv) announce implementation process/procedures. Following the implementation of these processes, a review and evaluation of the functionality of the process will be initiated. This is to ensure that the process mechanism works for all parties involved or some way affected by it. These implementations will probably include:
  o The process for considering new registry services
  o Transfer policy review
  o WIPO considerations
  o RGP / RGP II

## gTLD Registrar tasks

- Continue to improve full contractual compliance program for registrars and registries including compliance philosophy, staffing plan, complaint management, auditing procedures, and interactions with government agencies. Develop metrics to measure program effectiveness.

- Enhance automated processes involved in managing Registrar Liaison functions including registrar accreditation and renewal processes, the registrar database and billing systems, and project management.

- Enhance registrar/registry partnerships through regional workshops and through enhanced communication and reporting:
  o Regional Workshops
  o Reporting / dashboard
  o Communications
  o Translation
  o IDN TLD communication

- Develop a registrar data escrow program in collaboration with the registrar community. Install and operate the infrastructure needed to escrow data or contract with an outside entity to provide technical infrastructure. Create a process for approving third-party data escrow service providers and verifying compliance with ICANN's data escrow policies and procedures

- Re-form the RAA to address current issues not addressed in the current agreement, among them: new markets and market behaviours, approval mechanisms for registrar fees, standards for accreditation approval, registrar data escrow and failover mechanisms, sanction program.

### L-Root Server Operations

- Improve resilience to the L-root system. In addition, create and deploy Any-cast locations to mitigate operational risk. Deploy a system that can remain operational during sustained DDOS attacks. Enhance monitoring and statistical capabilities to allow analysis of data.

### End Users

- Develop methods for handling queries and complaints. Collect data from phone calls and emails so that tools can be developed that will reduce staff burden, communicate effectively with those who contact ICANN, and answer questions that are passed in through the Board or staff. Tailor these efforts so that complaints are passed on to appropriate bodies or organizations (i.e., not ICANN).
- Review UDRP for effectiveness.

## Procedures for dealing with potential business failure of key operational entities

- Develop and implement emergency response plan comprised of procedures to react to the business or physical failure at ICANN, at one or more gTLD registrars, or at operators of the top-level domains. Features of the plan will include:
    - o An effective data escrow program at the registrar-level and procedures for sharing that information with a substitute registrar when appropriate. Aspects of the plan will include:
        - Establishing an ICANN escrow agent
        - Implementing a Quality Assurance plan
- Develop and implement a registry failover plan to ensure ongoing query resolution in the event of registry failure (physical or business).
- Continue execution of contingency plan. Ensure continuation of operations during physical or business interruption of ICANN operations including providing and maintaining appropriate redundant, geographically diverse infrastructure and executing business backup arrangements, such as a coordination plan with TLDs, root-servers and other critical infrastructure players.

## Further improve accountability of the budget process and ensure regularity of revenue flows consistent with ICANN mission and objectives

- Develop tools for planning and reporting against project budgets (in addition to the present departmental accounting methods). Report on performance against project plans.

- Ensure that information describing budget, independent audit or financial contributions is published on a timely basis and all information is current.

- Set aside a portion of revenue that will (in four years) result in a cash reserve of at least 12 months expenses.

- Complete registry and registrar agreements in order to provide for regular revenue for next several years.

- Negotiate agreements with RIRs and ccTLDs to augment and balance revenue flows across possible sources.

- Develop alternate forms of revenue in accordance with recent discussions among gTLD registrars and registries. Reduce fees to those entities paying the relatively highest amount of fees to better balance revenue flows across sources.

## Improve access to technical advice and the resolution of technical issues in local communities

- Create community response program by:
  - Designing and providing educational opportunities for ccTLDs in developing areas
  - Utilising Regional Liaisons to create communications network by training them on the first technical level and providing access to technical expertise at the next level

## Develop and implement a workforce planning methodology for ICANN staff to attract and retain the high quality staff

- Improve effectiveness of ICANN performance through economic and effective hiring, performance measurement and leadership management and development. The workflow planning methodology will include:
  - Developing workforce planning methodologies
  - Developing performance measurement tools
  - Providing leadership development training
  - Implementing effective and economical talent acquisition and retention techniques
- Integrate communications and enhance performance of geographically separated offices by establishing team goals.

## Key initiatives addressed by ICANN in the fiscal year

**Internationalized Domain Names (in particular, deployment of IDNs at the top-level)**

- IDN: enable all Internet users to access the internet using their local language or script identifiers. In some of the areas described in the plan ICANN seeks the expertise and mandate to act and will pursue the necessary partnerships. The major sub-projects are:
  - TLD root zone testing to establish the viability of selected solutions
  - Creation and maintenance of an IANA repository for housing technical, cultural, and linguistic information to be shared

> o Creation of appropriate standards and guidelines
> o Ensure timely, effective communications across the IDN engaged community – in particular between the President's Advisory Committee and stakeholders

Each of the above has technical and policy development aspects. These aspects should be segregated and managed with the appropriate ICANN bodies. In particular, use the Policy Development Process involving and coordinating the activities of multiple Supporting Organisations and Advisory Groups developed in accordance with the section describing excellence in policy development below.

**Security, e.g., DNSSEC deployment, preventing hijacking of network resources (e.g., network addresses and resolvers)**

- Implement signing of the root zone (DNSSEC) and enable IANA to accept signed TLD zones in order to enhance network security. Determine timetable, coordination requirements and costs for full deployment.

- Transition Root Zone authoring from VeriSign to ICANN (VeriSign continues publishing) in order to fulfill the requirements in the MoU and create a more seamless process for root zone publication.

**Designation of new gTLDs**

- Develop capacity to support the Policy Development Process consideration of economic, consumer, market and business issues through the engagement of expertise in economics and statistics.

- Introduction of New gTLDs - Pending the finalization of the PDP on introduction of new gTLDs, ICANN will be implementing the consensus policy that the GNSO is reaching agreement upon. Policy questions that will affect the implementation of this policy are: selection criteria, allocation method, and contractual policy related topics. After successful implementation of the policy, interested applicants will be able to submit their proposals to ICANN for introduction of new gTLDs.

- Develop and implement program for universal acceptance of gTLDs (i.e., registries with more than three letters).

**WHOIS development**

- See gTLD Registry tasks and policy implementation: Establish within ICANN the infrastructure, resources and workflow for consideration of new registry applications by the implementation of the ICANN consensus policy. Apply methodology to results of Whois policy development.

**Addressing issues of DNS market behaviour (within IP addresses and domain names)**

- See gTLD Compliance – work to improve Whois accuracy.

- Set-up task force with appropriate economic, technical and statistical skill sets to determine root causes of market behaviour and determine if practices are appropriate:
    - Add storm
    - Add/deletes
    - RGP
    - Whois accuracy

    As appropriate, make recommendations to create incentives, amend agreements (see, restructure of RAA above), and implement new services that will mitigate that behaviour.

## Sustainability: Analyse implications of increased demand on ICANN operations and policy processes and develop ways of improving scalability

- First, establish management reporting function so that workload metrics can be analyzed. Through the VP, Policy Development Support, work with the supporting organisations and advisory committees to develop metrics so that the workload of those organisations can be analyzed.

# Organisational Excellence in Policy Development

## Develop capacity to better understand economic issues and the implications of these factors on ICANN policy development

- Facilitate the Policy Development Process consideration of economic, user, market and business issues through the retention of expertise in economic studies and statistical analysis.

## Improve the efficiency and effectiveness of Supporting Organizations and Advisory Committees

- In collaboration with the Supporting Organisations and Advisory Committees, develop and implement effective collaboration tools to facilitate the policy development process.

- Provide economic assistance to volunteering organisations that includes appropriate cost controls and cost-benefit analysis:
    - Investigate and implement a travel assistance policy for Supporting Organisation volunteers,
    - Provide Secretariat services to the NCUC to enhance the effectiveness of this constituency group.
    - In a collaborative fashion determine how to enhance stakeholder participation in RSSAC and SSAC led discussions that are so important to ICANN's stability & security mission.

- Through the Vice President, Policy Development Support:
    - accomplish the objectives set out in the strategic plan regarding the reviews to measure the efficiency and effectiveness of Supporting Organizations and Advisory Committees through statistical surveys to determine present effectiveness,
    - identify & manage new & existing policy development requirements through interaction in the community (updating those requirements throughout the year),
    - maintain a docket of all pending policy development matters, including their schedule and current status
    - retain economics expertise to develop frameworks for establishing objective performance criteria and measuring performance against the criteria,
    - develop a Policy Development Process involving and coordinating the activities of Supporting Organisations and Advisory Groups

# Increasing International Participation in ICANN and the Use of the Internet System of Unique Identifiers

## Redesign ICANN business and policy practices and processes to meet the needs of a global audience, improving the ability of stakeholders to participate in ICANN processes

- Determine, with Supporting Organisation and Advisory Committee collaboration, a liaison process appropriate to each SO and AC in order to fully implement cross-representation. Measure the efficacy of the liaison roles in each case to ensure that each plays a full and appropriate role.
- Facilitate effective and multilingual communication to ICANN stakeholders, to enable larger portions of the community to interact in ICANN processes. [This includes identifying the translation of materials and documents, website, and real-time translation at meetings. Identify translation of appropriate ICANN documents.] Create an operational policy or guideline to steer future translation efforts. [Translation is not an end in itself but rather a means to an end. Therefore, budget for translation is included in each of the projects here as necessary to accomplish the goal in the most effective manner.]  The expense for translation efforts outside the specific efforts will be budgeted and monitored, including translation of:
    - ICANN meetings
    - Routine newsletters/publications
    - ICANN Website

## In each region, work with cc managers, local Internet communities and regional organizations to develop and monitor outreach programs to improve access to DNS services

- Through the Regional Liaison network, work with the community to better represent the regions in ICANN and facilitate ICANN responsiveness to stakeholders in all the regions, including work with respective stakeholders and end-user community. Respond to the needs of the internet community and support ICANN staff in relation to business plans. Includes participation in respective meetings, such as post WSIS (participation in IGF), and regional initiatives, as well as sponsoring/co-hosting regional workshops.

# Increase Participation In and Efficiency of the ICANN Multi-Stakeholder Environment

## Improve and deepen participation in the ICANN process by governments, end users, and the business and technical communities

- Implement the vision for improvements in the GAC role, in accordance with ICANN Board direction that has been communicated to the GAC Chair. Potentially create a secretariat function and funding of selected GAC activities such as travel for the Chair, meeting participation, and sponsorship of regional meetings.

- Given the objective of ICANN to embrace stakeholders globally, design and provide educational opportunities for ccTLDs in developing areas - especially with regard to IANA services - in order to improve security and stability of the Internet through education. Coordinate with ISOC and other entities to provide services economically. Importantly, sum the resources dedicated to soliciting participation from each region to ensure that sufficient investment is made to achieve ICANN objectives.

- Develop informed participation by, and effective representation of, the international individual Internet user community in ICANN, including an ALAC that contributes to ICANN's policy and decision-making process, a global network of user groups involved as "At-Large Structures" (ALS) organized into 5 Regional At-Large Organizations (RALOs) that share information, educate, coordinate, and support effective, structured user involvement in ICANN. Tools for accomplishing these goals include:
  - o Fellows programs
  - o Workshops
  - o Translation

- After developing a set of project objectives in consultation with ICANN constituency organisations, develop and implement a "recruitment plan" (including metrics and targets) of leading technical, business and policy individuals that describes the benefits and opportunities associated with participation in the ICANN model. Use increased participation

to enhance Supporting Organisation and Advisory Committee effectiveness and potentially develop alternate streams of revenue.

## Develop and implement a communications plan that clearly explains ICANN's mission and communicates ICANN's activities and achievements

- Fully staff ICANN's Communication functions (including a Manager, Public Participation) as described in ICANN planning documents.

- Evolve the ICANN web sites and continue to implement broadcast and information dissemination tools such as RSS, web logs and newsletters. Improve (reliability and visibility) posting of and response to correspondence in the form of letters and comments, as well as public meeting presentations.

## Implement a program to enhance relevant skills and knowledge in existing participants and in the next generation of ICANN leadership.

- Provide training for ICANN participants (Supporting Organisations & Advisory Committees):
    - Interaction: develop a model for negotiation and exchange in the SO and AC environments.
    - Identify opportunities for working within the ICANN model regarding policy development and technical coordination and the potential effect and benefits of those efforts.

- Create a program to encourage and fund participation by interested parties in developing countries. Program elements include: technical workshops targeting stability and security issues, education regarding the policy development process, and attendance at ICANN meetings.

## Develop a knowledge management program to institutionalize corporate memory and communicate core ICANN values

- Create processes for routinely capturing and archiving information, data, and issues as they are developed. Develop tools for easily accessing this information. Implement a program to capture and archive historic information in the same manner.

## Strengthen relationships with key partners to assist ICANN in carrying out its mission and identify key forums with which ICANN should interact to assist in dealing with issues that are related to but not in ICANN's ambit

- Establish partnerships (formalize with MoUs where feasible) with local, regional or international organizations, to gain partnerships and formal support for ICANN's mission.

- Measure and implement a plan to improve ICANN meeting effectiveness considering: location, form of public and regional participation, and funding/costs. Use meetings to facilitate ICANN objectives in increasing diverse stakeholder participation and education (wherever possible, in lieu of staff increase or other forms of investment).

## Develop mechanisms to report on ICANN's openness, transparency, inclusiveness in its multi-stakeholder environment

- Create an independently conducted project to:
    - o develop metrics for measuring transparency and determining success,
    - o self-measure performance against the metrics
    - o independently audit measurement accuracy and appropriateness of the metrics

- Post procedures for independent review, including information about the body retained for that purpose.

# Work towards a Post-MOU ICANN

## Satisfy remaining MOU objectives

- Manage the remainder of the MoU period in accordance with past practice with particular attention to:
    - o Implementing the consensus policy for launching new gTLDs
    - o Establishing Accountability Frameworks with ccTLDs so that half the ccTLD registrants are represented by participating ccTLDs
    - o Fully execute the contingency plan written to meet MoU requirements
    - o Execute additional MoUs with RIRs describing the duties of the parties

## Engage the community in the analysis of issues and scenarios for post-MOU oversight

- Develop a post-MoU model with appropriate input:
    - o Identify characteristics of a model that satisfies the requirements of the community and governing bodies
    - o Develop and launch consultations to solicit proposals for a post-MoU model or elements of that model
    - o Engage the President's Strategy Committee to discuss inputs and develop concepts
    - o Determine the process for implementation of an identified model
- Strengthening: investigate the needs in order to sustain the new model and recruit the skill sets required to establish an effective organisation

## Budgeting for the Operating Plan

As described in the published operating plan, individual budgets were created for each of the projects comprising the plan. Resources in the form of staff and funding for outside service, travel, meeting, administrative costs (including equipment, logistics and other purchases), and capital equipment were identified and earmarked. Based upon this planning effort, ICANN has published the following project budget. The staff and money for this budget is included in the larger expense budget below. In order to create and track this budget, ICANN has implemented or is implementing several new management tools. Among them is a project management system that enables milestone tracking and resource allocations and upgrades to the accounting and control systems that will enable measurement of financial performance on a project-by-project basis. While these steps represent significant improvement in ICANN's management methodologies, there are risks associated with creating many project budgets. Among these risks is the tendency to budget each project slightly higher than required (a risk then in aggregate) and also insufficient management bandwidth to test every project budget thoroughly. ICANN will use the performance feedback gained through this process to continually improve the accuracy and efficacy of the project planning and budgeting exercise.

The budget below describes each project briefly, each of which is also published in the previously posted Operating Plan. The detailed costs indicated in the Operating Plan are summed into two categories: staff (in the form of full-time equivalents or FTEs), and expenses as identified in the paragraph above. The two are mutually exclusive. However, as ICANN manages each project and the company operations as a whole, it will continually evaluate and revise, if necessary, the "make-buy" decisions necessary to secure the appropriate talent for each task. Therefore, as ICANN determines the most economical and effective way to manage each project, the resource of staff and outside services may be traded back and forth.

The Operating Plan budget is described in the spreadsheet below:

| Index | Brief Description of Goal | Managing Department | FTE Req't | Total Other Costs ($K) |
|---|---|---|---|---|
| 1A | Measure and improve IANA customer satisfaction | IANA | 1.95 | $230 |
| 1B | Improve robustness of IANA infrastructure | IANA | 0.55 | $120 |
| 1C | Establish comprehensive registry failover plan | Registry Liaison | 0.40 | $100 |
| 1D | Establish infrastructure to support timely implementation of consensus policy | Registry Liaison | 2.00 | $650 |
| 1E | Continual improvement of contractual compliance program | Registrar Liaison | 3.30 | $24 |
| 1F | Automate, streamline registrar liaison functions: e.g., accreditation, renewal, billing | Registrar Liaison | 0.70 | $112 |
| 1G | Registry/registrar outreach: workshops and communications | Registrar Liaison | 0.80 | $175 |
| 1H | Establish registrar data escrow program | Registrar Liaison | 0.65 | $200 |
| 1I | Reform the Registrar Accreditation Agreement | Registrar Liaison | 0.25 | $40 |
| 1J | Improve root server operations / resiliency | IT | 2.00 | $674 |
| 1K | Develop methodologies to address user queries and complaints | IT | 0.02 | $95 |
| 1L | Review UDRP for effectiveness | Registrar Liaison | 0.02 | $120 |
| 1M | Dealing with potential business failure of key Operational entities / develop an emergency response plan | IT | 0.85 | $590 |
| 1N | Improve financial accountability and reporting | Finance | 1.40 | $56 |
| 1O | Complete negotiation of Registry, Registrar, RIR and ccTLD Agreements to ensure revenue | Registry/Registrar | 2.60 | $246 |
| 1P | Develop alternative sources of revenue | Registry/Registrar | 0.35 | $31 |
| 1Q | Improve access to technical advice and the resolution of technical issues | Global Partnerships | 0.62 | $96 |
| 1R | Develop workforce planning methodology to attract/retain high-quality staff | Human Resources | 0.10 | $260 |
| 1S | Internationalized Domain Names Program | IDN | 5.70 | $205 |
| 1T | DNS Security (e.g., DNSSEC, name hijacking) | IT | 1.55 | $255 |
| 1U | Economics and statistical expertise: introduction of new gTLDs | Executive Officer | 0.00 | $240 |
| 1V | Implementation of new gTLD consensus policy, e.g., developing capability to consider applications | Registry Liaison | 1.70 | $120 |
| 1W | Promote universal acceptance of TLDs | Registry Liaison | 0.30 | $0 |
| 1X | Implementation of Whois policy development | Registry Liaison | 0.15 | $30 |
| 1Y | Addressing issues of DNS market behavior | Registrar Liaison | 0.10 | $75 |
| 1Z | Analyse implications of increased demand on ICANN's operations and policy processing / develop ways to improve scalability | Internal Operations | 1.50 | $0 |
| 2A | Develop capacity to understand economic issues, and market operations | Executive Officer | 0.00 | $0 |
| 2B | Improve efficiency and effectiveness of policy development: collaboration tools, travel support, secretariat support, RSSAC/SSAC participation | Policy Development | 0.10 | $530 |
| 2C | Improve efficiency and effectiveness of policy development: SO & AC reviews, identify and manage PDP requirements, coordinate SO & AC policy development efforts | Policy Development | 1.63 | $327 |
| 3A | Implement a SO & AC liaison process | Policy Development | 0.00 | $0 |
| 3B | Facilitate multilingual communications | Policy Development | 0.00 | $290 |
| 3C | Establish and make effective regional liaison network | Global Partnerships | 5.00 | $296 |
| 4A | Improve and deepen participation in the ICANN process - Government (GAC) | Global Partnerships | 0.55 | $190 |
| 4B | Improve and deepen participation in the ICANN process - End Users (ALAC) | ALAC | 1.50 | $690 |
| 4C | Improve and deepen participation in the ICANN process - the business community, technical and industry experts, developers of new business models that use the Internet | Policy Development | 0.25 | $16 |
| 4D | Develop and implement a communications plan: staff the communications function and evolve the websites | Communications | 3.00 | $150 |
| 4E | Implement a program to enhance and develop relevant skills and knowledge in existing participants and in the next generation of ICANN leadership | Policy Development | 0.50 | $32 |
| 4F | Scholarships for participants in developing countries | Global Partnerships | 0.40 | $410 |
| 4G | Develop a process for capturing and archiving information | Communications | 0.05 | $125 |
| 4H | Establish relationships with regional and international organizations | Global Participation | 0.00 | $0 |
| 4I | Measure and improve meeting effectiveness | Services | 1.00 | $60 |
| 4J | Develop mechanisms to report on ICANN openness and transparency | Policy Development | 0.10 | $158 |
| 5A | Manage the remainder of the MoU period | Services | 0.00 | $0 |
| 5B | Develop post-MoU model | Global Partnerships | 0.20 | $174 |
| | | **TOTALS** | **43.84** | **$8,428** |

# Budgeting for Ongoing Operations and Increasing Activity Levels

In addition to Project related efforts, ICANN must also sustain ongoing operations. Those ongoing efforts sustain regular operations such as providing IANA services, and the registrar and registry liaison functions. Ongoing operations also provide administrative support for project work and ongoing operations. These efforts include rent, utilities, tech support, and connectivity.

These efforts, and the resources required to sustain them continue to grow. For example, the numbers of gTLD registrars and registries continue to increase, as do the ICANN activities providing services to them. The present policy development process to introduce new TLDs will ensure that ICANN requirements to support this DNS segment will continue to grow.

**Number of Registrars**

**Number of gTLDs under contract with ICANN**
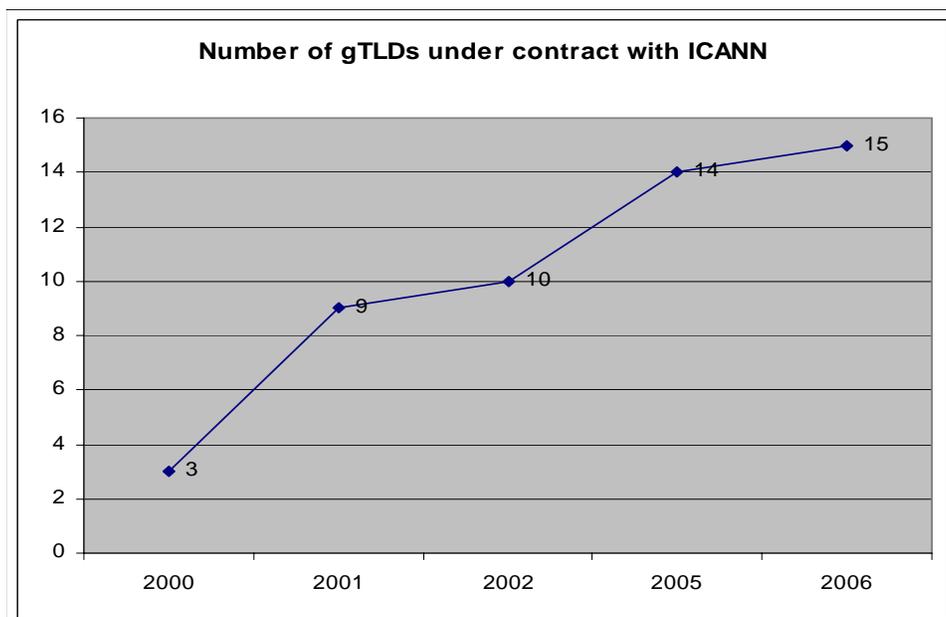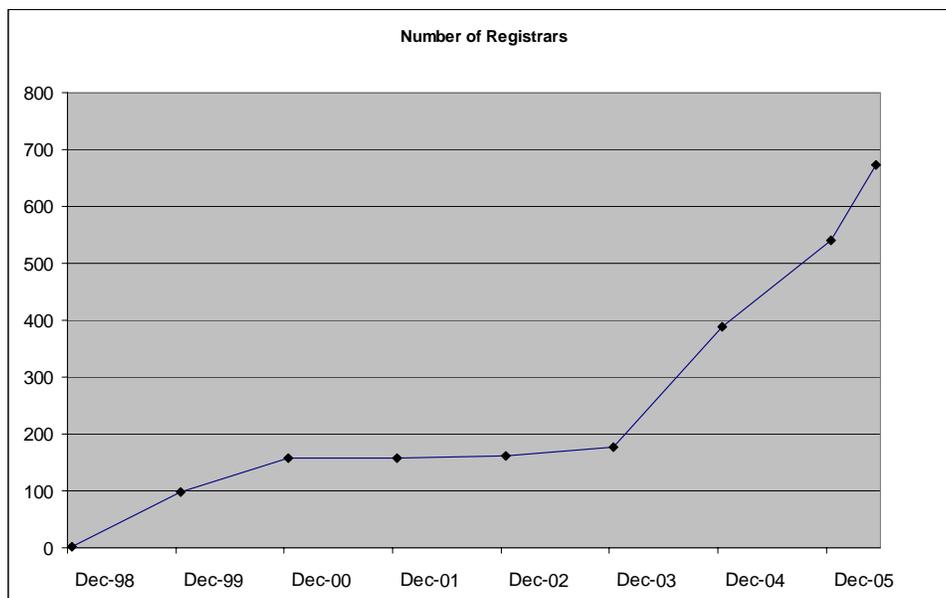
Other examples include the number of Whois Data Problem Reports that are monitored or addressed:

**WDPRS Reports Handled Each Month (Average)**
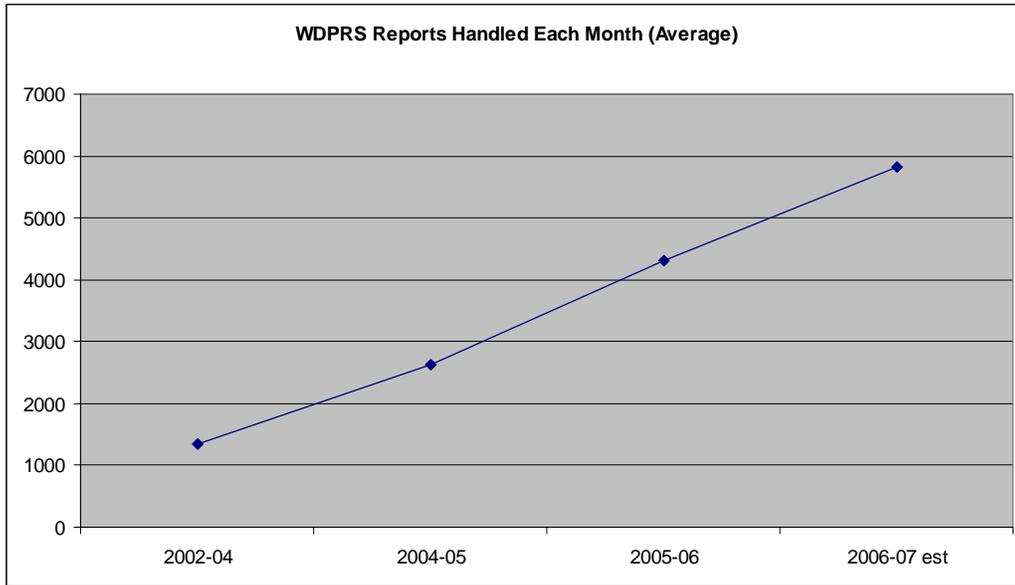


ICANN responds to email queries from inside,

**Average Monthly Traffic on Board List**
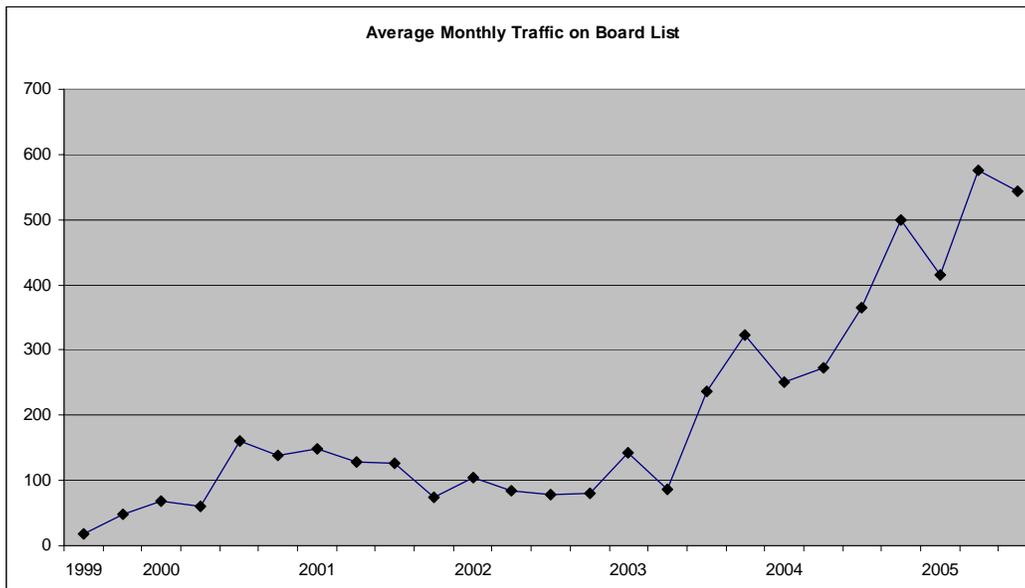
and outside the organisation:

**Average Monthly Traffic on ICANN Email Lists**
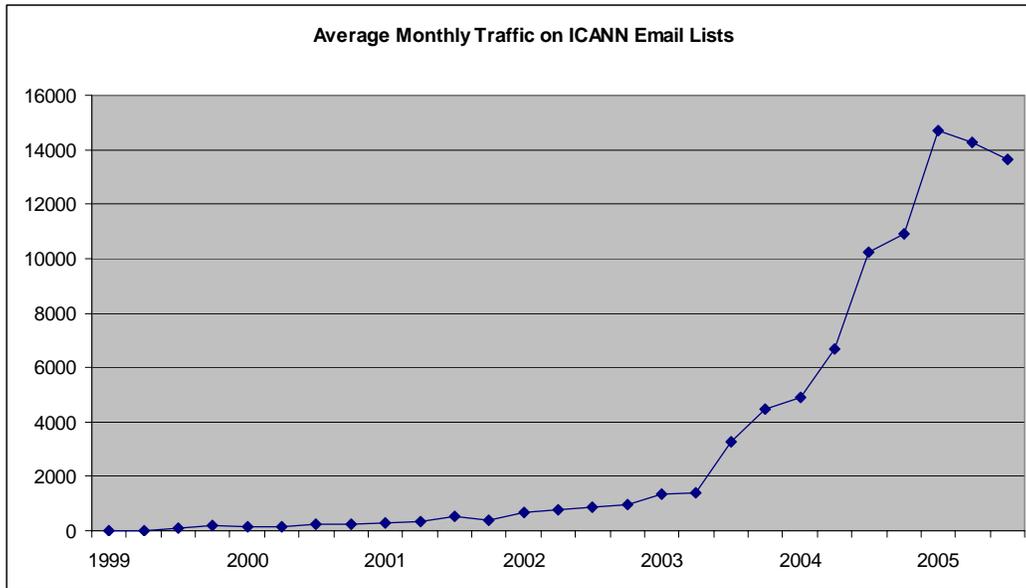
These examples are mentioned because there is some proportionality between these indicators and ICANN "business as usual" workload. The budget is comprised of two elements: specific project work and the ongoing operations segment. The budget increases are due to the projects defined in the operational plan and because the environment puts greater demands upon ICANN in providing traditional services. Succeeding in both these areas require resources beyond that which ICANN has had available before

ICANN will continue to monitor and publish metrics that affect its workload. This is particularly important as ICANN grows in resource expenditures to ensure that expenditures are made in an effective, economical manner.

# Proposed Revenues

ICANN's fee structure will remain essentially constant this fiscal year. Increases in total revenues will derive primarily from growth in the domain name space and fees accruing from the negotiation of the .NET agreement.

## gTLD Registrar Fees

### Registrar-Level Transaction Fees

For fiscal year 2006-07, ICANN will maintain the current registrar-level transaction fee of US$0.25 per transaction.  Each "transaction" will be defined as one-year domain registration increment caused by a successful add, renewal or transfer command.  Domains deleted within the add or auto-renew grace periods will not be charged a transaction fee.

The per-transaction fee will continue to be charged for each one-year increment of every transaction (e.g. the fee for a three-year renewal will be US$0.75), and registrars will continue to have the option to "defer" payment the fees for the years beyond one for each transaction.

This fee is subject to the approval of the gTLD registrars. There are mechanisms in the agreements ICANN has with registries that provide for funding of ICANN (by registrars through registries) in the event that the gTLD registrars do not approve this level of funding. The funding from the alternate mechanism is somewhat reduced. ICANN will work hard to win this approval. In the event approval is withheld, ICANN will reduce spending to match reduced funding.

### Per-Registrar Fees

Per-registrar fees will also continue at current levels in the aggregate.  Each ICANN-accredited registrar will continue to pay a fixed fee of US$4000, plus a per-registrar variable fee totalling US$3.8 million divided among all registrars.  (As of 12 May 2006, there were 667 ICANN-accredited registrars.)  The per-registrar fee is based upon the validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of the size of that registrar.

Depending on registrar size and activity, some registrars will continue to be eligible for "forgiveness" of two-thirds of the standard per-registrar variable fee.  The criteria for eligibility for partial forgiveness will be as follows: the registrar must have fewer than 350,000 gTLD names under its management, the registrar must not have more than 200 attempted adds per successful net add in any registry, and it must not have more than five percent (5%) of added names deleted during the add-grace period from any registry that offers an add-grace period.

Thus far, in fiscal year 2005-06, 39 registrars (representing fewer than 6% of all registrars) were granted forgiveness out of 160 registrars that applied for forgiveness. The applications of the remaining 121 were rejected.

## gTLD Registry Fees

Fees from gTLD registries are described in detail in the accompanying budget schedule and notes. These fees continue to be the bedrock of ICANN funding even as ICANN continues to explore additional sources of funding.

In fulfilment of its obligation to develop alternate sources of revenue, ICANN has proposed the implementation of registry-level transaction fees. Transaction fees will serve to increase ICANN revenues then enable revenues to grow in proportion to growth in the DNS.

ICANN recently designated new sTLDs, signing agreements to create the .CAT. .JOBS, .MOBI, .TEL and .TRAVEL registries. These agreements call for per-transaction fees based upon the results of technical and commercial negotiations with the proposed registry sponsor and the business model proposed. ICANN is also in negotiation with other gTLDs that include provision for transaction based fees that will serve to increase ICANN revenues. Importantly, ICANN received approval of the terms of the .NET agreement, firming that source of additional revenue and concluded negotiation of the agreement for the operation of the .COM registry that (when approved) will contribute significantly to the ICANN budget.

## ccTLD Contributions

Many ccTLDs have expressed support of the ICANN model and the understanding of the value that model provides. There have also been expressions that a consistent structure by which the ccTLD provide fees to ICANN must be developed. The mechanism for funding will be determined by the ccTLDs, through the ccNSO. Members of the ccNSO are collaborating and developing fee targets. In consideration of the promised development of a fee model, ICANN has increased the expectation of fee receipts for this writing by 50% over the current fiscal year. It is expected that a fee structure will be developed in the upcoming months and, as a result, fee receipts from ccTLDs will grow in the upcoming fiscal years.

## Regional Internet Registries

With the execution of the MoU between the NRO and ICANN, it was expected that the RIRs would release fees that have been held in escrow. However, since the execution of the MoU, the RIRs have not released funds. ICANN is working with each RIR to reach an agreement and release funds. ICANN's independent auditors, recognizing the risk to revenue receipts, have required ICANN to make note of the shortfall in its financial statements.

In fiscal year 2004-05, based upon discussions with an RIR representative, ICANN budgeted RIR contributions equal to 10% of the previous year's budget. The predicted contributions of $823K represented a 54% increase over the previous year's budget. In fiscal year 2005-06, and now in 2006-07, ICANN has asked for the same amount.

Finally, it is important to note the RIRs provide funding to ASO meetings, staff support for the ASO, and travel and attendance at the ICANN meetings.

## Alternate Sources of Revenue

Sound business planning dictates that ICANN should continue to develop alternate sources of funding in order to provide a more robust revenue base. Specifically, these sources should include the ccTLDs, the RIRs, new gTLDs, and other interested parties.

- ICANN has developed a staffing plan to accelerate the execution of frameworks of accountability with ccTLDs. One aspect of these discussions is how to secure a more consistent base of funding from these stakeholders.

- ICANN is presently completing the process of establishing new sponsored TLDs and has undertaken a study to determine how best to allocate new gTLDs. Where new TLDs are established, ICANN will undertake separate technical and commercial negotiations with each one. Depending upon the business model of each, ICANN will realize some reasonable revenue stream from each TLD. Those revenue models may differ significantly from the ones presently locked in with existing registries. This model also applies to the negotiations to take place for existing gTLDs in the near future.

- ICANN continues dialogue with several stakeholders who view a strong, vibrant ICANN as necessary for the stability of the Internet and therefore necessary for the stability of substantial business segments these stakeholders manage. These stakeholders have indicated that there is a substantial opportunity for commercial organisations that benefit directly from successful operation of ICANN's functions to contribute to some of the associated costs.

  With that in mind, ICANN proposes to engage these stakeholders and other commercial entities that profit from the stability and operation of the Internet and those who underwrite those who profit from Internet interoperability.

ICANN expects some impact from these sources during the upcoming fiscal year. As revenues increase from new sources, fees accruing from existing substantial contributors, such as the registrars will be reduced.

# FY 2006-2007 REVENUE PROJECTION

| | Jul-Sep '06 | Oct-Dec '06 | Jan-Mar '07 | Apr-Jun '07 | *Total FY07* | *Notes* |
|---|---|---|---|---|---|---|
| | | | | | | |
| *gTLD Registrar Revenues* | | | | | | |
| **Transaction Based Registrar Fee** | $3,600,000 | $3,636,000 | $3,672,360 | $3,709,084 | $14,617,444 | (1) |
| **Variable Registrar Support Fee** | $950,000 | $950,000 | $950,000 | $950,000 | $3,800,000 | (2) |
| **Registrar Application Fees** | $22,500 | $22,500 | $22,500 | $22,500 | $90,000 | (3) |
| **Annual Registrar Accreditation Fees** | $160,000 | $160,000 | $160,000 | $160,000 | $640,000 | (4) |
| **Subtotal:  Registrar Revenues** | $4,732,500 | $4,768,500 | $4,804,860 | $4,841,584 | $19,147,444 | |
| *Registry Revenues* | | | | | | |
| **gTLD Registries** | $3,336,900 | $3,436,900 | $3,611,290 | $3,646,659 | $14,031,749 | (5) |
| **IP Address Registries** | $205,750 | $205,750 | $205,750 | $205,750 | $823,000 | (6) |
| **Subtotal:  Registry Revenues** | $3,542,650 | $3,642,650 | $3,817,040 | $3,852,409 | $14,854,749 | |
| *ccTLD Registry Revenues* | | | | | | |
| **ccTLD Registry Fees** | $0 | $0 | $300,000 | $0 | $300,000 | |
| **ccTLD Voluntary Contributions** | $0 | $0 | $200,000 | $1,000,000 | $1,200,000 | |
| **Subtotal:  ccTLD Fees & Contributions** | $0 | $0 | $500,000 | $1,000,000 | $1,500,000 | (7) |
| **Miscellaneous Income** | $10,000 | $10,000 | $10,000 | $10,000 | $40,000 | |
| **Less Bad Debt or Bad Debt Allowance** | ($387,951) | ($389,337) | ($390,737) | ($392,151) | ($1,560,177) | (8) |
| **Total Revenues** | $7,897,199 | $8,031,813 | $8,741,163 | $9,311,841 | $33,982,016 | |

**Notes:**

(1)   Pending gTLD registrar approval: $0.25 per transaction fee remains constant with previous year and assumes conservative growth in number of registrations

(2)   Pending gTLD registrar approval: assumes same fee as previous year

(3)   Based upon three accreditation applications per month

(4)   Based upon reduction to approximately 160 registrars

(5)   Projected fees from each gTLD registry

| gTLD Registry | Amount | Comment |
|---|---|---|
| .com | $6,000,000 | pending approval of agreement with VeriSign |
| .net | 6,699,000 | transaction based fees; agreement approved |
| .org | 410,000 | transaction based fees; pending conclusion of on-going negotiations |
| .biz | 204,000 | transaction based fees; pending conclusion of on-going negotiations |
| .info | 226,000 | transaction based fees; pending conclusion of on-going negotiations |
| .museum | 5,000 | per existing agreement (new agreement will not materially affect revenue) |
| .coop | 5,000 | per existing agreement (new agreement will not materially affect revenue) |
| .aero | 5,000 | per existing agreement (new agreement will not materially affect revenue) |
| .name | 121,900 | per existing agreement (new agreement will not materially affect revenue) |
| .pro | 121,900 | per existing agreement (new agreement will not materially affect revenue) |
| .travel | 57,000 | sTLD agreement approved; transaction based fees |
| .jobs | 35,000 | sTLD agreement approved; transaction based fees |
| .mobi | 56,250 | sTLD agreement approved; transaction based fees |
| .cat | 8,750 | sTLD agreement approved; transaction based fees |
| .tel | 47,500 | sTLD agreement approved; transaction based fees |
| Total gTLDs | $14,031,050 | |

(6)   RIR fees same as budgeted last year

(7)   Projects (approximately) 50% growth in fees received from ccTLDs pending completion of ccNSO developed fee plan

(8)   Allowance for non-collection of payments in certain areas

# Proposed Budget Schedules and Notes

| | 2005-2006 Approved Budget | Year-End Total Projection | Difference Projection to Budget | Proposed 2006-2007 Budget | Difference Budget to Budget | Difference Budget to Projection | See Notes in Text |
|---|---|---|---|---|---|---|---|
| **EXPENDITURES** | | | | | | | |
| **Staff Full-Time at Year-End** | 69 | 59 | (10) | 89 | 20 | 30 | (1) |
| **Base Expenditures** | | | | | | | |
| Personnel | $8,312 | $7,326 | ($986) | $12,453 | $4,141 | $5,127 | (2) |
| Professional and Technical Services | 5,665 | 5,104 | (561) | 7,205 | 1,540 | 2,102 | (3) |
| Board Meetings & Other Travel | 3,766 | 3,648 | (118) | 5,903 | 2,137 | 2,255 | (4) |
| Administrative & Systems | 4,219 | 1,936 | (2,282) | 4,343 | 125 | 2,407 | (5) |
| Capital Expenditures | 592 | 502 | (90) | 510 | (82) | 8 | (6) |
| *Subtotal:  Base Expenditures* | **$22,554** | **$18,516** | **($4,037)** | **$30,415** | **$7,862** | **$11,899** | |
| **Other Expenditures** | | | | | | | |
| NomCom | 175 | 57 | (118) | 224 | 49 | 167 | (7) |
| Ombudsman | 259 | 236 | (23) | 339 | 80 | 102 | (8) |
| *Subtotal:  Other Expenditures* | **$434** | **$293** | **($141)** | **$562** | **$128** | **$269** | |
| Total Expenditures | **$22,988** | **$18,809** | **($4,179)** | **$30,977** | **$7,990** | **$12,168** | |
| | | | | | | | |
| **Base Revenues** | | | | | | | |
| *gTLD Registrar Revenues* | | | | | | | |
| Transaction Based Registrar Fee | $11,788 | $14,081 | $2,293 | $14,617 | $2,829 | $537 | (9) |
| Variable Registrar Support Fee | 3,800 | 3,800 | 0 | 3,800 | 0 | (0) | (10) |
| Registrar Application Fees | 90 | 796 | 706 | 90 | 0 | (706) | (11) |
| Annual Registrar Accreditation Fees | 774 | 2,308 | 1,534 | 640 | (134) | (1,668) | (12) |
| **Subtotal:  Registrar Revenues** | **$16,452** | **$20,985** | **$4,533** | **$19,147** | **$2,695** | **($1,837)** | |
| *Registry Revenues* | | | | | | | |
| gTLD Registries | 5,724 | 4,384 | (1,340) | 14,032 | 8,308 | 9,648 | (13) |
| IP Address Registries | 823 | 823 | 0 | 823 | 0 | 0 | (14) |
| **Subtotal:  Registry Revenues** | **$6,547** | **$5,207** | **($1,340)** | **$14,855** | **$8,308** | **$9,648** | |
| *ccTLD Registry Revenues* | | | | | | | |
| ccTLD Registry Fees | 222 | 255 | 157 | 300 | 78 | (79) | |
| ccTLD Voluntary Contributions | 800 | 379 | (545) | 1,200 | 400 | 945 | |
| **Subtotal:  ccTLD Contributions** | **$1,022** | **$634** | **($388)** | **$1,500** | **$478** | **$866** | (15) |
| Miscellaneous Income | 35 | 78 | 43 | 40 | 5 | (38) | |
| Less:  Bad Debt Allowance | 500 | 1,563 | 1,063 | 1,560 | 1,060 | (3) | (16) |
| Total Revenues | **$23,556** | **$25,341** | **$1,785** | **$33,982** | **$10,426** | **$8,641** | |
| Contribution to Reserve | **$568** | **$6,532** | **$5,964** | **$3,005** | **$2,436** | **($3,528)** | |

# Notes to Fiscal Year 2005-06 Expense and Revenue Projections

(1) The fiscal year 2006-07 budget calls for a final staff size of 89 by the end of the fiscal year. This represents an increase of twenty positions beyond that budgeted in the previous fiscal year. ICANN continues to fill the positions budgeted last year.  Incremental staffing will address project-based and "business as usual" operational requirements as described below.  As outlined in the Operating Plan budget summary, the project-based activities utilize approximately 44 staff full-time equivalent positions.  Additionally, new staff will fulfill the requirements described in the succession plan – a key section of contingency planning.

The fiscal year 2006-07 budget incorporates a new organisational framework for ICANN with the following broad functions:

- Policy Development – support ICANN's various supporting organizations and committees

- Global Partnerships and related Representation – develop, manage and leverage relationships throughout the global internet community

- Stakeholder Messaging – ensure the consistent deliver of key messages through the media and community and effective two-way communication

- Operations – ensure consistent quality across ICANN's processes and operations and provide support functions

- Services – providing excellent response to ICANN's customers of IANA services, and registry and registrar liaison functions; managing important initiative such as the deployment of IDNs and the designation of new TLDs

- General Counsel – provide legal advice, litigation support, and Board Secretariat function

Under the revised organisational structure, key new positions in each functional include:

- Global Partnerships and related Representation

    o Regional Liaisons: Two additional regional liaisons that will serve the Asia/Pacific region

    o GAC Support or Liaison Staff

- Stakeholder Messaging

  o Executive Officer & Vice President, Corporate Affairs: This is not an incremental position to the prior year budget, but has been re-titled with a focus directly on outside messaging. The Executive Officer will oversee staff responsible for media relationships, corporate communications and public participation. The function will also support the Board and complement the Services area by developing/monitoring customer relationships with TLD and RIR registries.

  o Media Relations Officer: A dedicated press officer to work solely with journalists

  o Web Editorial & Content Manager: to improve the ICANN website in accordance with the Operating Plan objectives and then to provide timely and meaningful content and also to provide access to the constituency groups in the ICANN community.

- Operations & Client Services

  o Senior Vice President, Operations: With the increasing challenge of serving a growing number of registrars and registries, as well as managing the process of new gTLD formation, it is now essential to split the present position of Vice President, Operations into two executive positions. The incremental position of Senior Vice President, Operations, will be responsible for ICANN's financial management, human resources, and information technology, office management and overall business process quality, responsiveness and managerial reporting.

    The position already budgeted as Vice President, Operations has been re-titled as Senior Vice President, Services and will serve ICANN's external customers (i.e. the IANA customers, registrars and registries).

  o Quality Assurance Manager: to oversee a quality assurance program and monitor and report performance against plan. Initiate and manage continual improvement initiatives.

  o Accounting Manager: As the organisation grows and the reporting requirements increase, the Accounting Manager will report to the Chief Financial Officer and oversee the receivables and payables functions. This staff addition will increase the capacity of the Chief Financial Officer to address strategic projects to support the organisation.

  o Information Technology support: Three positions have been added to include an application developer, a systems administrator, and two network engineers to support the project-based activities as well an continued "business as usual" requirements of the organisation.

o   Compliance staff: In order to review and augment the organisation's compliance program, including its system for auditing material contracts for compliance by all parties to such agreements, ICANN will continue to grow to ensure compliance in the following subject areas:

- Whois service and accuracy obligations
- Inter-registrar Transfers
- Agreements with registrars and registries

o   IDN project staff: Three full-time staff will be augmented by assignments from other departments to provide necessary expertise on a part-time basis as needed. The three full time staff are: Project Director, Project Technical Staff, and Project Coordinator.

o   Registry Liaison: In order to address the growing number of registries and work to provide clear criteria for the addition of new registries.

o   IANA Liaisons: Two liaisons serving the IETF and the RIR Addressing organisations are included in the FY 2006-07 budget.

(2) This line item represents the costs associated with the personnel changes detailed in Note (1). Not all positions will be filled for the full 12 months.  They will be filled in accordance with a planned growth model to ensure all efficiencies can be employed. Note that positions are considered full-time (except where noted) staff positions even though they may, in the interest of economy, be filled by contract personnel.

Of the $4.1MM increase from last year's budget, approximately $1.0MM is due to "annualisation" of new hires this past year and salary increases.  By "annualisation" it is meant that several new positions were hired during FY 2005-06; therefore a full-year salary was not budgeted for those positions then, but a full-year salary is budgeted for those positions in FY 2006-07.

The $5.1MM difference between year-end projection and the budget is because many hiring decisions were delayed due to the six-month lag between the start of FY 2005-06 and the increase in revenue flow due to the delay in registrar approval of the budget.

(3) This line item increased due to the outsourcing of services described in the Operating Plan. [The Project dedicated funds in the budget is approximately $4.6MM.] As described in that plan, ICANN is retaining appropriate expertise for the period of time necessary to accomplish a specific objective. As project plans are executed, ICANN will continually investigate whether retained expertise is necessary to accomplish an end; or it is more economical to bring the expertise in-house as full-time staff.

This line item also includes litigation expense. ICANN is presently involved in several suits. The amount budgeted for this line item has decreased in relation to last year's budget and actual expenses. Additionally, ICANN is engaging the services of independent review panel services, limited public relations services, and other consultants who will be engaged if the effort is required and if their engagement represents real cost savings as compared to the expense of utilizing staff.

(4) This line item includes budget for ICANN meetings, Board travel and staff travel. Also included are ICANN attended or sponsored meetings as indicated in the operating plan. This year ICANN has also included a provision to provide some assistance to selected volunteer members of the ICANN community who could not otherwise attend task force or other ICANN meetings. Travel assistance will be provided on a case-by-case basis only after the trip request is evaluated and deemed to have a value-added component for ICANN and the community.

(5) These costs, a major component of ICANN expenses, have historically remained flat despite increases in staffing and other areas. The small increase this year in relation to last year's budgeted amount is due to increases in: insurance costs (insurance not related to employee benefits), employee relocation (historically zero), and communications. This item includes L-root and other Tech Ops support costs.

(6) Capital purchases generally include acquisitions of equipment over $10,000 per piece. Other equipment includes upgrades to IANA registry equipment, relocation to more economical offices in Brussels, re-location of non-root server functions to off-site facilities in compliance with ICANN contingency improvements, web casting equipment, root server upgrades, and limited teleconferencing equipment to enhance communications with stakeholders.

(7) The Nominating Committee again is charged this year with filling certain seats on the ICANN Board of Directors and advisory committees. The present committee will meet face-to-face twice during the fiscal year. (I.e., the successor committee will also meet during the same fiscal year.) In addition to these travel costs, the amount budgeted will cover administrative costs, e.g., teleconferences, documentation distribution, advertising for candidates and administrative support.

(8) The ICANN Ombudsman was established in accordance with the bylaws. FY 2005-06 was the first full year of operations for this function. The Ombudsman makes monthly reports to the ICANN Board regarding work to date. This money funds the direct costs associated with this office. Indirect costs are funded separately by ICANN.

(9) Pending gTLD registrar approval, this year's budget holds constant from last fiscal year the $0.25 transaction fee. Transaction based fees are fees paid through the registrar for every new subscription, renewal or transfer. The budget assumes conservative growth in the number of registrations. As described in the revenue projections above, if the registrars do not approve the fee structure there are various pass-through mechanisms described in the gTLD registry agreements that will replace a portion of this revenue.

(10) This year's budget holds constant from last fiscal year the $3.8MM fee to be divided on a per registrar basis. While certain ICANN expenses related to supporting registrars are based upon the number of transactions (i.e. the size of the registrar), many costs are essentially equal for all registrars regardless of size (i.e. aspects of a contractual compliance program). Therefore, ICANN will allocate $3.8 MM to registrars on a per registrar basis. Given the present number of registrars, that fee is estimated to be $5,500 per registrar annually. If the number of registrars drops, as forecasted in some areas, the fee will increase. If there are, say, 200 gTLD registrars at the time of invoicing, the fee would be $4,750 for that quarter ($19,000 annually). As described earlier in this document, a portion of the fee can be forgiven if certain conditions are met.

(11) ICANN continues to experience a significant number in registrar applications and related fees. However, with the potential introduction of new registry services, it is anticipated that the number of accreditation applications will be reduced in FY 2006-07. Accreditation applications for this budget year are estimated at three accreditation applications per month.

(12) Fixed accreditation fees will remain constant ($4,000) and for accreditation to all registries. With the potential introduction of new registry services, it is anticipated that the number of accredited registrars will be reduced in FY 2006-07.

(13) gTLD revenue is described in detail in notes to the Revenue table above. Looking forward, ICANN is undertaking several initiatives to increase revenues in this area in the long term: designation of new TLDs, deployment of IDNs, completion of the sTLD round, and negotiation of gTLD renewals.

(14) Projected IP Address registry revenue is held constant with that planned in the current fiscal year.

(15) ICANN believes significantly more revenue should be generated from the ccTLDs than has been realized in the past. This goal reflects a 50% increase in revenue beyond the previous year. Additional revenue will be based on successfully communicating the real value provided by ICANN services. ICANN has retained staff whose central purpose will be to communicate and execute agreements with ccTLDs in order to stabilize relationships and revenue across this global community.

(16) "Bad debt" has been increased proportionally with the revenue budget.