Draft FY10 Operating Plan and Budget
Fiscal Year Ending 30 June 2010

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1.   Introduction

At the Sydney ICANN meeting in June, 2009, the ICANN Board will consider the final FY10 Operating Plan and Budget which covers the period for the fiscal year ending 30 June 2010. The FY10 Operating Plan and Budget Framework was posted in mid-February 2009 to solicit community feedback. The Framework was discussed with members of the ICANN community at the Mexico City meeting in March 2009, through online public comment fora, and through consultations with ICANN constituencies. The draft Plan was refined based on that feedback, and by further staff work to improve estimates and to clarify the plan for FY10. The draft FY10 Operating Plan and Budget generally follows the Framework including the operating activities and budgets for revenues and expenses, and includes:

- A description of the operations planning and budgeting process including the critical requirement for community involvement in that process
- The highlights of the annual operating plan, describing the key outcomes that ICANN has set out to achieve
- The annual proposed budget including explanations of the revenue expectations and general spending plans for the fiscal year ending 30 June 2010

Although the draft FY10 Operating Plan and Budget generally follows the Framework, this draft does incorporate changes suggested through community feedback on the Framework as well as refinement of the operating plan activities and budget estimates. In addition, ICANN's budget includes additional views/analysis of ICANN's budget (see Appendix C)) and a multi-year view of ICANN's finances (see Appendix D) are provided.

In accordance with ICANN's Bylaws this draft FY10 Operating Plan and Budget is posted 45 days before fiscal year end, i.e., 17 May 2009. Further community feedback is encouraged through another round of public feedback on-line, as well as through consultations with stakeholder groups. After public comment, feedback and input from the ICANN community, and discussions with the ICANN Board of Directors, the budget is expected to be adopted by the ICANN Board at its Sydney meeting in June 2009.

2.   Executive Summary

The ICANN Operating Plan and Budget are derived from the approved Strategic Plan and sets forth the planned work priorities and goals for ICANN as well as the resources required to deliver on those goals. At the highest summary level, the proposed FY10 organizational activities, and the resources required to perform them, are:

Organizational Activities	Draft FY10 Budget
New gTLD Implementation and Delegation	7,605
IDN Implementation	1,257
New gTLD / IDN efforts	**8,862**
IANA and Technology Operations Improvements	5,040
Security, Stability and Resiliency Operations(SSR)	5,755
Contractual Compliance	3,155
Core Meeting Logistics	5,190
Constituency Support	6,041
Policy Development Support	5,339
Global Engagement and Increasing International Participation	6,619
DNS Operations	1,199
Administrative improvement and other operations such as Board Support, NomCom support, Ombudsman and Community travel support	7,168
ICANN Core (w/o New gTLD)	**45,506**
	54,368

Figure 1 – FY10 Draft Organizational Activities ($000)

ICANN has now completed its 10th year of operations and this FY10 draft Operating Plan and Budget reflects a growing organization working to attain operational maturity in many areas. Many of the organizational support elements envisioned for ICANN have been completed at a level that they can provide adequate support for the current scale of community work. As a result, ICANN's spending growth is anticipated to slow substantially in this budget as compared with previous years (4.9% compared with 30.1% in FY09). Some areas still require further

investment, including contractual compliance, technology operations and two more regions for Global Partnerships coverage.

FY09 has proven to be one of the most significant in ICANN's history. In this year ICANN will have:

- Made New generic Top Level Domain (gTLD) plans concrete through several drafts of the applicant guidebook, and as modified and amended by community feedback
- Made IDN ccTLD plans concrete through two drafts of the implementation plan and as modified and amended by community feedback
- Achieved a plan for GNSO improvements, and embarked solidly down that road;
- Achieved at-or-near readiness for DNSSEC operational capability; and
- Continued to improve accountability and transparency through the Improving Institutional Confidence initiative, financial reporting, public comment analysis response, and more.

FY09 is also proving to be particularly challenging. There is the clear turbulence and downturn in the world economies. The economic situation has caused ICANN to carefully consider delaying any expenditure that can be delayed without impacting key deliverables. ICANN will likely under run its FY09 budget through some explicit cost controls. It is also true that extensive feedback regarding the New gTLD Program will result in a third version of the Applicant Guidebook, and an overall shift in timing for starting this new program. This will defer some expenses into the FY10 Plan.

Until approval of the final Operating Plan and Budget, ICANN staff and Board continue to welcome community comments regarding ICANN activities that could be streamlined, reduced or deferred. Some specific areas that could benefit from consideration are:

- Is the approach to meetings scaling with the ICANN community's size and diversity, and work style over time? Should ICANN take action in FY10 to reduce or redirect the substantial expense – both directly by ICANN and indirectly by participants – in three meetings around the world?
- As ICANN grows to support application processing for the New gTLD Program, what is the best way to staff (hire vs. outsource) and what are the appropriate geographic locations for this effort?
- How would the community prioritize work such that the costs to support additional activities do not continue to grow too quickly?
- How can ICANN better report on and measure the effectiveness of activities such as outreach and policy development, so as to allow these areas to be fine tuned/improved?
- What other ideas does the community have for prioritization or cost reduction consistent with the Strategic Plan goals?

The budgeted revenue for FY10 is estimated to be $63.6 million (6% increase from FY09 budget). Note: this is a decrease from the $67.6 million of revenue initially estimated in the Framework posted before the Mexico City meeting. This reduction of $3.0 million is primarily due to a revised transaction volume estimate and a planned registrar fee reduction to accelerate universal adoption of the new Registrar Accreditation Agreement (adoption anticipated in May). Operating expenses are budgeted at $54.4 million (4.9% increase from FY09 budget). The overall operating expenses budget has remained at the levels described in the Framework posted before the Mexico City meeting although, in response to community feedback, more travel support funding has been added with the offset being to delay other programs slightly. (Details

about travel funding will be forthcoming in a separate document.)The decline in budgeted revenue budget will be partially offset by a reduction in contingency budget and a decrease in the expected contribution to Reserve.

This budget includes hiring and other expenses necessary to be ready to launch the New gTLD Program and ccIDN program, but not the resources to actually implement application processing for the programs. The New gTLD Program will have a separate budget submission (where cost and revenues will offset) nearer the time of program launch.

3.   The Planning Process

ICANN's Strategic Plan describes the organization's priorities and deliverables over the three year planning period. ICANN's Operating Plan and Budget describes how that strategy will be implemented by the organization.

ICANN's draft FY10 Operating Plan and Budget development cycle begins with the completion of the Strategic Plan. During the first six months of each fiscal year, community planning efforts focus on the Strategic Plan. After this plan is reviewed and approved, the second six months of the fiscal year is spent developing the Operating Plan and Budget. The following chart depicts the timing of strategic planning and operating planning activities at ICANN:

Strategic Planning (Jul – Jan)   **Operating Planning (Jan – Jun)**
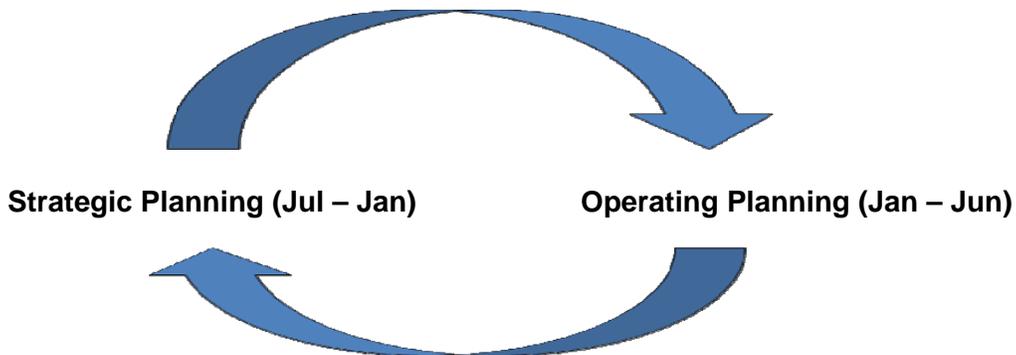
The timing of the development of the FY10 Operating Plan and Budget continues the trend to create opportunities for the community to provide input as early as possible. This is depicted in the following chart:
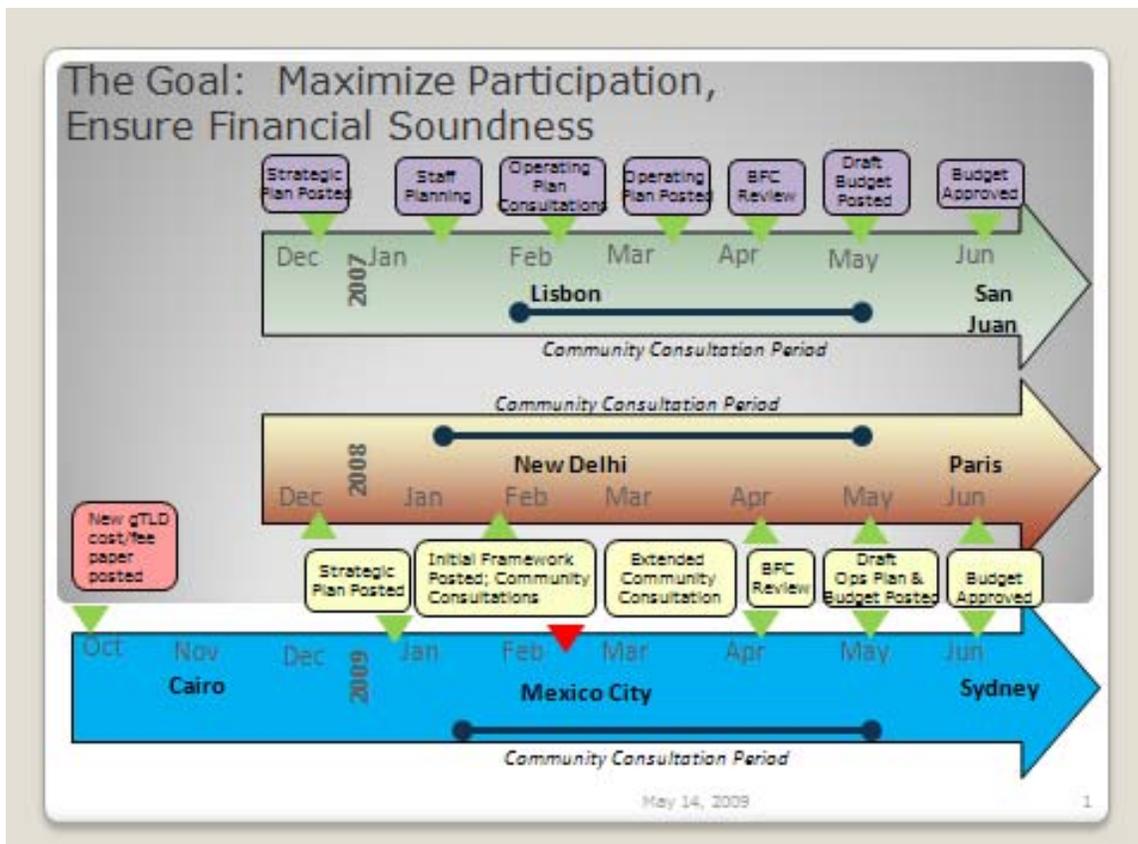
3.1   The Strategic Plan

ICANN's approved July 2009 – June 2012 Strategic Plan identifies the following priorities:

1.   Implement IDNs and New gTLDs

2.   Enhance security, stability and resiliency in the allocation and assignment of the Internet's unique identifiers

3.   Monitor the depletion of IPv4 address space and provide leadership towards IPv6 adoption

4.   Improve confidence in the gTLD marketplace

5.   Strive for excellence in core operations

6.   Strengthen processes for developing policy

7.   Strengthen ICANN's multi-stakeholder model to manage increasing demands and changing needs

8.   Globalize ICANN's operations

9.   Ensure financial accountability, stability and responsibility

3.2   FY10 Operating Plan and Budget

During the second half of the fiscal year, ICANN directs its planning activities toward preparing the Operating Plan and Budget for the following fiscal year. At this time, the priorities identified in the Strategic Plan are translated into the key objectives within the FY10 Operating Plan and Budget.
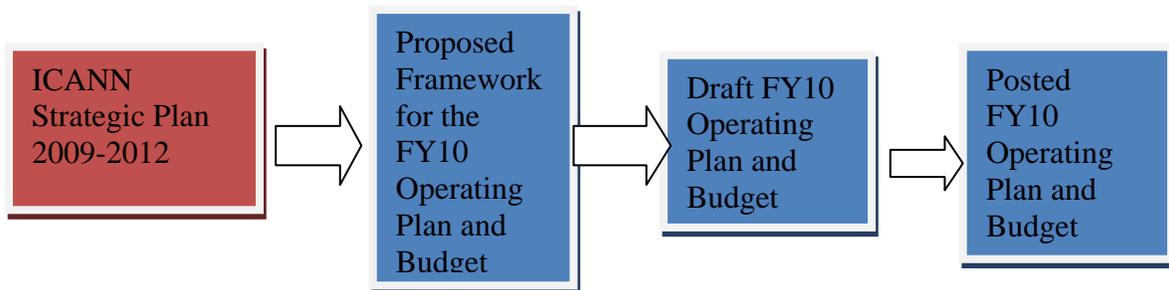
The overarching goals for the FY10 Operating Plan and Budget process this year are to allow for broad community participation and ensure financial soundness of the plan. This process commenced in October 2008, with a paper posted that analyzed New gTLD costs and fees along with ICANN undergoing a multi-year New gTLD Impact Analysis. The approval of the 2009-2012 Strategic Plan occurred on 3 February 2009.

The Board Finance Committee was actively involved in discussion and formation of the FY10 Operating Plan and Budget Framework, which was posted before the 34th ICANN International public meeting in Mexico City held from 1-6 March 2009. ICANN engaged in an extended community consultation period prior to, during, and after the Mexico City meeting. The consultations have continued through the posting of this draft FY10 Operating Plan and Budget.

Every year, ICANN is required under its Bylaws to post its draft Operating Plan and Budget by 17 May (i.e., 45 days before its fiscal year end). After posting of the draft FY10 Operating Plan and Budget, ICANN's constituencies will be further consulted and another public comment period

will be opened. After possible amendments in accordance with the feedback, constituency consultation and recommendations from the Board Finance Committee, the final FY10 Operating Plan and Budget will be submitted to the Board at its regularly scheduled Board meeting in June.

Adoption of the FY10 Operating Plan and Budget

The Board will consider the FY10 Operating Plan and Budget at the Sydney ICANN meeting in June 2009.

Community Input/Feedback

This year ICANN continued to extend the approach of allowing more time for community consultation and to provide additional input on the FY10 Operating Plan and Budget. In mid-February 2009, the process was launched with the posting of the FY10 Operating Plan and Budget Framework. As compared with last year, this early Framework posting was much more detailed, allowing for more detailed comments and initiating community discussions at the Mexico City ICANN meeting.

Twelve consultations and a public comment period were held between February and early May 2009 on the FY10 Operating Plan and Budget including face to face meetings, conference calls, and online public fora with many stakeholder groups, constituencies and individuals. Community input has been factored into the draft FY10 Operating Plan and Budget.

A summary of the 18 public comments on the FY10 Framework and the 11 comments on the Travel Support policy, the analysis of those comments, and the responses to those comments is provided in the ICANN public comment area .

Further feedback on this draft FY10 Operating Plan and Budget is encouraged from the community in the following ways:

- Post a comment on the ICANN public comment page appropriate for feedback on the Operations Plan and Budget.
- Ask the chair of your constituency to schedule a consultation with ICANN staff (contact Chief Financial Officer, Kevin Wilson).
- Comment at a public session at ICANN's meeting in Sydney (June 2009)

In addition, the planning and budget team will formally be seeking feedback from the community by requesting meetings with ICANN constituency groups, supporting organizations, and advisory committees, before Sydney via conference calls or in person during the Sydney meeting.

4.   FY10 Operating Plan

The draft FY10 Operating Plan and Budget generally follows the FY10 Framework with some increase in travel support offset by slight reductions in other functional areas. The work plan called for in the FY10 Operating Plan and Budget is a challenging undertaking, with the launching of New gTLDs, IDN ccTLD fast track, and increasing Security Initiatives.

The organizational activities to be performed in FY10, and the required resources, are summarized in the following table:

Organizational Activities	Draft FY10 Budget	FY09 Budget	Change from FY09	
1-New gTLD Implementation and Delegation	7,605	8,672	(1,067)	-12.3%
2-IDN Implementation	1,257	1,375	(118)	-8.6%
New gTLD / IDN efforts	**8,862**	**10,047**	**(1,185)**	**-11.8%**
3-IANA and Technology Operations Improvements	5,040	4,311	729	16.9%
4-Security, Stability and Resiliency Operations(SSR)	5,755	4,944	811	16.4%
5-Contractual Compliance	3,155	2,457	698	28.4%
6-Core Meeting Logistics	5,190	5,128	62	1.2%
7-Constituency Support	6,041	5,855	186	3.2%
8-Policy Development Support	5,339	4,902	437	8.9%
9-Global Engagement and Increasing International Participation	6,619	6,348	271	4.3%
10-Community Travel Support	1,722	1,451	271	18.7%
11-Ombudsman	451	450	1	0.2%
12-Board Support	2,393	2,389	4	0.2%
13-Nominating Committee (NomCom) Support	760	785	(25)	-3.2%
14-DNS Operations	1,199	1,033	166	16.1%
15-Administrative improvement	1,842	1,716	126	7.3%
ICANN Core (w/o New gTLD)	**45,506**	**41,769**	**3,737**	**9.0%**
	54,368	**51,816**	**2,552**	**4.9%**

Figure 2 – FY10 Organizational Activities ($000)

While the overall operating plan has remained at the levels described in the FY10 Framework posted for community feedback in Mid February before the Mexico City meeting, there have been some adjustments. Most notably, in response to community feedback, more travel support funding has been added with the offset being to delay other programs slightly.

These organizational activities are briefly described below. More details, including key deliverables for each activity, are available in Appendix A.

4.1   New gTLD Implementation and Delegation

The implementation of a process for the introduction of New gTLDs is one of the two most significant changes to the name space (the other being IDNs). Expansion of gTLDs has the potential to significantly increase competition and choice for consumers and provide the opportunity for innovative, creative and valuable application of TLDs for Internet users. As stated in the Strategic Plan, the principal objective for this priority is to have New gTLDs delegated in the root, during FY10, with the processes to support them embedded in standard operations.

The New gTLD portion of the FY10 budget is $7.6 million (vs. $8.67 million in FY09, a 12.3% decline) and includes the staff, professional services, and technical costs required to complete the development of the implementation of the New gTLD policy recommendations as well as those costs necessary to prepare for New gTLD application processing (e.g. advanced staffing of the application processing function). A separate New gTLD budget will be proposed at a later time prior to launch that will address the additional costs to process applications (e.g. staff and consultants to process applications). This separate New gTLD budget, along with the revenue from evaluation fees, is described in Section VII.

New gTLD Program development costs are projected to decline in FY10 from FY09 because the project, though delayed as mentioned previously in this document, will be reaching completion. FY09 gTLD forecasted costs are below the FY09 budget levels largely due to the delays in the plans for the New gTLD Program. Many of these unspent resources are still required in FY10 to complete the implementation of this program along with the costs for additional studies and preparation of an additional draft of the Applicant Guidebook.

4.2   IDN Implementation

The introduction of IDN TLDs at the top level, as well as the launch of IDN ccTLDs within the fast track process, remains a priority for ICANN, with the intent to fulfill a global need for domain names in the scripts and languages of the world. The IDN ccTLD fast track implementation plan will be completed in accordance with the recommendation from the IDNC working group, and when executed, will result in the delegation of IDN ccTLDs in the root zone. The IDN implementation portion of the FY10 budget as proposed is $1.26 million (vs. $1.38 million in FY09, an 8.6% decline). As with the New gTLD Program, this cost is projected to decline in FY10 because the implementation program will end. Some of the FY09 expense will be under run, and deferred into FY10.

4.3   IANA and Technology Operations Improvements

The IANA department will need to grow to accommodate process development and execution associated with New gTLDs and ccIDNs. ICANN's internal organization is adapting to address the expectation of additional operational requirements accompanying new services, including: DNSSEC, scaling the number of TLDs, and other online services such as the Interim Trust Anchor Repository. At one time software and computer operations resources were decentralized across ICANN (in IANA and elsewhere). These operations are now being centralized, with additional people and resources invested in expertise in DNS operations and high-availability computer and network operations. The proposed FY10 budget for IANA and Technology Operations Improvements is $5.04 million (vs. $4.31 million in FY09, a 16.9% increase) most of which is for new hires and consultants to develop required software applications broadly across ICANN's

needs, as well as to improve processes to anticipate the impact of the New gTLD and IDN programs.

4.4   Security, Stability and Resiliency Operations (SSR)

Ensuring Security, Stability and Resiliency (SSR) of the DNS and other unique identifiers in a changing global environment is a core part of ICANN's mission. It requires ICANN to work effectively with other Internet stakeholders to enhance and protect the security and stability of the Internet, especially with the expected growth due to increased number of IDNs and TLDs in the root and the signing of DNSSEC. The proposed FY10 budget for SSR is $5.76 million (vs. $4.94 million in FY09, a 16.4% increase) and includes funds for technical support systems, professional services for DNSSEC and other initiatives.

4.5   Contractual Compliance

ICANN's contractual compliance activities grew significantly in FY09. This included an enhanced Whois Data Problem Reporting System, adding staff in Washington DC, and a new Senior Director in Los Angeles, and increased levels of audit and enforcement activity. ICANN will continue to invest and grow this function in FY10. The proposed FY10 budget for contractual compliance is $3.16 million (vs. $2.46 million in FY09, a 28.4% increase). This includes funds for new hires such as a WHOIS compliance manager and auditors as well as funds for Whois data accuracy studies.

4.6   Core Meeting Logistics

The FY10 budget assumes that there will be little change to the current meetings approach in FY10, and that any changes would influence the FY11 budget. The proposed FY10 budget for core meeting logistics is $5.2 million (vs. $5.13 million in FY09, a 1.2% increase) includes all staff and other costs required to support the venue and set-up of the thrice-annual ICANN and other meetings.

4.7   Constituency Support

Changes to the makeup of the ICANN community, stemming from the addition of IDNs and gTLDs, will increase the number of registries and registrars around the globe. Increased support for these constituencies continues to be a priority for ICANN. Staff is working to make procedures and operations of the constituencies more transparent, accountable and accessible in order to increase global participation in, and understanding of, the activities of the constituencies. The proposed FY10 budget for constituency support is $6.04 million (vs. $5.86 million in FY09, a 3.2% increase). The increase includes additional staff to support registries and registrars to serve regions such as East Asia. FY10's budget (as in FY09) includes amounts for Registrar Data Escrow, estimates for Registry Services Evaluation Policy, secretariat support for AC's and SO's, and active participation in the GNSO policy development process activities which directly impact gTLD registries and ICANN-accredited registrars.

4.8   Policy Development Support

ICANN has continued to invest in processes to ensure policies are developed as fairly, effectively and expeditiously as possible to meet the needs of the growing, globally diverse community. There has been significant increase in the volume of policy and policy management work over the past fiscal year and this level of work is expected to continue in FY10. In addition, the Board has asked the community and Staff to implement numerous improvement initiatives for ICANN's policy structures. The proposed FY10 budget for policy development support is $5.34 million (vs. $4.9 million in FY09, a 8.9% increase) and includes efforts for converting funds from SO's and AC's policy development and advice to implementation team as well as funds for increased

services, programs, and tools to train future leaders in all constituency groups in the area of policy development.

4.9   Global Engagement and Increasing International Participation

ICANN needs to continue globalization of all aspects of its operations, in support of maintaining its bottom up, consensus-based multi-stakeholder model, being responsible and responsive to a global stakeholder community, and appropriately and effectively servicing the needs of a multi-lingual global stakeholder base. One aspect of this is reaching out to, and engaging with, an increasing and diverse number of stakeholders and organizations. In this regard, Global Partnerships Managers of Regional Relations (MRRs) are responsible for engaging with all regions and respective stakeholders in relation to ICANN's strategic and operational plan, including providing information on what ICANN does, facilitating participation and providing regional support of key projects and initiatives with stakeholder specific constituent groups. In addition, MRRs participate in relevant trainings and education to the internet community in the growing ICANN regions (where appropriate with partner organizations), engage with international organizations on issues relevant to ICANN's mission and conduct on-on-one briefings with all stakeholders, including governmental and regulatory representatives on local and regional levels. In relation to the developing countries, the fellowship program also plays an important role in facilitating the participation of stakeholders from least and less developed economies, and ensuring an alumni program to facilitate implementation of knowledge. Additional to this is the work of participation and facilitating multilingual communication, including through translation, and facilities for remote participation. The proposed FY10 budget for this important organizational activity is $6.78 million (vs. $6.35 million in FY09, a $433k or 6.8% increase) includes funding to complete the hiring of liaisons for the Asia region as well as $400K for the fellowship program and as much as $1 million for translation of documents and multiple language interpretation services for ICANN's meetings.

14.10 Travel Support for ICANN Community

In order to increase global awareness of ICANN and its mission, increase participation levels in the ICANN regions and key constituency stakeholders, and support those who may not otherwise be able to attend the International or Regional meetings, ICANN funds limited travel support for those who provide work and leadership to the ICANN community. Discussions and reviewing existing travel support policies began with community input after the Framework was posted in mid February. The majority of comments received seem to agree with need for more travel support in order to ensure the work performed by community members can be performed effectively. The draft FY10 Operating Plan and Budget allows for additional travel support over that suggested in the Framework. Discussions with the community on size and administration of this resource are continuing, and more details on this will be published shortly. The proposed FY10 budget is $1.72 million (vs. $1.45 million in FY09, an 18.7% increase).

4.11   Ombudsman

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.

4.12   Board Support

ICANN's Board consists of 15 Directors and six Liaisons, all of whom except the President and CEO are volunteers. These Board members travel to all three ICANN International public meetings as well as other intercessional meetings. The FY10 budget for Board support is $2.4

million (the same as in the FY09 budget). This resource provides focused support of the Board, their activities and goals, including support of Board committees.

4.13 Nominating Committee (NomCom) Support

The Nominating Committee appoints members to several of ICANN's key structures (including the ICANN Board). Funding for FY10 is proposed to be $0.8 million (similar to FY09) and is provided to allow for adequate administrative support, travel support for NomCom members, and professional services for candidate evaluation.

4.14 DNS Operations

Ensuring stability and security of the DNS and other unique identifiers remains a core function and a key priority for ICANN. The work in FY10 will be to maintain and improve the "L" root server by upgrading routers and DNS servers, simplifying and increasing the performance of the "L" root server architecture and deploying improved "L" root server anycast cluster monitoring and management systems. In addition, FY10 will see the deployment of ICANN's production DNSSEC-signing infrastructure that will enable ICANN to sign the zones it is responsible for in a highly secure, reliable and resilient manner. The FY10 proposed budget for DNS Operations is $1.26 million about $227k more than FY09. This includes support and funding for internal expertise in the context of a new research team, to start in FY10, which will focus on various topics related to issues facing ICANN particularly in the DNS space and will ensure ICANN remains responsible to its role and stakeholders in the emerging Internet arena. This small research group will be the subject of further consultation.

4.15 Administrative Improvement

ICANN will continue to focus on preparing for a post Joint Partnership Agreement (JPA) environment, to maintain an appropriate organizational structure to serve ICANN's increasingly globalized technical coordination functions. The proposed budget for FY10 is $1.84 million (vs. $1.71 million in FY09, a 7.3 % increase), which includes funding for ongoing operation of organizational reviews.

5.   FY10 Budget

ICANN's proposed FY10 Budget includes $63.6 million for revenue (vs. $60.7 million in FY09), $54.4 million in operating expenses (vs. $51.8 million in FY09), and $4.9 million in contributions to reserves (vs. $3.5 million in FY09). The following table describes the draft FY10 budget in $000 as compared to the budget in FY09.

	FY10 Budget	FY09 Budget	Change from FY09 Amount	Percentage
REVENUE				
Registrar	27,268	30,947	(3,679)	-11.89%
Registry	32,451	25,104	7,347	29.27%
RIR	823	823	-	0.00%
ccTLD	1,600	2,300	(700)	-30.43%
Other	1,500	1,500	-	0.00%
Total Revenue	$ 63,642	$60,674	2,968	4.89%
EXPENSES				
Personnel	23,287	19,881	3,406	17.13%
Travel & Meetings	12,065	12,482	(417)	-3.34%
Professional Services	12,456	11,886	570	4.80%
Administration	6,559	7,566	(1,007)	-13.31%
Operating Expenses	$ 54,367	$51,815	2,552	4.93%
Non Cash Expenses				
Bad Debt Expense	1,400	1,200	200	16.7%
Depreciation	1,500	865	635	73.4%
	2,900	2,065	835	40.44%
Total Expenses	$ 57,267	$53,880	3,387	6.3%
Contingency	$ 1,500	$ 3,250	(1,750)	-53.9%
Total Expenses w/ Contingency	$ 58,767	$57,130	1,637	2.9%
Change in Net Assets	$ 4,875	$ 3,544	1,331	37.56%
Capital	$ 3,285	$ 3,660	(375)	-10.25%

Figure-3: FY10 Budget

5.1   Revenue Budget for FY10

The draft FY10 budget assumes that ICANN's revenue sources will remain largely the same as in FY09. In addition to country code operators and Regional Internet Registries, generic name registrants, via generic registries and registrars, provide substantial funding for the coordination of a globally interoperable Internet through the work of ICANN. The following table summarizes by source the FY10 Revenue budget of $63.6 million as compared to FY09's budget of $60.7 million (4.9% growth).

	FY10 Budget	FY09 Budget	Change from FY09	
Registrar	27,268	30,947	(3,679)	-11.9%
Registry	32,451	25,104	7,347	29.3%
RIR	823	823	-	0.0%
ccTLD	1,600	2,300	(700)	-30.4%
Other	1,500	1,500	-	0.0%
Total Revenue	**63,642**	**60,674**	2,968	4.9%

Figure 4 – FY10 Revenue ($000)

The revenue budget estimated in the Framework was $67.6 million, and this draft FY10 revenue budgeted revenue is $63.6 million, a $4.0 million decrease from the Framework (and $3.0 million increase over FY09). Some of the reduction from the Framework in this draft FY10 revenue budget is due to a reduced estimated transaction volume, but most of the reduction is due to a reduction in the registrar revenue. The draft FY10 budgeted revenue assumes that the registrar transaction fees are reduced to $0.18 per transaction, and the registrar variable fee are reduced by 10% from $3.8 million to $3.4 million, for those Registrars that adopt the amended Registrar Accreditation Agreement (RAA).

Most of the growth in Registry fee revenue for FY10 is based upon the fixed fee increase built into the .COM contract, from $12 million per year to $18 million per year.

The following table (Figure 5) shows the historical transaction volumes and the volumes used in the draft FY10 revenue budget. The 10.1 million reduction in transaction volume from the Framework (128.7 million) to this draft FY10 budget is primarily due to ICANN's more recent review of the actual FY09 transaction volume which is a reflection of the current global economic environment.

Registrar fees – The draft budget assumes that for those Registrars that adopt the RAA amendment, the Registrar fee is reduced to $0.18 per transaction versus the $0.20 rate used in FY09 and FY08, the $0.22 used in FY07, and the $0.25 used in FY06 and prior. This results in a $2.49 mil reduction in Registrar revenue. The budget also assumes that the Registrar variable fee will be reduced by 10% from $3.80 million to $3.42 million. The draft FY10 budgeted revenue assumes that the registrar transaction fees are reduced in order to provide incentives for Registrars to accelerate their acceptance of the Registrar Accreditation Agreement (RAA). The budgeted revenue has an assumption that all Registrars would adopt the early acceptance

of the RAA. If any Registrar does not adopt the RAA ahead of their renewal date, then actual revenue would be higher than budgeted.

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 2008	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	25,165,671	-13.4%
	Jan-Mar 2009	–	–
	Apr-Jun 2009	–	–
Proposed FY10 Budget			
FYE 30 June 2010	Jul-Sep 2009	28,600,000	–
	Oct-Dec 2009	29,200,000	2.0%
	Jan-Mar 2010	30,400,000	4.0%
	Apr-Jun 2010	30,400,000	0.0%
		118,600,000	

Figure 5 – FY10 Transaction Volume

Application fees and accreditation fees are budgeted at the same amounts for FY10 as for FY09. Add Grace Period (AGP) delete fees, introduced in FY09, were budgeted at zero in FY09 and are proposed to be budgeted at zero for FY10. Transaction volume is proposed to increase at a modest rate in FY10 relative to prior years.

Registry Fees – Registry contracts have fixed fees, transaction based fees, or both. The following table summarizes these provisions for the proposed FY10 revenues:

FY10 Registry Revenue					
gTLD	Fixed Fee	Fee per Transaction ($)	Transaction Volume	Transaction Fee ($)	Total
.com	18,000,000	–	87,301,000	–	18,000,000
.pro	35,000	–	95,000	–	35,000
.tel	–	0.40	297,000	118,800	118,800
.aero	5,000	–	12,000	–	5,000
.coop	5,000	–	12,000	–	5,000
.museum	500	–	12,000	–	500
.cat	10,000	1.00	36,000	36,000	46,000
.jobs	10,000	2.00	12,000	24,000	34,000
.travel	10,000	2.00	47,000	94,000	104,000
.net	–	0.75	13,805,000	10,353,750	10,353,750
.biz	–	0.20	1,968,000	393,600	393,600
.info	–	0.20	5,503,000	1,100,600	1,100,600
.name	–	0.15	285,000	42,750	42,750
.org	–	0.20	7,911,000	1,582,200	1,582,200
.mobi	–	0.40	996,000	398,400	398,400
.asia	–	0.75	308,000	231,000	231,000
	18,075,500	–	118,600,000	14,375,100	32,450,600

Figure 6 – Registry Revenue

gTLD Registry Fees

Registry fees are determined by an agreement with each of the gTLD Registries. Eleven of the sixteen registries have an element of their fees based on transactions volume and the remaining five have fixed-fee agreements. Registries including .TRAVEL, .CAT, and .JOBS have a combined fixed and transactional component to their fee schedule. Additionally, registries such as .MOBI and .TEL have fees based upon an average price of registrations for quarter calculation which makes revenue estimations less predictable.

In FY10, all unsponsored registries (.INFO, .ORG, .BIZ, .NAME) with a a per-transaction fee of $0.15 in FY09 will increase to $0.20.

ICANN is projecting a small increase in transaction volume from FY09 to FY10 and thus an overall modest increase in Registry revenue. A notable exception to this is the .COM agreement that provides for an increase in fees from $3.0 million per quarter to $4.5 million per quarter in FY10.

Regional Internet Registries (RIR) Contributions – For FY10's revenue budget, RIR contributions are expected to amount to $823k, which is the same as in the FY09 budget.

ccTLD Contributions – ccTLD contributions are estimated at $1.6 million in FY10, with the same as the FY09 budget. Many ccTLDs have expressed support of the ICANN model and understand the value that the ICANN model provides and thus provide continued financial contribution. Many ccTLDs have agreements with ICANN including exchange of letters, accountability frameworks, and sponsorship agreements. These agreements may be viewed by clicking on a particular country in the world map on the ICANN Website.

In addition, some ccTLDs without formal agreements with ICANN contribute to ICANN's revenues in order to demonstrate support for the ICANN process. Historical ccTLD contributions can be viewed on the ICANN website's 07-08 world map.

Other Sources of Revenue –Other revenue for FY10, which is comprised of investment income and sponsorship income, is expected to amount to $1.5 million, flat with FY09 budget. Other revenue includes:

• Sponsorship revenue is forecast to be $500k, flat with the FY09 budget. Sponsorships are available for companies wishing to contribute to the ICANN meeting experience. Sponsoring companies receive special services during an ICANN meeting, depending on the level of sponsorship.

• Investment income is budgeted at $1.0 million in FY10, flat with FY09's budget. ICANN's Board restricted investment reserve fund, and directed by the ICANN Investment Policy is about $28.0 million at the time of the posting of this draft FY10 budget.

Other Sources of Revenue for FY10

The separate New gTLD budget will estimate revenue related to the launch of the New gTLDs. Revenue is expected to be significant for application fees during the open period of the launch. These fees are not included in this draft FY10 budget but will be included as part of a separate New gTLD budget as described elsewhere in this document.

5.2   FY10 Operating Expenses

Expense Budget for FY10

The operating expense budget proposed is $54.3 million for FY10 (vs. $51.8 million in FY09), and is based on the assumption that ICANN is approaching the required scale to accomplish its core mission. The budget proposes expense growth of 4.9% as compared with 30.1% for FY09.

The world economic slowdown has touched virtually all ICANN stakeholders, and ICANN's financial structure should be sensitive to that reality. That means both planning to put more in ICANN's reserve fund in FY10 (closer to attaining the strategic goal for the level of the ICANN Reserve Fund), and looking to save expenses where possible.

Procurement – ICANN's Board adopted a new Disbursement Policy in FY08, and the implementation of this facilitated more cost efficient purchasing. In FY10, even more extensive procurement efforts will be implemented including identifying prudent spending, possible delays in expenditures, and more extensive reporting. As part of this budget consultation, ICANN staff is continuing to seek input from the community on areas where ICANN should spend less or delay spending as well as where resources should be better prioritized.

Growth in certain organizational activities needs to be accomplished in FY10:

• ***Contractual Compliance*** – The aggressive growth of contractual compliance efforts needs to continue in FY10 with almost 30% growth planned. While increased ICANN staffing is allowing for more complete execution of mandated contractual compliance activities, a key focus in FY10 will be asking the community to consider what contractual/policy tools are necessary to make compliance efforts even more effective and more cost efficient in the long term.

• ***Technology Operations infrastructure*** – ICANN's current infrastructure is under resourced to provide adequate support for DNSSEC, the New gTLD Program, and other key initiatives. As noted earlier, the structure of ICANN's technology operations are changing, centralizing

and professionalizing the resources needed to be a high-quality deliverer of needed services. The FY10 projects an increase of $729k or 17% in order to meet the critical requirements of these programs.

More details on the expenses underlying the draft FY10 Budget are provided in the following sections. In addition alternative views of these expenses are provided in the Appendix C.

Personnel Costs

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Personnel	$23,287	$19,881	$3,406	17.1%

Figure 7 – FY10 Personnel Costs ($000)

Personnel costs are estimated to reach nearly $23.3 million in FY10 which is 17.1% over the FY09 budget of $19.9 million. In FY09, ICANN is expected to reach a head count level of 110, which is less than the 117 called forth in the FY09 Plan primarily due to revised plans and hiring delays from the original plan. The "run rate" for this headcount, assuming no new hiring, would result in a personnel budget of $22.0 million for FY10. The additional $1.3 million that is budgeted for personnel expenses in FY10 is due to the new hires budgeted in FY10. Highlights of the new hires are described below.

New gTLD Program – Many of ICANN's current staff are involved in the New gTLD program to some degree, and some existing staff are fully engaged in the New gTLD implementation program efforts. In addition, a number of new hires are required to be onboard prior to the expected New gTLD budget amendment. Thus, they are included in this draft FY10 budget. The required new FTE's include a program director and selected managers who will oversee all application evaluations.

The chart below provides more detail on the areas that need to be staffed to meet the demand of the New gTLD application evaluation process. In addition, several ICANN departments will also require additional staff in order to be operationally ready for the New gTLD program, such as IANA and Services.

New gTLD Application ICANN Operating Process chart
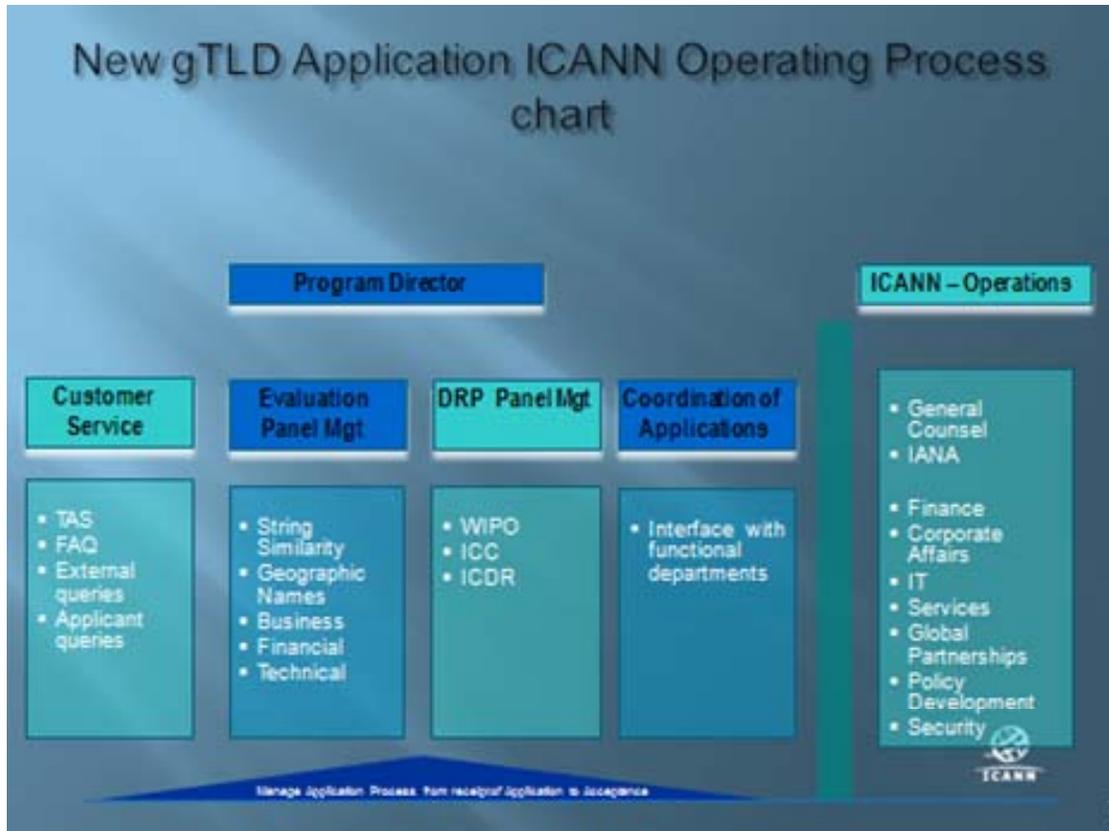
- *IANA and Technology Operations Improvements* –In order to grow to accommodate process, development and execution of the New gTLDs, ccIDNs and other new services, the FY10 Operating Plan calls for coordinating all of ICANN's technical expertise on a more centralized basis. Furthermore additional FTE's required to build out these capabilities include: project specialists, a stakeholder relations manager, a DNS engineer, programmer, Operations Center engineers, a business system analyst and software developers.

- *Contractual Compliance* –Continuing efforts to build out a strong contractual compliance team, the FY10 Operating Plan calls for further hiring in this area. Additional positions include: auditors, a contractual compliance analyst and a WHOIS compliance manager.

- *Global Engagement and Increased International Participation* –To ensure that ICANN's multi stakeholder model is strengthened, regional liaisons in selected areas around the globe will be retained. Asia, and in particular China, is identified as a critical region to which ICANN must reach out for increased participation.

- *New gTLD separate budget* –The New gTLD Program is supported across many parts of ICANN today; many of the new hires for the FY09 budget are expected to be dedicated to this effort. In addition, approximately 13 new hire positions have already been identified as necessary subsequent to program launch. These positions will be included in the separate gTLD budget described elsewhere in this document and thus are not included in this draft budget. These positions include IANA project specialists, information officer, policy support, regional liaisons, IT support, registry/registrar liaisons, and IDN managers.

Key assumptions used to calculate the costs of personnel in FY10, including the costs of the new hires, include:

- Compensation of new hires is assumed to be based upon current market rates and individual experience and skills
- Other personnel costs (i.e., burden or fringe benefits) are approximately 36% of gross payroll for all staff. More specifically, the costs for the following are based upon the percentage of gross payroll:
  - Benefits for US based staff include:
    - Vacation expense (2%) US based staff members are entitled to three weeks per year for their first five years (and four weeks per year after that). The 2% assumes that each staff member takes two weeks per year and one week is accrued. An individual's accrual balance is capped at twice the annual accrual rate. Thus, staff accruing at the rate of three weeks per year cannot have more than a total of six weeks accrued as a vacation balance available.
    - Retirement expense (13%)
    - Workers compensation expense (1%) for statutorily required coverage
    - Payroll taxes (7%)
  - Benefits for non-US based staff members are based upon contract terms if available
    - Benefit costs for Australia based staff members include 9% for pension, 6% for workers compensation, and 6% for payroll taxes
    - Benefit costs for Brussels based staff members include required benefits such as supplemental holiday pay, 13th month pay, plus benefits including retirement and life insurance (20%).
- 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.

Meeting and Travel Costs

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Travel and Meetings	$12,065	$12,482	$(417)	-3.3%

Figure 8 – FY10 Travel and Meeting Costs ($000)

Travel & Meeting costs for FY10 are budgeted at $12.1 million, $417k less than the $12.5 million budgeted for FY09. The decline is largely due to travel cost reduction efforts such as staff traveling economy to ICANN meetings and more aggressive contract negotiations in today's world economic climate. Travel and meeting costs at ICANN are primarily incurred in two categories. One, costs for ICANN's international and regional meetings. This includes the costs of the venue and services required for the meetings as well as the airfare, lodging, and meals for staff, Board members, vendors, and members of the ICANN community who are supported by ICANN. Two, travel costs by ICANN staff (and some Board members) required to perform on ICANN's operations.

ICANN′ 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′s), Advisory Council (AC′s), 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 around the world to help ensure worldwide participation. A large portion of ICANN′s policy development and other work is performed face to face, as well as through remote participation, during the ICANN meetings, The financial assumptions for the Travel & Meetings budget include:

- Travel support for community members totals $1.7mil for FY10.   In order to facilitate productivity, provide support for those in financial need, and provide outreach to increase global engagement in ICANN′s processes, selected community members are provided airfare, lodging, meals, and incidental expenses support.   The financial assumption used for this draft FY10 Budget is that travelers are supported for the ICANN meetings as follows: 23 travelers from GNSO constituencies, 12 travelers from ccNSO members, all remaining NomCom members, 20 to 25 participants of the Fellowship program, 23 At Large members, and 6 GAC members.   No travel support is assumed for the SSAC and RSSAC. ASO/NRO support is offered but has traditionally been declined and thus does not factor into the budget.   The FY10 budget for travel support for community members is $272k greater than the FY09 budget (and the FY10 Framework). This increase is largely a result of the community feedback on Travel Support and thus all GNSO councilors and, some GAC support was increased for the draft FY10 budget. Separately, a draft of the Travel Support Guidelines will be posted to clarify support parameters, to solicit community feedback. The feedback will be factored into the final budget, and the final Travel Guidelines, before Sydney.

- ICANN meeting′s core functions typically cost over $1 million per meeting and include.
    - Venue costs include meeting space, audio-visual, technical support functions, power, bandwidth connectivity, and backup provisions which are estimated at about $500k per meeting
    - Food and catering, registration administration, printing, office supplies and shipping are estimated at $200k per meeting
    - Meeting interpretation, scribe services, pre-meeting site inspections, and professional planning services are estimated at $300k per meeting
    - Local sponsors typically pay for gala and other costs.
    - These costs are also incurred for regional meetings although at a much scaled down cost.

- 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. Selected assumptions used in the travel budget include:
    - Airfare costs average $4,000 and are adjusted up or down depending upon 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 upon the venue, the

> negotiated hotel rates, and the length of time that the traveler is required to stay for ICANN business.
> o Per Diems average $90/day or $300/stipend, and are adjusted up or down depending upon international guidelines for the City in which the meeting takes place.

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

Professional Services

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Professional Services	$12,456	$11,886	$570	4.8%

Figure 9 – FY10 Professional Services Costs ($000)

Consultant costs for FY10 are expected to increase almost 5% over FY09 to $12.5 million as SSR Operations, Contractual Compliance, IT and DNS Operations continue to experience growth. In general, with relatively high start-up costs (long learning time) for new employees, ICANN continues to use outside consultants instead of staff unless there is a compelling long-term reason that a new staff function is required. Prior to the development of the final proposed budget, and prior to actual procurement of services, cost estimates will be refined. For this draft FY10 budget, some of the key consultant costs included:

- SAS 70 technology audit at $500k
- GNSO & ccNSO improvement implementation at $200k
- Registrar Data Escrow audit services at $260k
- Contractual Compliance accuracy study at $225k
- Funding for the research team at $200k
- New gTLD Program consultant costs including application system development and testing, market research and studies at $800k
- Enhance and conduct ccTLD capacity building courses at $270k
- IANA business excellence at $150k
- Study and research to support PDP efforts at $100k
- IDN linguistic support, technical test and protocol implementation at $400k
- Public affairs specialists at $240k
- New gTLD and IDN communication plan at $500k

Estimates for recurring budgeted professional services include Registrar Data Escrow services at $470k, NomCom assessment services at $150k, audit and tax services at $100k, the RSTEP panel at $400k, technical service providers (email/web hosting, anti-spam) at $350k.

Translations and interpretation costs are estimated to exceed $1 million as compared to about $800k spent in FY09. Key assumptions in estimating the cost for the translation policy include:

- Translation costs of about $0.15 per word

- The documents that are most commonly translated such as the Annual report, fact sheets, press releases, the monthly magazine, video transcripts, meeting documentation, brochures, monthly policy update, working group documents, and the yearly Operating Plan and Budget

- Most new documents translated into five languages (French, Spanish, Arabic, Russian, and Chinese) at an estimated cost of $.15 per word Educational and informational material (currently around 10% of that material) translated into 10 languages (the five above plus typically Japanese, German, Korean, Italian, and Portuguese)

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

Legal costs are budgeted to be $3 million largely based upon support for litigation or other dispute resolution processes, legal support of organizational initiatives, and the continued work required supporting the New gTLD launch as well as providing all other legal support services for baseline activities. The contingency budget is intended to cover any excess litigation costs that occur. The amount budgeted for legal costs are consistent with the FY09 costs.

Administrative Costs

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Administration	$6,559	$7,566	$(1,007)	-13.3%

Figure 10 – FY10 Administration Costs ($000)

- 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, and California 90292. The occupancy agreement for office space in MDR was executed in December 2007 and approved by the Board. This agreement term expires in June 2013; calls for occupancy of 19,757 square feet and total costs for MDR occupancy are expected in FY10 to be $930k flat with FY09. ICANN also maintains branch offices in Brussels, Sydney and Washington DC

- The Brussels office FY10 occupancy costs are expected to remain flat with the FY09 budget of $300k

- The Sydney office occupancy costs for FY09 were budgeted at $240k. ICANN has since negotiated a more cost effective lease to allow for occupancy of personnel based in Sydney. The FY10 budget for occupancy costs in Sydney is $100k

- The Washington DC office was planned to start in FY09 and was budgeted at $300k. Although actual occupancy costs in FY09 were less than budgeted due to the slower than anticipated hiring expansion, FY10 occupancy costs are expected to be to $300k. ICANN hopes to enter into a multi-year lease arrangement in Washington DC in order to take advantage of more efficient costs per square foot and effectively provide office space to personnel

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Rent Expenses				
Marina de Rey*	$930	$930	–	0.0%
Brussels	$300	$300	–	0.0%
Sydney	$100	$240	$(140)	-58.3%
Washington, DC	$300	$300	–	-0.0%
	$1,630	$1,770	$(140)	-7.9%

*includes parking

Figure 11 – FY10 Rent Expense ($000)

- Business insurance for ICANN is assumed to be $180k for FY10 remaining flat from FY09
- Network bandwidth is budgeted at $500k flat from FY09
- IT related set up costs for each new hire are estimated at $6,000, which includes a computer, monitor, phone, backup systems, licensed software, warranty, antitheft, and security protection
- Business continuity/disaster recovery is budgeted at $450k for FY10 up $120k from FY09
- Telecommunication costs (telephone, mobile and audio conference) are budgeted at $850k down $150k from FY09 due to cost efficiency efforts.
  - The telephone costs including mobile phone are budgeted at $500k
  - Audio conference costs are budget at $350k (included in telephone costs in FY09)
- Board professional development costs are estimated at $100k as compared to FY09's budget of $350k and flat from the forecast for FY09.

Ombudsman

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

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

Bad Debt Expense

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Bad Debt Expense	$1,400	$1,200	$200	16.7%

Figure 12 – FY10 Bad Debt Expenses ($000)

Bad debt expense is the estimate of billings that will not be collected, and is assumed to be 2.2% of all revenue. A continued effort to bring registrars and registries up to date in paying invoices is now part of daily operations and has been, in general, successful.

Depreciation Costs

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Depreciation	$1,500	$865	$635	73.4%

Figure 13 – FY10 Depreciation Costs ($000)

Depreciation costs are based on an asset's service life (three years for most of ICANN's assets), and includes cost of capital purchased prior to FY10 plus the depreciation for new capital purchases during FY10.

Capital Costs

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Capital Costs	$3,285	$3,660	$(375)	-10.3%

Figure 14 – FY10 Capital Costs ($000)

The draft capital budget for FY10 is $3.3 million, which is a decrease from the $3.7 million in the FY09 budget but an increase over the FY09 forecasted capital expenditure. The less in forecasted capital expenditures from theFY09 capital expenditures can be partially attributed to delays in the New gTLD program and some other FY09 operating plan activities. The FY10 capital expenditure plan is to restart those delayed FY09 activities such as infrastructure improvements, improving business continuity and disaster recovery capabilities, enhance operational readiness for various critical and outward facing ICANN services. The FY10 capital budget also includes some funds for the completion of the New gTLD application interface, upgrades to and deployment of automation for several IANA services, enhancement and in some cases re-implementation of Registry and Registrar automated services, improvements to existing and build out of new facilities for both ICANN's IT infrastructure and ICANN's "L" root infrastructure. FY10 capital expenditure also includes business application improvements that consist of acquisition of a document and case management systems as well as replacement of applications such as ICANN's financial system. Another list of capital budget items will be included in the separate New gTLD budget later in FY10. The following table describes the draft capital budget for:

Capital Budget	FY10 Budget ($)
Business Applications	900,000
Infrastructure Improvements	650,000
Business Continuity and Disaster Recovery	600,000
New TLD Application System	150,000
IANA Automation	150,000
Registry and Registrar Automation	150,000
Public Participation Infrastructure	60,000
"L" Root Server Infrastructure Improvements	625,000
	3,285,000

Figure 15 – FY10 Capital Budget Details

Contingency

Cost Type	FY10 Budget	FY09 Budget	Change from FY09	
Contingency	$1,500	$3,250	$(1,750)	-53.9%

Figure 16 – FY10 Contingency ($000)

- Individual FY10 budget items were estimated based upon the most reliable information available. In order to allow for the possibility of costs exceeding original estimates, an overall contingency of $1.5 million is included in the budget

- A formal contingency was identified in the FY09 budget as well. At that time, ICANN management committed to spend money in accordance with the base budget and spend money from the contingency only if truly necessary. FY09 projections show that little, if any, of that contingency will be spent

- The reduction in the FY10 contingency to $1.5 million from the $3.25 million in the FY09 budget is largely due to two reasons: One, ICANN's cost estimating and budget setting is improving, and two, the ability to get approvals at a Board level has improved with the adoption of the Disbursement Policy. This means that it is not necessary to account for every contingency as part of the annual budget process. Types of costs that might be covered under the contingency include:

  - *Litigation/Dispute Resolution* – The contingency budget is being established in part to accommodate any excess substantial litigation costs that occur

  - *Board compensation and expense reimbursement* – Compensation for Board members is under consideration as part of the structural improvements process, and possibly more extensive cost reimbursement for telephone and computer support costs required of Board members.

  - *Currency Exchange Risk* – As ICANN's costs are being increasingly incurred in non-US currencies, some contingency is set aside for currency exchange risk. Key currency exchange rates used in the FY10 Operating Plan and Budget are:

Currency Names	Exchange Range
United Kingdom Pound	1,457
Canadian Dollar	0.807
EU Euro	1.294
Japanese Yen	0.010
Swiss Franc	0.856
Australian Dollar	0.702
Chinese Yuan (Renminbi)	0.146
Egyptian Pound	0.176
Indian Rupee	0.020
Russian Rouble	0.29

6.   Contribution to Reserve Fund

ICANN's Strategic Plan calls for the full funding of a financial reserve equivalent to one year's operating expenses within three to five years. It is intended to reach this goal by contributing $10 million to $15 million per year to the reserve fund. The draft FY10 Operating Plan and Budget projects that approximately $5.6 million will be added to the reserve fund in FY10. This is less than that proposed in the Framework posted in mid- February primarily due to the revenue reductions described elsewhere. The one-time New gTLD Program costs are the primary reason for a reserve contribution below the target of $10 million.

This budget approach is designed to balance competing priorities including the necessary funding for key FY10 initiatives, avoiding fee increases, and continuing to grow the reserve fund.

When the New TLD program is launched, it is expected that some portion of the recovered historical costs included in application fees will be used to increase/replenish the reserve fund.

7.   Separate New gTLD Budget Amendment

The implementation of policy recommendations and development of the processes for the introduction of New gTLDs is moving forward with a collaborative effort among ICANN staff, outside consultants, and the community. In October 2008, the first draft of the New gTLD Applicant Guidebook was posted for community feedback. In February 2009, the second draft of the Applicant Guidebook was posted for community feedback. The New gTLD Program is expected to accept the first round of applications during FY10.

Several months prior to the launch of the New gTLD Program, a separate New gTLD budget will be published to obtain approval for the revenues generated by, and the costs associated with, the New gTLD Program. A separate New gTLD budget needs to be prepared and approved on a schedule different from the usual ICANN budget cycle because:

- Uncertainty remains regarding the timing of the New gTLD Program. There is not a good reason to accelerate the approval of the budget expenditures and revenue expectations until the timing is known. As noted elsewhere, baseline expenditures necessary to prepare for the launch are included in this FY10 budget proposal.

- The New gTLD Program is being implemented, pursuant to policy, as a revenue-cost neutral program. Thus, the fees collected and the costs expended for the New gTLD Program are to be accounted for separately from ICANN's general funds. There is not a need to obtain approval for these funds far in advance of the program, as the program will not increase ICANN's net operating budget.

- While good progress has been made in many aspects of the New gTLD implementation plan, some elements that affect cost have yet to be finalized. The final budget will depend on a final, approved implementation plan.

The separate New gTLD budget amendment will be prepared for Board approval approximately 90 days prior to launch of the first round of the New gTLD Program. It will contain:

- The revenue expected to be collected and the refunds expected to be paid out. The resources required to process the applications from submittal to delegation.

- The methodology that will be used to replenish the reserve fund with the portion of each evaluation fee associated with development costs

- The mechanisms that will be used to process, track and report on the variable processing costs (ICANN's cost accounting methodology)

- The process by which the use of any surplus funds, if any, will be determined including soliciting community involvement in all decisions on how much, when, and for what purpose the disbursements will be made

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

- The principles that will guide all cost accounting and disbursement efforts to ensure that expenditures are made efficiently and wisely in accordance with the appropriate priorities to help ensure that transparency and accountability are followed for the accounting of the entire New gTLD Program

Appendix A – Operating Plan Activities

A.1   New gTLD Implementation and Delegation

- Complete the implementation plan in accordance with the GNSO Policy Recommendations and taking into account the GAC Principles on New gTLDs. Key activities include:
- Conduct community consultations to resolve outstanding overarching implementation issues such as rights protections and DNS stability aspects, completing the final version of the Applicant Guidebook, coordinating the design of an online application system deployment and executing a broad communications plan
- Launch New gTLD application process after completion of a four-month communications campaign
- Complete Operational Readiness activities both for receiving and processing applications and for supporting New gTLDs in the Registry Liaison function
- Create the process for considering new registry services, Finance, Legal, Contractual Compliance, and the IANA function. Develop and implement procedures, retain and onboard evaluation panels, retain ICANN staff (make staff/outsourcing decisions based upon cost/benefit analysis)
- Develop and implement compliance action plan for New gTLDs to establish and sustain operational contract compliance readiness
- Ensure global awareness and responsiveness to global stakeholders.
- Hiring of additional staff, consultants as needed to fulfill the positions dictated by the operational readiness plan

A.2   IDN Implementation

- Finalize the planning for and complete the IDN ccTLD Fast Track implementation in accordance with the recommendation from the IDNC working group. Execute the plan, resulting in the delegation of IDN ccTLDs in the root zone during FY10Implementation details include execution of a broad communications plan, developing and implementing an application and evaluation process, and resolving outstanding policy issues such as the form of agreements with ccTLDs, fees, and coordination with other root zone processes (such as gTLD introduction and DNNSEC)
- Ensure that the finalized IDNA protocol revision is implemented in the processes for standard implementation and allocation of New TLDs Technical standards: facilitate the completion of the IDNA protocol; and coordination/manage amendment to the IDN Guidelines
- Provide outreach and education at 6 regional events, 3 ICANN meetings, and other relevant community events in order to encourage participation in the opening of the top-level as well as understanding and resolving regional concerns
- Finalize the revision of the IDN Guidelines to be consistent with the revised IDNA protocol and any additional technical precautions that may be necessary in the launch of IDN TLDs

A.3   IANA and Technology Operations Improvements

- Test and implement RZM software to facilitate accurate, reliable, timely handling of root zone change requests submitted by ccTLD and gTLD registries
- Manage root zone request processing and continue to refine process to improve efficiency and reliability

- Improve performance reporting against published commitments
- Improve efficiency in protocol parameter request processing
- Manage stakeholder relations in a measurable way by requesting feedback on IANA performance, making changes in accordance with the feedback, and publish metrics on changes and responses
- Manage number of resource requests and report on turnaround time performance against published commitments
- Ongoing reporting of activities and performance: recommend improvements to the monthly Department of Commerce report (to the United States Government), meet each reporting deadline; publish complete set of performance metrics to ICANN dashboard in a timely manner
- Draft and execute operational readiness plan to accommodate the delegation of New gTLDs and ccTLDs, including IDNs
- Manage and maintain policy documentation
- Support DNSSEC signing for Root Zone, continue present signing activities, facilitate introduction in reports to USG and other stakeholders
- Make improvements to IANA infrastructure to support major activities (e.g., root zone change management) by facilitating monitoring and a quality assurance function
- Establish Business Excellence project plan and initiate program

A.4   Security, Stability and Resiliency Operations (SSR)

- Enhance ICANN Efforts as Overall Contributor to Internet Security, Stability and Resiliency (SSR). Key activities will include:
  - Ensure approval by community and Board to ICANN Plan to Enhance Internet SSR by October 2009

  - Coordinate ICANN SSR efforts with partners as identified in ICANN Plan, establish specific joint work plans by fall 2009 and begin implementation of joint efforts between October 2009 and Feb 2010

  - Work with key global cyber security leadership organizations including Software Engineering Institute, DNS-Operations, Analysis and Research Center (DNS-OARC), ARC Advisory Group, European Network and Information Security Agency (ENISA) and Forum for Incident Response Teams (FIRST) to establish metrics for ICANN SSR programs by December 2009 and conduct initial program evaluations by June 2010

  - Ensure global engagement, awareness, and responsiveness to stakeholders. Investigate a mechanism to enhance involvement in SSR activities from stakeholders based in developing countries to include potentially leveraging ICANN Fellowships program. Develop program proposal by Jan 2010 for consideration in 2011 operating plan and budget

- Enhance Overall Domain Name System's Security, Stability and Resiliency. Key activities will include:
  - Work with partners, establish an initiative and work plan to enhance collaborative responses to threats to or that abuse the DNS by October 2009 and initiate sustained collaborative approaches by January 2010

- Enhance and sustain DNS Security, Stability & Resiliency Best Practices Portal established in collaboration with OARC with full range of planned capabilities in place by Dec 2009

- Coordinate and partner in conducting DNS Security & Resiliency Symposium in early 2010 to identify key risks to the DNS and opportunities for community-based collaboration to improve DNS SSR

- Actively participate in root server operators and technical forums and lead collaborative planning and executing root server system contingency response exercise by spring 2010

- Enhancing Top Level Domain Security, Stability and Resiliency. Key activities will include:

  - Enhance and continue execution of TLD security and resiliency capacity building program globally in conjunction with Regional TLD Associations, ISOC and Network Startup Resource Center (NSRC) Key activities will include:

  - Continue conduct of Attack and Contingency Response Program with 5 workshops in coordination with regional TLD organizations integrating DNS/TLD security lessons-learned and best-practices into the curriculum; Ensure training & materials available in Spanish and English by end of 2009

  - In conjunction with ISOC and NSRC develop a hands-on, technical Registry Operations Curriculum combining existing/emerging training for registry operators with DNS security-focused content. Integrate existing technical security workshop content with evolving community efforts and interests focused on training ccTLD operations staffs in three workshops

  - Conduct three tabletop exercise (TTX) workshops in coordination with regional TLD organizations. Provide support to TLD and regional organizations in planning and conducting tabletop exercises targeting one event by end 2009 and one by June 2010

  - Support continued enhancement of TLD Continuity Program to include working with the community globally to refine the gTLD registry contingency plan, conducting a live data escrow procedures drill in late calendar 2009 and holding another collaborative exercises with key partners in Jan 2010

- Program: Enhance security of ICANN programs to implement new gTLD and IDN programs. Key activities will include:

  - Ensure software applications developed to support programs, particularly the Top Level Domain Application System (TAS) are secure. Conduct TAS initial code review and vulnerability testing by September 2009 and initiate program for on-going security assessment of all new applications associated with these programs by end 2009

  - Establish and implement security and resiliency focused evaluation process for New gTLD/IDN application process integrated with overall applicant application process, initiating in fall 2009

- Conduct and enhance ICANN's corporate information, personnel and facilities security programs in accordance with benchmarked international standards. Key activities will include:

- Ensure annual update of ICANN security plans occurs and monitor effective implementation of security controls and procedures

- Coordinate ICANN corporate security risk management and business continuity planning. Conduct a business continuity related drill in spring 2009

- Conduct physical security assessment of ICANN facilities by Oct 2009

- Conduct external audit of ICANN security program in Spring 2010

- Ensure ICANN security staff has strong skills appropriately tools and maintains currency with security threats and best practices

A.5   Contractual Compliance

- Perform contractual compliance risk assessment to identify internal and external areas of operational, financial and reputational risk, create strategies and controls for mitigating risk and prioritize operational compliance improvement efforts

- Form an external ICANN contractual compliance advisory council to increase external communication to global stakeholders, regulators and media to inform, solicit input on and raise awareness of global contract compliance enforcement actions, the new gTLDs compliance action plan and proposed Whois studies

- Perform economic/contractual compliance Whois studies as directed by the board, GNSO council and senior management to provide information relevant to interested parties: e.g., privacy advocates, law enforcement access and contracted parties

- Manage, respond to and measure volume of incoming complaints about registrars and registries and Whois data inaccuracy complaints from consumers

- Analyze Whois inaccuracy audit investigation data and post UDRP transfer enforcement complaint statistics, compile compliance performance statistics and draft semi-annual/annual contractual compliance reports

- Analyze WDPRS complaint data to assess trends, determine contractual compliance actions and publish findings to improve contractual compliance enforcement

- Continually assess and test ways to improve Whois accuracy, including the role of proxy and privacy services

- Audit registries for reporting requirements compliance under the Add Grace Period (AGP)

- Establish audit staff in Asia Pacific Japan and Eastern Middle Eastern Asia to convey the importance of and enhance contract compliance enforcement of all registrar and registry agreements

- Develop and map a new business process for handling UDRP compliance matters from intake to resolution by January 2010

- Analyze WDPRS complaint data to assess trends, determine compliance actions and publish findings to improve contract compliance enforcement.

- Implement improvement in contractual compliance systems and processes to improve and automate key business functions

- Draft and execute operational readiness plan for the Contractual Compliance function to accommodate the delegation of New gTLDs and including IDNs

- Conduct audits of Registrar Data Escrow (RDE) deposits for all registrars twice per year and implement procedures for ensuring compliance with deposit schedules

A.6   Core Meeting Logistics

- Increase the professionalism of the three ICANN International public meetings through improved execution of: audio visual technology and lighting, advanced stage design, sponsor and registration visibility, remote participation

- Redesign the meetings schedule for improved understanding and flow, and public participation/comment forum

- Identify and select sites for future ICANN international public meetings:

  - Publish announcements for Expressions of Interest

  - Issue Requests for Proposals

  - Conduct site visits

  - Evaluate proposals

  - Develop Board submission papers

- Effectively plan and execute all elements of ICANN international public meetings to ensure the highest levels of public participation and constituency support. Activities include:

  - Site selection

  - Hotel contracts and management

  - Internet connectivity

  - Audio-visual equipment and support

  - Registration and staffing

  - Host and sponsorship activities

  - Schedule development and posting

  - Meetings website development

- Provide support for two Regional Outreach Meetings. Activities include: site selection; hotel contracts; AV planning; F&B arrangements: room block management; signage; interpretation services; on-site support

- Provide support for three Registry/Registrar Gatherings. Activities include: site selection; hotel contracts; AV planning; F&B arrangements: signage; on-site support

- Provide support for two Board retreats. Activities include: site selection; hotel contracts

- Provide support for Global and Strategic Partnerships' participation in two internet conferences. Activities include: production of displays for sponsor area; hotel contracts; room block management; on-site support

- Provide support for four ICANN additional meetings. Activities include: hotel contracts; AV planning; F&B arrangements; room block management; on-site support

A.7   Constituency Support

- GAC support including staffing and communication through creating of briefing papers as requested (target 6 topics), administrative or technical support such as translation of materials, interpretation of sessions, arrangements of calls, report generation in timely manner

- Deploy GNSO website improvements and new forum system; implement Registry software enhancements and implement RADAR enhancements based on Registrar department input
- Develop and support targeted education and information sharing initiatives aimed at increasing involvement in SOs and ACs
- Develop and provide policy briefing tools on issues related to ICANN for use by At-Large to help support greater engagement in the policy making process
- Produce materials, in consultation with the At-Large community, for use in outreach activities (including recruiting new ALSes)
- Ensure greater global At-Large engagement and participation through increased translation of documents
- Registry and Registrar departments to coordinate outreach to constituencies globally through at least three regional gatherings, industry events, leveraging opportunities through staff in regions, etc.
- Augment Registry and Registrar Liaison teams with Asia-based staff
- Develop and implement mechanism for issuing newer versions of RAA and tracking the governing contract for each registrar where appropriate; manage new requirements as necessary under alternative versions of the RAA
- Continue to operate Registrar Data Escrow program and on-board registrars in a timely manner as posted on the ICANN website; introduce, test and implement the data escrow audit function
- Draft and execute operational readiness plan for Registry and Registrar Liaison functions to accommodate the delegation of New gTLDs and including IDNs

A.8   Policy Development Support

- Retain 2 additional staff members: Department Secretariat and Policy Director to improve support
- Revamp the process for gathering and addressing public comments on policy issues
- Develop and implement a plan for translation of documents associated with policy development
- Support implementation of the GNSO's new Stakeholder Group structure
- Develop and implement a revised "Statement of Interest" process for the GNSO
- Revise bylaws to accommodate GNSO Improvements and Restructuring
- Support of targeted programs to increase direct involvement in SOs and ACs
- Develop and maintain a database of GNSO participants
- Develop and implement a process for regularly informing the SOs and ACs of developing industry trends that will help them proactively identify important policy issues and make well-informed policy decisions

A.9   Global Engagement and Increased International Participation

- Establish improved communications to global community on information regarding global engagement, including information on activities in respective regions
- Finalize staffing for full global engagement in the Asia region, to compliment current global team
- Engage in efforts to continue to promote and support of the private sector lead, multi-stakeholder model in the international arena through presentations, educational outreach, participation in Internet governance and various policy meetings relating to the ICANN,

monitoring activity in international arena and producing briefing papers, scenarios, position analysis and strategic information for senior management in planning ICANN work and initiatives

- Improve integration of global engagement into organizational day- to- day operations and awareness
- Support facilitation at regional levels for program initiatives (security, New gTLDs, IDNs etc) to promote participation in public comment periods, awareness, and engagement;
- Support departments on specific issue areas, including IANA in relation to ccTLDs.
- Promote Fellowship program to increase the diversity, quantity and quality of participation in the ICANN processes, staff will develop and implement a mechanism to assess quality and impact of participation in addition to descriptive statistics
- Engage in continued improvements for participation, including remote participation;
- Consolidate and compile information relevant for briefing on issues relating to ICANN, mission and scope of responsibilities, for future stakeholders, staff, and Board members
- Implement mechanism to ensure consistent communications throughout the ICANN regions via the MRR staff

A.10   Travel Support for ICANN Community

- Provide travel resources support for Supporting Organizations and Advisory Committees as needed to the ICANN meetings, regional meetings, and outreach events, in a fair and equitable manner
- Review the approach to travel support for FY10, and continue to monitor for FY11
- Provide appropriate administrative support for the travel support program to ensure clarity regarding who will be supported, what level and type of costs are to be supported and with efficiency and assurance that costs are being spent efficiently and wisely
- Design, implement and support a pilot GAC participation program in response to request of the GAC, which includes: scope and the selection process, budget, administrative process and assist in promoting awareness of the program to increase diversity of applicants, and ensure that there is a mechanism to assess quality and impact of participation

A.11   Ombudsman

- Receive complaints from community concerning the fairness of actions, decisions or inactions of ICANN staff, Board, and constituent bodies
- Outreach concerning the activities of the office of the Ombudsman, and ICANN as a leader in online dispute resolution
- Produce an annual report to the board of directors and community
- Budget as directed by the Bylaw V Pursuant to the ICANN Bylaws at Article V, Section 1, Paragraph 4: The annual budget for the Office of Ombudsman shall be established by the Board as part of the annual ICANN budget process. The Ombudsman shall submit a proposed budget to the President, and the President shall include that budget submission in its entirety and without change in the general ICANN budget recommended by the ICANN President to the Board. Nothing in this Article shall prevent the President from offering separate views on the substance, size, or other features of the Ombudsman's proposed budget to the Board
- Evaluate effectiveness of the Ombudsman program
- Participate in Ombudsman conferences, and present research conducted within ICANN

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

A.12   Board Support

- Create and implement a Board Portal, including electronic training and maintenance of the system;
- Coordinate and manage Board website hosting as needed
- Provide Administrative and Travel support for all Board members at two retreats, three ICANN International public meetings and as required for regularly scheduled Board meetings or appearances
- Coordinate support for Assistant to the Chairman of the Board at 3 ICANN International public meetings
- Coordinate administrative support of all Board committees
- Effectively manage Board calendar
- Engage Consultant for a one time Board Skills Evaluation
- Coordinate and manage Consultant for Board Training opportunities at two retreats and multiple seminars including travel
- Coordinate and facilitate payment of director expenses
- Support the General Counsel/Secretary on Board related issues and events

A.13   NomCom Support

- Support NomCom Committee activities by producing meeting minutes, developing relevant graphics and charts and other administrative duties during the FY10 period
- Support of NomCom travel including that of the Assessment Provider and Assessment Team

A.14   DNS Operations

- Certify DNSSEC-signing facility designs meet community requirements
- Deploy production-quality DNSSEC services
- Deploy "L" root test lab
- Finalize new "L" root global node design
- Finalize "L" root local node design
- Separate secondary's for DNS Group-managed zones from IT-managed zones

- Start and staff a small research group focused on developments in the DNS under ICANN's responsibility and mandate late in FY10. Engage community in plan for this effort
- Assess software development needs three times per year

A.15   Administrative Improvement

- Perform external reviews and assessments for ccNSO and ASO
- Develop performance indicators and workshops (post implementation or working group phases) for GNSO, ALAC, NomCom, Board Organizational reviews

Appendix B – Financials

To help fulfill ICANN's mission for accountability and transparency, the following financial information is provided:

- Forecasted Statement of Revenues and Expenses (unaudited)
- Historical comparison of ICANN's budgets and actuals (unaudited)
- Historical comparison of ICANN's budgets and actuals in Euro
- ICANN's FY08 audited financial statements are available on the website.

ICANN FY09 Forecast

	FY09 Forecast	FY09 Budget	Change from FY09 Amount	Percentage
REVENUE				
Registrar	25,386	30,947	(5,561)	-17.97%
Registry	30,718	25,104	5,614	22.36%
RIR	823	823	-	0.00%
ccTLD	500	2,300	(1,800)	-78.26%
Other	676	1,500	(824)	-54.93%
Total Revenue	$ 58,103	$60,674	(2,571)	-4.24%
EXPENSES				
Personnel	19,825	19,881	(56)	-0.28%
Travel & Meetings	9,787	12,482	(2,695)	-21.59%
Professional Services	11,490	11,886	(396)	-3.33%
Administration	5,775	7,566	(1,791)	-23.67%
Operating Expenses	$ 46,877	$51,815	(4,938)	-9.53%
Non Cash Expenses				
Bad Debt Expense	1,022	1,200	(178)	-14.8%
Depreciation	430	865	(435)	-50.3%
Investment loss	4,252	-	4,252	0.0%
	5,704	2,065	3,639	176.22%
Total Expenses	$ 52,581	$53,880	(1,299)	-2.4%
Change in Net Assets	$ 5,522	$ 6,794	(1,272)	-18.72%

ICANN Financials for Fiscal Year 2007 thru 2010 (in US dollars)

	FY 2007		FY 2008		FY 2009		FY 2010
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	FORECAST	BUDGET
REVENUE							
Registrar	19,147,000	25,864,130	26,730,000	27,856,875	30,947,000	30,718,000	27,268,000
Registry	14,032,000	15,046,548	19,652,000	19,636,365	25,104,000	25,386,000	32,450,600
RIR	823,000	823,000	823,000	823,001	823,000	823,000	823,000
ccTLD	1,500,000	1,277,231	1,800,000	1,583,406	2,300,000	500,000	1,600,000
Other	40,000	460,177	1,348,000	833,502	1,500,000	676,000	1,500,000
Total Revenue	$ 35,542,000	$ 43,471,086	$ 50,353,000	$ 50,733,150	$ 60,674,000	$ 58,103,000	$ 63,641,600
EXPENSES							
Personnel	13,264,000	13,783,662	18,191,931	16,746,028	19,880,664	19,825,000	23,286,968
Travel & Meetings	7,404,000	6,203,443	8,110,922	9,448,853	12,481,605	9,787,000	12,065,305
Professional Services	6,731,000	5,864,072	9,453,072	8,853,969	11,885,616	11,490,000	12,455,864
Administration	3,256,000	3,079,171	4,039,963	4,697,709	7,566,468	5,775,000	6,558,660
Operating Expenses	$ 30,655,000	$ 28,930,348	$ 39,795,888	$ 39,746,559	$ 51,814,353	$ 46,877,000	$ 54,366,796
Non Cash Expenses							
Bad Debt Expense	1,560,000	(2,428,594)	980,103	(461,567)	1,200,000	1,022,000	1,400,000
Depreciation		139,647	96,000	259,034	865,000	430,000	1,500,000
Investment loss						4,252,000	-
	1,560,000	(2,288,947)	1,076,103	(202,533)	2,065,000	5,704,000	2,900,000
Total Expenses	$ 32,215,000	$ 26,641,401	$ 40,871,991	$ 39,544,026	$ 53,879,353	$ 52,581,000	$ 57,266,796
Contingency	$ -	$ -	$ 1,748,829	$ -	$ 3,250,000	$ -	$ 1,500,000
Total Expenses w/ Contingency	$ 32,215,000	$ 26,641,401	$ 42,620,820	$ 39,544,026	$ 57,129,353	$ 52,581,000	$ 58,766,796
Change to Reserve Fund	$ 3,327,000	$ 16,829,685	$ 7,732,180	$ 11,189,124	$ 3,544,647	$ 5,522,000	$ 4,874,804
Suggested addition to Reserve Fund	$ 2,817,000	$ 2,817,000	$ 6,141,833	$ 6,141,833	$ 10,000,000	$ 10,000,000	$ 10,000,000
Capital	$ 510,000	$ 1,095,735	$ 1,591,000	$ 993,582	$ 3,660,000	$ 2,000,000	$ 3,285,000
Change in Board Restricted Reserve Fund							
Revenue	35,542,000	43,471,086	50,353,000	50,733,150	60,674,000	58,103,000	63,641,600
Total Expenses w/ Contingency	(32,215,000)	(26,641,401)	(42,620,820)	(39,544,026)	(57,129,353)	(52,581,000)	(58,766,796)
Increase in Reserve Fund	3,327,000	16,829,685	7,732,180	11,189,124	3,544,647	5,522,000	4,874,804
Suggested addition to Reserve Fund	(2,817,000)	(2,817,000)	(6,141,833)	(6,141,833)	(10,000,000)	(10,000,000)	(10,000,000)
Addition / (Shortfall)	510,000	14,012,685	1,590,347	5,047,291	(6,455,353)	(4,478,000)	(5,125,196)

ICANN Financials for Fiscal Year 2007 thru 2010 (in EURO)

Average for fiscal year (OANDA	0.76655		0.68352		0.68352		0.75169 *rate at 05/06/2009
	FY 2007		**FY 2008**		**FY 2009**		**FY 2010**
	BUDGET	**ACTUAL**	**BUDGET**	**ACTUAL**	**BUDGET**	**FORECAST**	**BUDGET**
REVENUE							
Registrar	14,677,133	19,826,149	18,270,490	19,040,731	21,152,893	20,996,367	20,497,083
Registry	10,756,230	11,533,931	13,432,535	13,421,848	17,159,086	17,351,839	24,392,792
RIR	630,871	630,871	562,537	562,538	562,537	562,537	618,641
ccTLD	1,149,825	979,061	1,230,336	1,082,290	1,572,096	341,760	1,202,704
Other	30,662	352,748	921,385	569,715	1,025,280	462,060	1,127,535
Total Revenue	**€ 27,244,721**	**€ 33,322,760**	**€ 34,417,283**	**€ 34,677,122**	**€ 41,471,892**	**€ 39,714,563**	**€ 47,838,755**
EXPENSES							
Personnel	10,167,519	10,565,866	12,434,549	11,446,245	13,588,832	13,550,784	17,504,581
Travel & Meetings	5,675,536	4,755,249	5,543,977	6,458,480	8,531,426	6,689,610	9,069,369
Professional Services	5,159,648	4,495,104	6,461,364	6,051,865	8,124,056	7,853,645	9,362,948
Administration	2,495,887	2,360,339	2,761,396	3,210,978	5,171,832	3,947,328	4,930,079
Operating Expenses	**€ 23,498,590**	**€ 22,176,558**	**€ 27,201,286**	**€ 27,167,568**	**€ 35,416,146**	**€ 32,041,367**	**€ 40,866,977**
Non Cash Expenses							
Bad Debt Expense	1,195,818	(1,861,639)	669,920	(315,490)	820,224	698,557	1,052,366
Depreciation	-	107,046	65,618	177,055	591,245	293,914	1,127,535
Investment loss	-	-	-	-	-	2,906,327	-
	1,195,818	(1,754,593)	735,538	(138,435)	1,411,469	3,898,798	2,179,901
Total Expenses	**€ 24,694,408**	**€ 20,421,965**	**€ 27,936,824**	**€ 27,029,133**	**€ 36,827,615**	**€ 35,940,165**	**€ 43,046,878**
Contingency	€ -	€ -	€ 1,195,360	€ -	€ 2,221,440	€ -	€ 1,127,535
Total Expenses w/ Contingency	**€ 24,694,408**	**€ 20,421,965**	**€ 29,132,184**	**€ 27,029,133**	**€ 39,049,055**	**€ 35,940,165**	**€ 44,174,413**
Change to Reserve Fund	€ 2,550,312	€ 12,900,795	€ 5,285,100	€ 7,647,990	€ 2,422,837	€ 3,774,397	€ 3,664,341
Suggested addition to Reserve Fund	€ 2,159,371	€ 2,159,371	€ 4,198,066	€ 4,198,066	€ 6,835,200	€ 6,835,200	€ 7,516,900
Capital	€ 390,941	€ 839,936	€ 1,087,480	€ 679,133	€ 2,501,683	€ 1,367,040	€ 2,469,302

Appendix C – Alternative Views of ICANN's Spending

The ICANN budget follows from the 2009-2012 Strategic Plan and the corresponding enclosed FY10 Operating Plan and Budget, and it is anticipated that all organizational activities described can be accomplished with the proposed budget. The enclosed draft budget is based upon the following:

- Revenues of $64.34 million
- Total operating expenses of $54.37 million
- Non-operating expenses (bad debt and depreciation) of $2.90 million
- Contingency of $1.50 million
- Contribution to reserve of $5.58 million
- Capital budget of $3.29 million

In response to community feedback and requests to see ICANN's spending plans in more detail and in views more consistent with their priorities, this draft FY10 Operating Plan and Budget provides alternative views of the budget. No one view is right, and no one view is wrong. Each view is presented with a different perspective and facilitates answers to different sets of questions. The alternative views provided in this appendix include:

1.   Traditional Accounts view (e.g., personnel, travel/meetings, prof services, admin)

2.   Functional Reporting view (e.g., New gTLD, contractual compliance, ssr ops, etc.)

3.   Cost Accounting Group (CAG) view (e.g., generic TLD support & GNSO, cc support and ccNSO, At Large Support & ALAC, etc.)

4.   Security, Stability and Resilience (SSR) view

5.   Strategic priority view

6.   Principle view

7.   Revenue source view

C.1   Traditional Accounts View

The Traditional Accounts view below is a format that is most familiar to readers of ICANN's budgets from prior years. This view showcases the four core expense areas related to the Operating Plan in each department.
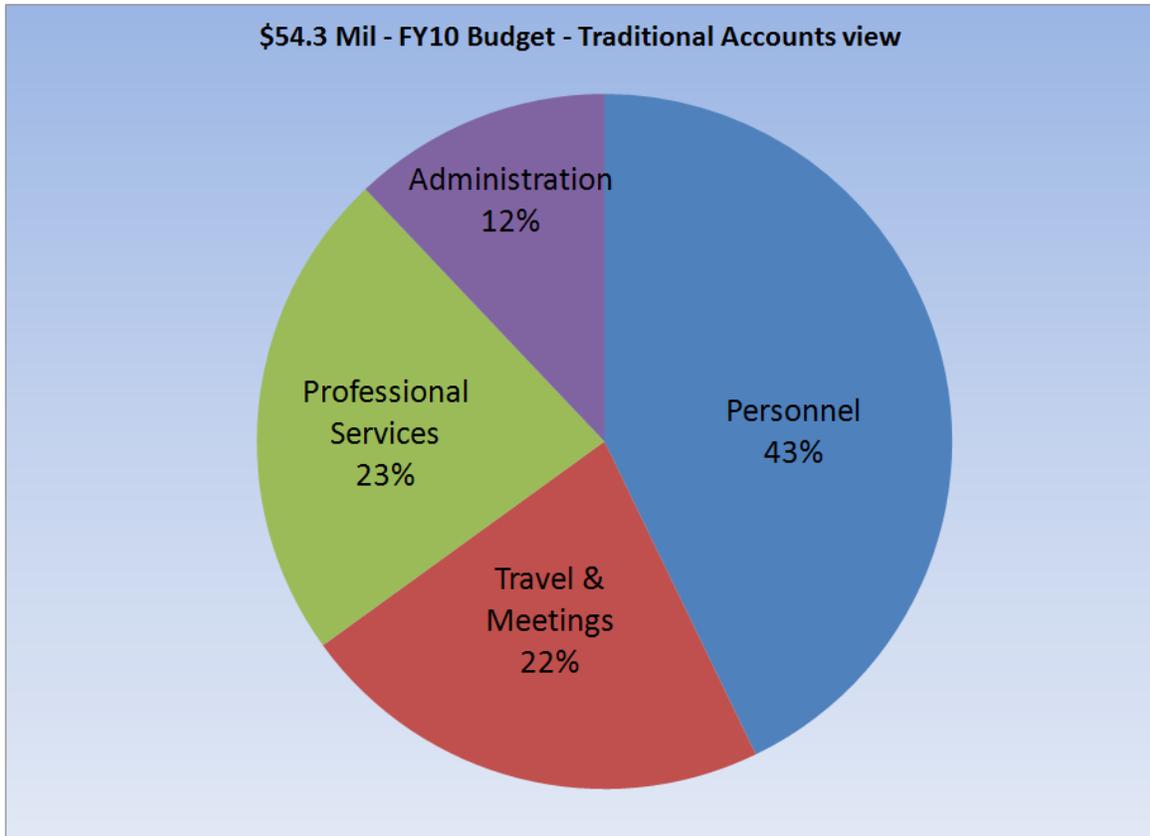
C.2   Functional Reporting View

The purpose of functional reporting is to support ICANN's core principles of accountability and transparency and are in response to community requests to better understand the manner in which ICANN's spending is prioritized. The functional reporting more closely aligns with the way the community considers the activities of ICANN (e.g., New gTLD, contractual compliance, and security expenses in contrast with the traditional reporting of expenses by personnel, travel, etc.). The functional reporting categories were determined based upon the Strategic Plan, Operating Plan, community suggestions, and Board Finance Committee discussions. Ultimately, this type of reporting will help facilitate the setting of priorities for ICANN's budgets as well as help ensure that the budgets are spent efficiently.

$54.3 Mil - FY10 Budget - Functional Reporting View
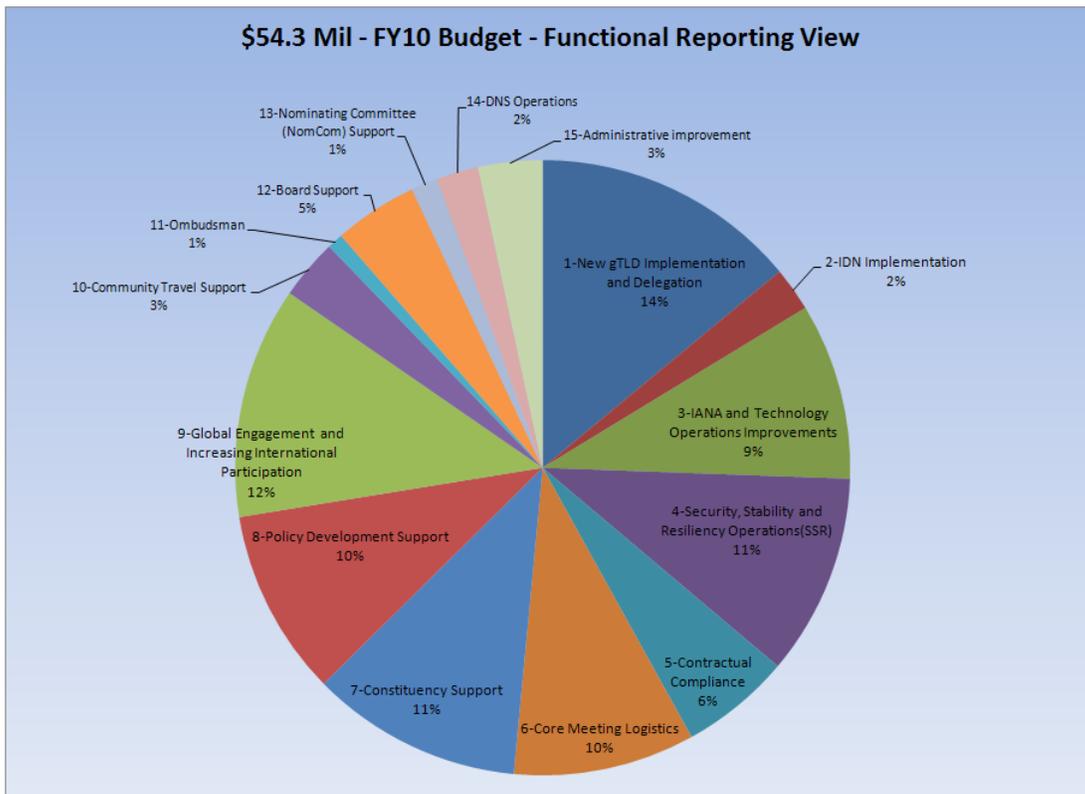
C.3   Cost Analysis Group (CAG) View

In response to community member requests, the Cost Analysis Group (CAG) view is shown to depict the budget from the view point of ICANN's organization structure including ICANN's supporting organizations and advisory councils.

[Cost Analysis Group (CAG) View of draft FY10 Budget will be inserted in a later version of this document]

C.4   Security, Stability and Resilience (SSR) View

The ICANN 2009-2012 Strategic Plan states "Security, Stability and Resiliency will remain a top priority and ICANN will work effectively with other Internet stakeholders to enhance and protect the security and stability of the Internet, paying particular attention to ICANN's mission to protect the security, stability and resiliency of the Internet's systems of unique identifiers." This view of SSR at ICANN can be shown several ways. The following is suggested as a way to view SSR across all of ICANN's functions.

[SSR View of draft FY10 Budget will be inserted in a later version of this document]

C.4   Strategic Priority View

$54.3 Mil - FY10 Budget - Strategic Priority View

- Post-MOU Model 7%
- Multi-stakeholder Environment 12%
- International Participation 11%
- Excellence in Policy Development 5%
- Excellence in Operations 32%
- Other * 33%

C.5   Principle View

$54.3 Mil - FY10 Budget - Principle View

- Global Community Participation 18%
- Bottom-Up, Transparent Policy Development Support 19%
- Promotion of Competition and Choice 15%
- DNS Stability & Security 15%
- Other * 33%

C.6   Revenue Source View

$54.3 Mil - FY10 Budget - Revenue Source View

- RIR 1%
- ccTLD 3%
- Other 2%
- Registrar 43%
- Registry 51%

Appendix D – Three Year Revenue and Expense Model

In order to understand the longer term view of ICANN's financial strength, the impact of New gTLD's on ICANN's financial position, the cost recovery mechanisms, and the possibility of alternative revenue sourcing strategies, a multi-year model of ICANN's revenues and expenses was developed. The potentially large impact of the New gTLD Program, and its requirement to be revenue-cost neutral, drives this effort.

Selected assumptions used in the multi-year financial analysis

- New gTLD fees and refunds per 2nd draft of Applicant Guidebook
- Registry Fees (after delegation):
  - $25k/year
  - $0.25/transaction after 50k domain names

This first chart describes the impact of the 1st round of New gTLD applications. Development costs of $12.8 million, revenue from application fees begin in Year 1 and continue into Year 2. Operating expenses are incurred to process and evaluate applications for New gTLD's. This scenario shown here shows how the net impact would provide a $318k surplus. Thus $12.8 million is used to replenish the Reserve Fund, and the balance of the $92.55 million of revenue collected is used for evaluating applications, covering other gTLD costs, and refunds (except for the net amount of $318k).

	Startup Costs	Application Launch	Evaluation Year 1	Evaluation Year 2	Evaluation Year 3	New gTLD
Revenue	–	50	83,250	9,250	–	92,550
Expenses	12,795	–	39,524	4,367	–	56,686
Refund of Evaluation Fees	–	–	4,968	578	–	5,546
Other gTLD Costs	–	–	30,000	–	–	30,000
Change in Net Assets	**(12,795)**	**50**	**8,758**	**4,305**	**–**	**318**
Change in Working Capital	–	49,755	(44,492)	(4,945)	–	318
Working Capital	20,000	69,755	25,263	20,318	20,318	20,318
Change in Reserve Fund	(12,795)	12,795	–	–	–	–
Reserve Fund	30,000	42,795	42,795	42,795	42,795	42,795

This next table shows the impact of ongoing Registry (and Registrar) fees after New gTLDs are processed through the evaluation. The model shows what the level of ongoing revenue to ICANN might be as well as ICANN's ongoing operating costs required to support the New gTLDs reflecting an increasing efficiency of operations over time.

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

This last table layers the New gTLD Program onto ICANN's traditional revenue and expense structure.

	ICANN New gTLD FY10 ($)	ICANN New gTLD FY11 ($)	ICANN New gTLD FY12 ($)
Revenue			
Traditional Revenue	64,342	64,985	65,635
Evaluation Fees (cost neutral)	83,250	9,250	–
New gTLD Registry Fixed Fees	3,650	9,525	10,150
New gTLD Registry Fees	347	905	964
New gTLD Registrar Fees	277	724	771
Total Revenue	151,866	85,389	77,521
Expenses			
Personnel	23,287	23,986	24,705
Travel and Meetings	12,065	12,427	12,800
Professional Service	12,456	12,830	13,214
Administration	6,559	6,755	6,958
New gTLD Evaluation Costs	43,726	4,883	–
Refund of Evaluation Fees	4,968	578	–
New gTLD Operation Costs	4,684	7,347	6,990
Total Expenses	110,645	71,793	67,744
Other gTLD Costs	30,000	–	–
Contingency	1,500	3,000	3,000
Change in Net Assets	9,721	10,596	6,777

The implications from the multi-year financial analyses include:

- Model demonstrates revenue covering cost for New gTLD Application process
- New gTLD operations, and significant flows of funds, naturally impose requirements for detailed cost accounting and reporting to ensure confidence, trust, and clarity
- As models mature, ICANN should consider opportunities to reduce fees and mix revenue sources
- Historical contributions to reserve fund recouped, and likely to attain full funding of Reserve Fund