29 April 2009

ICANN FY10 Operating Plan and Budget

Please accept the following comments in response to ICANN's publication of its draft FY10 Operating Plan and Budget.[1] Go Daddy reserves the right to future comments on this issue, and our positions include, but are not necessarily limited to those noted herein.

Growth of ICANN
We commend the Staff that the FY10 budget reflects only 4.9% spending growth versus the over 30% growth of FY09. However, in the current world economic climate we believe any spending growth by a non-profit public benefit corporation that relies on revenue collected from those affected by the economic downturn is difficult to justify. And just as important is the difficulty to project today what further negative impact the world economy may yet suffer. Revenue projections are less certain than in other years and should be taken with a grain of salt, so-to-speak.

We urge Staff to re-examine all operational activities with the charge to identify where costs can be cut and, at the least, be held flat with FY09. Another approach, with less impact on expenditures related to technical security and stability, would be to charge Staff with making the following reductions:

- New gTLD Implementation and Delegation – reduce by 16%
- IDN Implementation – reduce by 16%
- Core Meeting Logistics – reduce to flat FY09
- Constituency Support – reduce to flat with FY09
- Policy Development Support – reduce to flat with FY09
- Global Engagement & Increasing International Participation – reduce to flat with FY09

Either approach will require all structures within the ICANN community to carefully evaluate and establish appropriate priorities based on the available resources. It may also require that Staff consider capping expenditures related to new gTLD and IDN implementation and working within those constraints until the process has proven to be self-funding as projected.

An Open and Transparent Budget
Several areas of the proposed FY10 budget could benefit from increased transparency and/or itemization. By providing greater visibility into how the various activities and initiatives are driving expenditures, and a better understanding of how each "view" of the budget and operating plan ties into the other, members of the community will be able to provide more constructive input and better assess performance.

Regarding: Section IV FY10 Operating Plan Framework
We note there are 15 broad operational activities summarized in this section with details in Appendix A. We request that the projected costs of each of these activities be broken down by deliverable or key objective as listed in the Appendix. It would also be helpful to understand how these objectives tie back to the nine priorities of the Strategic plan as listed in 3.1 of The Planning Process.

Section IV briefly mentions the office in Washington, DC. There is no mention that we could find of the office in Brussels. There is little visibility into what it costs to maintain these offices. We request at least summary

information on the costs associated with maintaining these offices and to the extent practical, how those costs relate back to operational activities and strategic priorities.

Regarding: Section V FY10 Budget Framework, Expense Budget for FY10

The summary lists four major operating expense categories: Personnel; Travel & Meetings; Professional Services; and Administration. We request that Personnel become two categories: Personnel – Executive Staff; and Personnel – Staff. Then each of the resultant six categories should be broken down to show expense allocation by operational activity. In addition to allocation by operational activity, it would be helpful to see what portion of the Travel & Meetings expense is associated with the three annual ICANN meetings versus other travel and meeting expenses.

The budget for Professional Services is nearly $12MM. We suspect that a growing share of this expense is related to research and studies to inform Board and Staff on policy and strategic initiatives. As these expenses grow, the visibility into those costs that we are requesting above becomes every more important. But we also request that greater transparency be provided into the selection and vetting process for these service providers. As one example, the Board should require and the Staff should post a Statement of Interest from any such vendor to ensure that there are no pre-existing commercial or personal relationships with key individuals involved in the selection process or involved in the research itself. Transparency into the selection process is a necessary part of securing institutional confidence in ICANN and the work it pursues.

We also request that more information on the Bad Debt Expense be included (Registrar write offs, Registry write offs, others), and details on how the amount allocated for Contingency is arrived at.

Regarding: Investment Policy
The setbacks suffered by ICANN's assets under investment are cause for concern. Naturally, organizations of all sizes are reassessing what constitutes an "acceptable" level of risk in their investments, and ICANN should do the same. Clearly, in seeking to improve institutional confidence it is critical that ICANN is seen as managing its resources in a fiscally responsible manner for a non-profit public benefit corporation. To that end, we commend the Board and Staff for not overreacting and immediately selling low, and we welcome the Board Finance Committee's report presented in Mexico City that in part, "Requested staff to hire outside consultant to study the investment policy prior to further contributions to the Reserve Fund." We look forward to that study.

Conclusion
We thank the Staff and acknowledge the effort they have made in improving the quality of the Operating Plan and Budget. As noted, we think there are still important areas for improving visibility into certain expenditures and how they tie together with operating activities and strategic priorities. The additional detail we are requesting will also improve the quality of feedback from the community as well as help to instill the institutional confidence that ICANN is seeking. Finally, we urge Staff to carefully consider the current world economic climate and take appropriate steps to reduce spending growth to zero for FY10.

Sincerely,
GoDaddy.com, Inc.

Tim Ruiz
Vice President, Corporate Development and Policy

1. http://www.icann.org/en/announcements/announcement-2-17feb09-en.htm