**Comments re. the Draft ICANN FY11 Operating Plan & Budget**

Prepared by Chuck Gomes, 22 June 2010

These comments are submitted in my personal capacity and do not necessarily represent the views of my company or my Stakeholder Group.

Reference: The FY11 Operating Plan and Budget, 17 May 2010—Posting of Draft for Community Feedback <http://www.icann.org/en/financials/proposed-opplan-budget-v1-fy11-17may10-en.pdf>

Note:

1. *Text in* regular *font is copied from the FY11 Operating Plan and Budget. My personal comments are shown in italic font.*
2. *Many of the questions asked below were answered in the RySG meeting in Brussels but they are repeated here to make them part of the public comment record.*

**Introduction: Questions for Feedback**

*Note that I respond briefly here to some of the general questions asked at the beginning of the FY11 Draft Operating Plan and Budget. For more detail to support the brief answers below, please refer to the Detailed Comments Section.*

Are there specific deliverables or commitments that require more clarity?

* *A large percentage of projected commitments need much more detail. Without more breakdown of large expense categories into main expense components, it is not possible to determine whether the commitment can be adequately met or not.*

Are the organizational activities prioritized properly? Does one activity or another require more resources and, if so, what other activities should be delayed or eliminated to fund the more important activities?

* *Additional increases in the Reserve Fund should be delayed so that cutbacks in operational expenses can be reduced. New gTLD application fees should be reduced before already spent development funds are put into the Reserve Fund.*

Is the contribution to the Reserve Fund enough? Are revenue sources appropriate, and set at the right level, in the context of existing expectations by the Internet community?

* *The Reserve Fund is enough until overall economic conditions improve. It is not appropriate that over 94% of revenue come from gTLD sources.*

What about the process for developing ICANN’s plans? Are they sufficient to accomplish the goals to be accountable and transparent? In Section 3, an alternative schedule for developing the fiscal year plans is proposed? Is this proposal preferred?

* The lack of detailed breakdown of costs does not contribute to accountability and transparency. The proposal to divide the planning cycle into three four month periods with the middle (Framework) period allowing for more SO/AC input could be an improvement but only if a lower level of cost breakdown occurs in first the Framework period and most importantly in the Feedback period.

ICANN’s commitment to openness and transparency will reinforce efforts of recent years to post detail‐rich budget documents. This draft contains more analysis and detail than contained in any prior year. This level of detail is provided based on feedback and requests from the community. Are we striking the right balance between the need for detail versus the time to prepare and digest that detail, and the relevance of such information? For the Operating Plan and Budget development effort, are we responsive to the call for accountability and transparency described in the Affirmation of Commitments?

* The trend in recent years toward increased analysis and detail has been very good, but we are not where we need to be yet. The level of detail provided in this document is still not sufficient to allow effective review and analysis of expenses in some cases. As noted above, the level of detail does not provide for good accountability and transparency because it is at too high a level in many cases.

**Detailed Comments**

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

*In Figure 2-1, in the column titled ‘Promote Competition, Trust, Choice & Innovation’, the two following proposed activities do not provide any assurance of a timely implementation of the new gTLD program:*

* Complete the next version of the Applicant Guidebook
* Further work on the development of, and processes to support new gTLD implementation

*The last sentence on page 8 before the list of bullets in the paragraph titled ‘****Balancing workloads and setting priorities’*** *says, “*This draft FY11 Operating Plan and Budget proposes that the following, otherwise important, programs and activities **not** be fully funded in FY11.*” Later on page 9 we are told, “*As of 30 April 2010, the Reserve Fund had grown to over $47 million . . .*” Considering that $47 million represents over 71% of the FY11 budgeted expenses it would seem prudent to not contribute anything to the reserve fund and to use the budgeted $3.1 million for other purposes.*

**4. The FY11 Operating Plan**

*Figure 4-2 on page 15 contains budgeted expenses for New gTLD and IDN expenses. Are any of the amounts included in the New gTLD budget? If so, I do not think they should be duplicated. Will any of the expenses be included in New gTLD application fees? If so, once the expenses are incurred, it seems unnecessary to recoup the funds. Putting the portion of the fees into the Reserve Fund seems unnecessary considering the size of the Reserve Fund and recognizing that businesses that support ICANN are dealing with a down economy just like ICANN.*

*Again referring to Figure 4-2:*

* *In a year when GNSO improvements will be implemented, including added support for GNSO Stakeholder Groups and Constituencies, it is not at all clear that an increase of $175,000 will be sufficient, especially considering that this will fund support for all SOs and ACs. Because there is insufficient detail in the Draft Operating Plan, it is not possible to evaluate this.*
* *Why is the Ombudsman budget increasing by $111,000 (24.6%)? As far as I can tell, there is no explanation for this in the budget.*
* *A 15.2% increase ($764,000) is projected for the IANA Function and Technology Operations Improvements, but again there is insufficient explanation and budget breakdown to decide whether this is justified or not.*
* *In addition to the previous three items, there is insufficient explanation and cost breakdown for the following budget categories:*
	+ *Security, Stability and Resiliency (SSR) Operations*
	+ *Contractual Compliance*
	+ *Policy Development Support*
	+ *Global Engagement and Increasing International Participation*
	+ *Travel Support for ICANN Community*
	+ *Board Support*
	+ *Nominating Committee Support*
	+ *Travel Support for ICANN Community*
	+ *DNS Operations*

**5. The FY11 Budget**

*The third paragraph on page 27 says, “*New source of revenue for ICANN is from requests for IDNs through the Fast Track ccTLD program.*” Will the proposed revenue cover the costs of that program? It is impossible to even make a guess about that in the Draft Budget because there is no detail. Why is it voluntary for ccTLDs and not for gTLDs? In the case of the GNSO New gTLD program, great efforts are being made to ensure that all costs of the program are covered, even past costs that were already included in previous fiscal years, but there is no evidence that this is a concern for ccTLDs. Why the disparate treatment? Why are gTLD fees continuing to be used to subsidize programs outside the GNSO? Is it because it is administratively convenient?*

*I want to point out that:*

* *Over 94% of FY11 revenue is projected to come from gTLD fees. (See Figure 5-2, FY11 Revenue Budget on page 28).*
* *Less than $20 million of operating expenses go to support the GNSO. (See Figure F-1, Operating Expenses by SO/AC on page 81 in Appendix F.)*

*An example of helpful detail in the Draft budget can be found on page 40 in the last main bullet of Section 5.2.2:*

*“*Other assumptions used in the travel budget include:

* Airfare costs average $2,000 and are adjusted up or down depending on the venue and class of travel.
* Lodging costs average $250 per night for the seven‐day ICANN meeting. This is adjusted up or down depending on the venue, the negotiated hotel rates, and the length of time that the traveler is required to stay for ICANN business.
* Per diems average $90/day or $500/stipend, . . .*”*

*Another example of helpful breakout of expenses is found in Figure 5-11, but more detail for the major categories is needed to allow for thorough review and analysis of the budgeted amounts.*

*Here are some examples of helpful expense breakdown in the document:*

* *On page 43ff there is a good explanation and breakout of the Language Services Program.*
* *Figure 5-14 and the following explanation of the categories of Administration expenses are very useful.*
* *Figure 5-15 gives a good breakout of office space costs.*
* *Figure 5-19 provides a helpful level of breakdown of capital expenditures.*

*I believe that this level of detail should be provided for all major expense categories. Without it, it is not possible to adequately comment on the Budget.*

**7. Separate New gTLD Budget Amendment**

*I have one question regarding the budget for New gTLD program development on page 53: What are the estimated total development costs to be included in the application fee?*

**Appendix A – Operating Plan Activities**

*Section A.7 (Constituency Support) appears to only cover costs related to registries and registrars. Where are costs associated with support for other constituencies and stakeholder groups as recommended as part of the GNSO Improvement program?*

**Appendix C -** **Community Feedback**

*Table C-1, FY11 Community Support Travel Guidelines Community Feedback, on page 69 has a column titled Responses. But in many cases it simply refers back to sections of the document that are not detailed enough to be considered responsive to the questions asked.*