



# Comment on ICANN's Draft FY18 Operating Plan and Budget, and Five-Year Operating Plan Update

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**Business Constituency Submission**

**GNSO//CSG//BC**

## Background

This document is the response of the ICANN Business Constituency (BC), from the perspective of business users and registrants, as defined in our Charter:

The mission of the Business Constituency is to ensure that ICANN policy positions are consistent with the development of an Internet that:

1. promotes end-user confidence because it is a safe place to conduct business
2. is competitive in the supply of registry and registrar and related services
3. is technically stable, secure and reliable.

## BC Comments on the Draft ICANN FY18 Budget Proposal

The BC is pleased to provide comments on the Draft ICANN FY18 Budget Proposal. It notes the incorporation of the FY18 Public Technical Identifier (PTI) Budget, which was approved in January 2017 by the PTI Board.

The BC commends the ICANN Budget management team for continuous improvement in the provision of comprehensive and granular budget details of its expected action plans. It also notes the quarterly financial reporting as a good management practice.

While the draft Budget proposal is detailed, the BC will appreciate a one to two-page Executive Summary (ES) that gives a summary of the preceding year budget performance with respect to future projections. The ES will serve to provide high-level overview of the content of the proposal, which may be embellished with a few analytical graphs that reflect trends over a 3 to 5-year period.

The BC notes that Reserve is less than 50% of 12-month operating cost, which is not in compliance with standard corporate practices and ICANN's Funding Policy (it would be good to have a reference to this policy). As such, BC recommends that bringing Reserve Fund to tolerable level of 100% of preceding 12-month operating cost should be prioritized in FY18. In addition, Auction proceeds should be reserved pending community decision on how to use those funds. The auction proceeds should not be available for operating costs.

A major priority of the BC is to make the collection and publication of data a priority, and that the Board and CEO commit to expeditiously providing the public with unfettered, routine access to raw, unfiltered data related to ICANN's mission<sup>1</sup>. This includes access to compliance data that help address abuse issues. Having looked carefully at the Budget proposal, it is not clear where the Open Data Initiative (ODI) would be funded though David Conrad in his presentation to BC in Copenhagen indicated that \$200,000 have been earmarked for the project. While we seek clarity on this; the BC requests that this

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<sup>1</sup> See Letter from the CSG to Göran Marby, Steve Crocker and the ICANN Board <<https://www.icann.org/en/system/files/correspondence/csg-to-marby-et-al-05jan17-en.pdf>> Note that we are seeking access to datasets – that is, raw data, measurements or analytics that offer insight into the operation of the identifier system – personally identifiable information and business proprietary information should be excluded.

initiative be reflected as a budget line item (in line with the principle of transparency) and should be properly funded to meet stakeholders' expectations.

Reflecting on the projected increase in headcount in FY18 of 55.6 FTEs, what is the justification for the anticipated sharp increase of 16%?

BC supports the immediate establishment of an internal Control Audit function in ICANN to ensure the existence and effectiveness of internal controls across ICANN. It thinks this is long overdue.

Per Additional Budget Request (ABR) and in order to ensure that all its officers attend all ICANN Meetings, BC proposes travel support for its fourth officer, the Commercial Stakeholder Group Liaison.

In addition, we request that travel support be provided to one BC delegate from a developing country to speak on:

- i. Internet public policy matters on designated business workshops at the IGF2017; and
- ii. At the CSTD Working Group on Enhanced Cooperation, on Public Policy matters pertaining to the Internet.

On this point, we recommend that ICANN explain in future ABR notices that budget requests for outreach events should be submitted as separate requests FOR EACH EVENT. We note that such advisory would encourage clarity in request submissions.

Furthermore, the BC would like more clarity provided on the following observations:

- 1) 3.1 Financial Overview (page 9): "ICANN Ops excludes Depreciation and Bad Debt of ~\$8m". What is the nature of the bad debt?
- 2) 3.1 Financial Overview (page 10) – Table (The Line items should be numbered for ease of reference): Technical Functions and IT appear related. However, IT has 47 more personnel than Technical function line and the roles are not contained in the DNS, GDD and IANA operations budget line, the question is, what roles are covered by IT?
- 3) 3.1 Financial Overview (page 10) – Ombudsman: What constitutes increase in Ombudsman budget over FY17 with the same head count?
- 4) 3.2 Funding (page 12 – last row 3<sup>rd</sup> column): Where Funding implies revenue, it may be necessary for consistency and clarity sake for revenue to be mentioned in the sentence as a bracket after Funding such as "Portion of application fees recognized in Funding (revenue) ratably..."
- 5) 3.3 Table (page 16): On Computer Software and Equipment Description; What form of maintenance is planned for Salesforce when it is yet to be fully implemented as funds are earmarked for "Development & Testing" under Computer Software another separate line item.
- 6) 3.3 Table (page 16): On the term KMF; it would be better to specify the ISO reference.

- 7) 3.4 Risk and Opportunities: On “Expenses” as “Opportunities” wrt “Ability to reduce headcount growth as a result of optimization of resources”; the question is how can this opportunity be optimized?
- 8) 3.5 Unfunded Potential FY18 Activities: When was the last IT Audit carried out in ICANN?
- 9) 3.5 Unfunded Potential FY18 Activities: What is the usual justification for additional headcount for Meetings line item while much of the work is outsourced (wrt Travel FCM)?
- 10) 5.2 New gTLD Program – Multiyear View: On Auction (net of expenses); why is there nothing recorded when gTLD auction took place?
- 11) 3.2.2 IT Infrastructure and Service Scaling: Is this to be an outsourced facility or an ICANN facility?
- 12) 3.2.2 IT Infrastructure and Service Scaling: What tier level is ICANN aiming at?
- 13) 3.3.2 ICANN Technical University: There is no project under ICANN Technical University; why is it still part of ICANN portfolios as it has remained like this over the years?
- 14) 4.3.1 Support Internet Governance Ecosystem Advancement: There is no funding allocation. Though not ICANN major remit but as minor and quite relevant, why is there nothing here?
- 15) 7.14: Replace FY17 with FY18

Finally to enhance readability and to comply with standard practice, all acronyms should be defined before they are used for the first time in any ICANN document.

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This comment was drafted by Jimson Olufuye, Chris Chaplow, Marilyn Cade, Jay Sudowski, Denise Michel, and Steve DelBlanco.

It was approved in accordance with the BC charter.