

## FY14 Draft Operating Plan and Budget - Public Comments

Ref #	Posted by	Org	Question / Comment	ICANN Response
1	"Mike O'Connor" <mike@xxxxxxxx>	N/A	This is an annotated version of the PowerPoint deck containing my PERSONAL comments on the budget. my comments can be found on about a third of the substantive pages of the deck. One of the most interesting observations is that I believe there is a \$4 million arithmetic error in the new gTLD program section -- which breaks in a positive direction, fortunately. somebody should definitely check my arithmetic.	The slide #38 of the FY14 draft operating plan and budget includes a variance comment on refunds which is inconsistent with the variance of the refunds that appears in the table on the same slide (-\$17M). The figures reflected on the table are correct. However, the explanation should be corrected. The corrected explanation is listed below:  Total projected withdrawals 646 vs. 545 budgeted. The total number of applications listed reflects withdrawals to date and projected withdrawals. A table listing the variances by each refund milestone is attached. Refund Assumptions - posted in public comments.xlsx Refund Assumptions - posted in public comments.pdf
2	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 14, FY13 Forecast vs. FY13 Published Budget The FY13 forecast shows \$18,008,000 for historical development costs. It is our understanding that the plan is to deposit these funds into the ICANN Reserve Account. Has that happened for any of the funds; if so, how much? When will the full amount of the funds be deposited into the Reserve Account? Has ICANN settled on a target for the Reserve Fund? Clarity on this figure, and ICANN's progress on reaching it, would be appreciated.	The allocation to the Reserve Fund is usually done on an annual basis. It is expected that the payment of Historical Development Costs back to ICANN will ultimately result in an increase of the Reserve fund. The Board has requested Staff work on developing a target amount. This work is currently ongoing.
3	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 14, FY13 Forecast vs. FY13 Published Budget Please explain the nature of the "Bad Debt Expenses." While FY13 FORECAST OF \$573,000 may not be a significant percentage of the overall Budget, IT IS A VERY LARGE INCREASE (43.3%) OVER THE FY13 BUDGETED AMOUNT. What is driving it? Importantly, what does ICANN intend to do about resolving it?	The nature of Bad debt expenses is to reserve money for potentially uncollectable accounts receivables. ICANN has been reserving around 0.5% to 1% of revenue. FY13 bad debt reserve is around 0.75% of revenue, so within our historical margin. ICANN's Accounts Receivable department follows a structured process in collecting credit invoices from Registrars by sending reminders after 30 days, phone calls and if no response then the compliance department gets involved in the collection process after 60 days. To prevent increasing non payment of invoices, ICANN will perform thorough financial screening of new clients. There will be occasions where registrars goes bankrupt, to mitigate that loss; ICANN reserves funds to absorb that loss.
4	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 15, FY13 Forecast vs. FY13 Published Budget –Revenue We note that the FY13 forecast shows that fees paid to ICANN from gTLD registrants via registries and registrars account for \$72,687,000 of ICANN's revenue, which represents approximately 95.1%. In other words, gTLD registrants funded the overwhelming majority of all ICANN activities in 2013 including subsidization of SOs and ACs besides the GNSO as well as all of ICANN's strategic programs. In the past, the Operating Plan and Budget contained charts that estimated how revenue and expenses compared ICANN organizations. The RySG thinks that that is still a good idea because it shows: <ul style="list-style-type: none"> <li>• How gTLD registrant fees contribute to the overall ICANN community</li> <li>• gTLD registrants how much of their fees are used to support gTLD related activities</li> <li>• GNSO participants what programs they subsidize through registration fees</li> <li>• Other organizations an estimate value of the services they receive from ICANN</li> <li>• Other ICANN organizations the amount of subsidization they receive from gTLD registration fees.</li> </ul> It also is a way for ICANN to become transparent with the source and output of funds. If there is some reason why transparency is not appropriate in this area, the RySG would like to understand what that is.	ICANN's multistakeholder model aims at "allowing diverse groups from all around the globe to cooperate and participate in the dialogue, decision making and implementation of solutions to common problems or goals" irrespective of their financial contribution. As a reminder, the various sources of revenues are disclosed in the FY14 Budget presentation. In the past ICANN provided information that attempted to show how its various revenue sources were used to fund ICANN initiatives. This type of information has been omitted from the FY14 Draft Operating Plan and Budget as the methodology (primarily an allocation) used to compile the data currently is not refined enough to provide an accurate picture of how expenses are distributed. In addition, it was decided that providing such information had the potential unintended consequence of violating the principle of inclusiveness on which ICANN is based. However, based on community interest and request, as it relates to expenses, the staff is working on developing an alternative approach to evaluate the costs incurred by ICANN organization.
5	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 19, FY14 Draft Operating Plan & Budget vs. FY13 Forecast 1) is the plan still to transfer the recovered historical new gTLD costs into the Reserve Account? 2) If so, when will the historical costs estimated for FY14 be deposited into the Reserve Account? 3) Is there an estimate as to when the Reserve Fund will reach the Board's targeted amount?	Please see response to comment # 2 above

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6	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 19, FY14 Draft Operating Plan & Budget vs. FY13 Forecast We note: The FY14 ICANN Operations budgeted revenue (excluding new gTLDs) increases 15.4% over the FY13 forecast while expenses increase 23.8%; this still leaves \$3,659,000 in revenue over expenses. We have several concerns in this regard: 1) A 23.8% year over year increase is very large; 2) the fact that expenses are increasing at a year over year rate of 8.4% more than revenue and there is still over \$3.6M in excess revenue makes us wonder whether ICANN registry and registrar fees are too high; 3) the fact that revenue is high should not be a license to spend more. At a bare minimum, explanation should be provided regarding these concerns.	The main drivers of the increase in expenses are described on slide 22 of the budget presentation, with the primary intent to provide understanding of these questions: what is increasing and why. At a high level, the engagement of stakeholders internationally (including the expansion of language capabilities) is an activity put on hold over the past years, and the operational readiness of the services to new registries/registrars are the primary drivers of the growth.
7	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 20, FY14 Draft Operating Plan & Budget vs. FY13 Forecast –Revenue Noting that the FY14 Budget predicts revenue from Registries and Registrars to be \$76,592,000, 94.4% of total FY14 operations revenue, it would be helpful for the GNSO community to know the amount of estimated expenses planned in support of the GNSO in general and specifically registries, registrars, registrants and new gTLD users. In addition, it would be helpful to know the amount of estimated expenses planned in support of the RIRs and ccTLDs. This used to be provided but is no longer and no adequate rationale was communicated. The RySG believes that providing this level of detail is a transparency requirement that those who pay the fees deserve.	If the previously provided analysis that is referred to in this comment is the EAG (Expense Area Group), this document was abandoned as it did not provide an adequate answer to the question of what costs are planned/incurred in support of a specific organization. The underlying assumption for this analysis was to distribute the entirety of ICANN's expenses as per subjective allocation percentages.
8	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 21, FY14 Draft Operating Plan & Budget Variance Analysis –Revenue The explanations for revenue variances compared to the FY13 Forecast are very helpful, but we note that there is no explanation for the \$37,000 increase for ccTLDs. Perhaps the scale of the increase warranted no further explanation? Regardless, the more important question that should be answered here is what the community should expect going forward with regard to ccTLD contributions. The ccNSO has been subsidized by gTLD fees for many years and there has been lots of discussion about this changing but no significant changes have ever materialized. In fact, ICANN lowered its FY14 target for ccTLD contributions, and it rarely received the full budgeted amount over the past several years. It seems to us that the gTLD community deserves information in this regard. Is there some reason why gTLD fees should be used to subsidize ccTLD support? Is it not reasonable to expect the ccNSO to be relatively self-supporting?	The variance of \$37,000 was not considered sufficiently significant to warrant a high level variance analysis. The ccNSO is currently working on an update to its model of contribution to ICANN.
9	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 22, FY14 Draft Operating Plan & Budget Variance Analysis As previously stated, the RySG appreciates the variance analyses that are provided in the Operating Plan and Budget. They provide important information regarding revenue and spending trends from one year to the next. But in some cases more detail is needed, especially when the variances are large. For example, the variance shown for Professional Services under the category of Other Variances is -\$1,861,000, which is a significant decrease. We request that notes be provided as done elsewhere to explain the main causes of variances that not obvious or explained elsewhere (e.g., personnel, meetings); this could be accomplished via written notes and/or by providing detailed breakouts of variances by categories.	The decrease in other professional services is primarily due to legal fees being transferred from operations to new gTLD for FY14 due to the implementation of contracting requirements for the program.
10	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 23, Draft Operating Plan & Budget Headcount by Function * Some of the groups on this slide are self-explanatory; others are not. We request that at least the following groups be defined: 02 – Strategic Comm; 03 – GSE; 06 – DNS Industry; 08 –Operations; 09 – Technical functions; 10 – Org support.	Please see the "Addendum 1" to the public comment replies

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11	Paul Diaz <pdiaz@xxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slides 28- 32, Draft Operating Plan & Budget – AtTask * We appreciate the increased detail that is provided in the AtTask system, but it seems clear that only a subset of that detail was made available to the community. Budget detail appears to be only provided down to the program level. Particularly for larger programs, detail about the various projects and their associated budgeted expense amounts are needed to allow for an adequate review of the budget. This is critical as ICANN shifts to a “matrix” operating structure and initiatives are handled by cross-functional teams. We provide some examples in our comments below for slides 30 and 32, but we request that project detail be made available for all programs. In fact, it would also be very helpful if information or a tool was provided to help community members navigate the AtTask information. As one small example that is near to our hearts, where would the cost of Registries Stakeholder Group support be found in the budget? In exploring the AtTask spreadsheet provided, we were unable to find that.	We understand the need for increased transparency and visibility into ICANN’s workload and progress. Due to the ongoing work to develop consistency and uniformity to the AtTask system, we have provided program level data for the FY14 Draft Budget. As ICANN’s proficiency in AtTask matures and project planning becomes more fully developed, ICANN will provide more detailed information.
12	Paul Diaz <pdiaz@xxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 30, Draft Operating Plan & Budget – AtTask * We note that this slide provides budgeted goal and portfolio expense amounts for the Operations Excellence objective. In that regard, we would like to call attention to one of the programs under the Effective Business Operations portfolio: Other Programs for Effective Business Operations. \$6,795,000 is budgeted for this program, which amounts to 44.0% of the total portfolio budget. As far as we could find in the AtTask spreadsheet provided with the public comment documents, no further detail is given for this program. What is this program? It is way too large to be shown without further breakdown both in terms of the projects it includes and the dollar amounts associated with those projects. We assume that there is a place in AtTask where the project detail can be found and request that it be provided. Without it, it is not possible to perform a competent review of the budget.	We understand the need for increased transparency and visibility into ICANN’s workload and progress. Due to the ongoing work to develop consistency and uniformity to the AtTask system, we have provided program level data for the FY14 Draft Budget. As ICANN’s proficiency in AtTask matures and project planning becomes more fully developed, ICANN will provide more detailed information.
13	Paul Diaz <pdiaz@xxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 32, Draft Operating Plan & Budget – AtTask * We note that this slide provides budgeted goal and portfolio expense amounts for the MultiStakeholder Model Evolution objective. In that regard, we would like to discuss two of the programs under the Organizational Reviews portfolio and two under the Support Policy Development Efforts portfolio. As can be seen on the slide, the Organizational Reviews portfolio comes under the Evolve SO/AC Structures. Looking further into AtTask, two of the programs and their budgeted amounts are: the GNSO Review with \$0 budgeted; Structural (Organizational) Reviews Management with \$199,589 budgeted, which amounts to 100% of the amount for this portfolio. In other words, there are no funds budgeted for any of the specific reviews such as the GNSO Review, even though the GNSO Review is expected to start in FY14. Explanation is requested on this.	All organizational reviews, including the GNSO, have been consolidated under the program “Structural (Organizational) Reviews Management”. The GNSO Policy Support Program of \$80,831 only reflects resources from the Legal and the Registrar teams. For budgeting purposes, the Policy team has organized their support program in two subgroups: “SO Policy Development Support Activities” and “AC Policy Advisory Support Activities”.
14	Paul Diaz <pdiaz@xxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 32, Draft Operating Plan & Budget – AtTask * As is also clear on the slide, the Support Policy Development Efforts portfolio is under the Optimize Policy Development Efforts goal. In AtTask, two of the programs are: GNSO Policy Support with a budget of \$80,831 (1.6% of the portfolio expenses); SO Policy Development Efforts with a budget of \$2,063,662 (40.9% of the portfolio expenses). We assume that most GNSO policy support will be funded out of the SO Policy Development budget; is that a correct assumption? In the case of the SO Policy Development Efforts, the budgeted amount is way too large to be shown without further breakdown both in terms of the projects it includes and the dollar amounts associated with those projects. As stated earlier, we assume that there is a place in AtTask where the project detail can be found and request that it be provided. Without it, it is not possible to perform a competent review of the budget.	The GNSO Policy Support Program of \$80,831 only reflects resources from the Legal and the Registrar teams. For budgeting purposes, the Policy team has organized their support program in two subgroups: “SO Policy Development Support Activities” and “AC Policy Advisory Support Activities”. As previously stated, we understand the need for increased transparency and visibility into ICANN’s workload and progress. Due to the ongoing work to develop consistency and uniformity to the AtTask system, we have provided program level data for the FY14 Draft Budget. As ICANN’s proficiency in AtTask matures and project planning becomes more fully developed, ICANN will provide more detailed information.

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15	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slides 35-36, Draft Operating Plan & Budget –Community Support Requests * As communicated in the Operating Plan & Budget webinar held on 15 May, there is an asterisked note at the bottom of slide 36 that refers to services that are already provided in in-kind but there are no asterisks shown for any of the special budget request line items. Please update the table on these two slides to identify the items that will be provided as in-kind services.	The document has been revised and can be found in the "FY14 Draft Operating Plan and Budget (Revised)" section at <a href="http://www.icann.org/en/news/public-comment/op-budget-fy14-10may13-en.htm">http://www.icann.org/en/news/public-comment/op-budget-fy14-10may13-en.htm</a>
16	Paul Diaz <pdiaz@xxxxxxx> on behalf of Paul Diaz, Tim Switzer and Chuck Gomes	N/A	Slide 40, New gTLD Program – Operating Expenses The current estimate for full program expenses as of April 2013 for Pre-delegation testing is \$24,303,000. The RySG suspects that this could be reduced significantly if duplications in the process were eliminated. There is a fairly limited number of backend registry service providers who will bear the bulk of the pre-delegation testing requirements. We are quite sure that other savings could be achieved by eliminating unnecessary duplication of efforts.	The program will continue to seek opportunities for simplifying and reducing costs for Program Operations.
17	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	The ALAC appreciates very much the effort made by the Finance department to improve the process of the budget development allowing more interaction with the community and more time for it. Unfortunately, for FY14, the process as improved wasn't followed due to change in the ICANN management bringing a new vision and new working methods. It is the transition between the old and the new vision that made FY14 budget development process less satisfactory especially because time was not sufficient to prepare a budget framework that would permit another opportunity for interaction with the community.	Agreed. It is Staff's intention to seek additional feedback on this year's budget process, notably as it relates to an improved interaction between Community and Staff during the development of the budget draft.
18	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	Comparing the FY14 budget and the FY13 forecast, the ALAC notices for the ICANN operating activities an increase of the expenses by \$16.251 million, while the revenues would increase by \$11.739 million only, which may constitute a bad element for the future if it continues on the same trend.	ICANN currently operates under the principle to keep annual expenses at or below the level of annual recurring revenues.
19	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	The impact of internationalization on the FY14 Budget expenses (Personnel, Travel & meeting, Professional services and administration) increased by \$7.544 million as detailed in slide 22, while the whole cost of internationalization (FY13 + FY14) is 11.899 million as per slide 28. The ALAC thinks that the internationalization of ICANN deserves this financial effort since it is one of the most important changes that will make ICANN more global and less contested.	Noted.
20	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	The New gTLD applicant support contribution (\$138 k) is an expense for ICANN, not an income. The ALAC would appreciate an explanation on why it is put on slide 42 in the application fees to be received rather than in the expenses.	The \$138K application support contribution from ICANN to the New gTLD program is an expense for ICANN (contribution made) and a revenue to the New gTLD program (application fee collected).
21	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	As for the New gTLD program, Slide 43 shows that the staff allocation cost doubled in the full program current estimation compared to the prior estimation of June 2012. The ALAC would like to know the reason for this huge increase?	The staff allocation increase versus the June 2012 estimate is resulting from the detailed knowledge of the requirements to operate and manage the program. Such knowledge and understanding did not exist prior to the evaluation work being performed and was under evaluated then.
22	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	On the other hand, the ALAC is concerned by the very low allocation for the ATRT2 professional services set in the spreadsheet to only \$37,800. This amount is insignificant compared to ATRT1 spent professional services.	The links between the Operating Plan and Budget and the AtTask system used to report management delivery through ICANN's portfolios of work are still evolving. Thus, the preliminary Budget Proposal based on AtTask Projects List did not reflect the full proposed budget for the ATRT 2 work during FY14. The professional services budget for FY14 is \$90K which is a \$26K increase over FY13.
23	ICANN At-Large Staff <staff@xxxxxxxxxxxxxxxx>	ALAC	The ALAC reiterates its regret that the community didn't have the opportunity to discuss the draft of the operating program and budget before this last public comment period, and understand that this was because of the transitional nature of this fiscal year. We hope that this situation will be avoided in the future.	Agreed and noted.
24	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	The Internet Service Provider and Connectivity Providers Constituency (ISPCP) welcome the opportunity to comment on the FY14 Draft Operating Plan and Budget. Noting the limited time allowed to digest and understand a draft that demands careful and detailed consideration due to its complexity and importance, coupled with the change of format which means direct comparison with previous line items (and in years earlier than FY13) is sometimes difficult to track, the ISPCP have concentrated on those areas that raised initial comments from within the Constituency.	Noted.

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25	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Is ICANN proposing to do outreach through the Supporting Organizations and Advisory Committees that support the policy-development process? Or is the Engage Stakeholders Globally effort (funded for \$11.7million – Page 31) independent of those bodies?	The Board envisions that ICANN staff and community will collaborate on developing and beginning to implement a coordinated and coherent outreach plan this FY. Development of that plan will require further collaboration between staff and the community.
26	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Presume for a moment that the Engage Stakeholders Globally initiatives are successful in bringing many new participants into ICANN's policymaking process. In that case where in the budget are the allocations to provide the resources that will be required to help prepare the Supporting Organizations and Advisory Committees to welcome, brief, train, develop and mentor this influx of new participants?	In-kind resources budgeted by the ICANN Policy Development Support Department and supplemented by the ICANN IT department provide the personnel and infrastructure to support and accommodate community discussions and deliberations through meetings, telephone calls, and room availability at ICANN Public Meetings, etc. ICANN resources are also provided to support community leader travel to enable F2F engagement at ICANN Public Meetings. ICANN agrees that more comprehensive engagement efforts will likely bring in new participants over time, but staff views this as a smooth increase over time, only affecting corresponding expenses to increase progressively. The impact of this trend increase for FY14 is accounted for in staff plans for FY14. Currently, ICANN staff is considering the ISPCP Special Budget request and notes substantial staff resources are being requested. ICANN commits to working with ISPCP to determine what it envisions as necessary "to welcome, brief, train, develop and mentor" new community participants in the future.
27	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	We note on Pages 35-36 that NONE of the CSG Fast Track budget requests (many of which address this very issue) were funded. Are constituency support resources provided elsewhere in the budget? Can that be made clearer? We are now at the stage where almost 50% of the budget allocated to cover community support requests has been allocated during the fast track process, but none of the requests from Constituencies within the Commercial Stakeholder Group have been dealt with. This is a cause for serious concern. Is it the expectation that unpaid volunteer participants will cover this gap without any incremental resources or support? We would request that constituency leaders are involved in any discussions or decisions that concern the allocation of resources that directly impact the ability of those groups to function in a manner that underpins ICANN's multistakeholder model.	The \$600,000 budget is a placeholder. Requests are assessed on the basis of rationale; hence the review panel will consider requests that potentially exceed the remaining \$320,000 and submit those that meet established criteria to the Board for funding. In addition in-kind, Constituency support resources are provided in a number of different budget areas (e.g., The GNSO Toolkit of in-kind support services includes, phone lines, virtual adobe connect meeting rooms, meeting recordings and postings). These types of resources are absorbed in various parts of department budgets including the IT team and Policy Development Support teams. As a result, some requests may appear to have been "denied" not because the activity and funding are considered inadequate, but because they are already accounted for in the main ICANN budget. In other cases, requests are clearly marked as "deferred" or "under review" as part of the normal (not fast-track) budget preparation effort.
28	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	The ISPCP questions how the "Engage Stakeholders Globally" and "Increase/Improve Participation" initiatives (listed on Page 26) are coordinated. Is there a plan to ensure that all these efforts are tied together in a way that they complement and reinforce each other?	As both activities are under the Global Stakeholders Engagement supervision of Sally Costerton, both aspects are designed concurrently.
29	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Given that there is a short time allotted for the community to digest or converse with the administration about this budget before it is scheduled to be approved by the Board (see p. 3), how does the administration align this budget with the key requirement that this remains a bottom-up accountable process?	Consistently with the requirements of ICANN bylaws, ICANN staff has published the draft budget more than 45 days prior to the end of the year preceding the year being budgeted for. In addition, Staff has held 3 calls involving various members of the Community to keep constant communication during the year on the budget process progress. It is believed that the significant increase in the detail level and the volume of financial data provided during the FY14 Budget process contributes dramatically to enhancing accountability and transparency. Separately, Staff has conducted budget process improvement workgroups in order to continuously enhance transparency and accountability in the budget process.
30	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	The ISPCP questions the large increase in recurring costs which appears to be a consequence of this proposed budget, and questions the accountability of taking that step, particularly as the community has only had limited input and even less time to digest the detail?	Staff acknowledges that the change in the format and the volume of the information provided for comment represent challenging circumstances. Staff believes however that these changes improve the accountability and transparency of ICANN's budget information. The expenses increase has been documented in the budget presentation, both at a high level (slide 22) and at a detailed level (AtTask programs list, in Excel spreadsheet) to enable the Community to have a global and detailed understanding of the budgeted resources and its evolution.
31	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Have budgetary caution and safeguards (described as "Original Approach" on Page 12) been lost during the transition to the AtTask system (described as "Revised Approach")? Does this new approach provide adequate basis for ICANN to carry out its fiduciary responsibilities? Is there any way to re-establish the review and revision steps that were lost during the rapid transition to this new budget management regime?	It is not clear from the comment what "budgetary caution and safeguards" and "review and revision steps" have been lost. Can the comment be clarified further?

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32	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	An initial analysis conducted by the ISPCP identified a \$4 million arithmetic error in the new gTLD refunds item detailed on Page 38 of the first draft of this plan (See Annex One). The subsequent draft (published in response to our first analysis) contains a \$5 million arithmetic error, which we were at least able to reconcile to within \$200 thousand. Errors of this nature raise some concerns over the integrity of the underpinnings for this budget and we question whether the transition to the new budget management system been too hasty. Due to time constraints we have only analyzed one part of this document in detail, but we did identify a number of errors. The number and size of errors discovered in that limited review naturally raises concerns over the level of accuracy of the budget overall.	The \$5M pre-reveal total refunds reflected in the schedule is correct. The total includes the following: (a) applications paid with \$185K total fees, (b) applications paid with \$5K fees and (c) overpayments with amounts ranging from \$1 to \$184,989.
33	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Are the assumptions about the timing and size of the revenue-generating potential of the program realistic, given the history of delays thus far? Is the lack of sufficient contingency within the budget likely to put pressure on staff to downplay serious obstacles that may occur during this budget cycle? How would any such occurrences be dealt with?	Revenue has been conservatively estimated, taking into consideration that further delays could impact the amount of revenues generated in FY14. ICANN management intends to closely monitor the program timeline so that critical decisions on costs can be made to mitigate delays in revenue generation.
34	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	For example – what happens if the unfavorable current-year revenue variances (on Page 13) deepen in future years due to overly optimistic domain-name demand projections? Is there a contingency plan if the current-year short fall is actually a reflection of flattening/maturing of demand for domain names, both in existing and new gTLDs? How much of the expansion of ICANN described in this budget be gracefully unwound if actual demand and revenue fall short of projection? What is the plan to protect core functions in that scenario?	In the short term (next budget year), the majority of revenue generated in FY14 from New gTLDs is expected to be fixed fees, based on the estimated delegation timeline. A shortfall in revenue versus budget would be reviewed on a monthly basis and current spend would be curtailed accordingly, then ICANN has a contingency fund that can be used. Planning for a structural decrease will be part of strategic planning exercise, under which various scenarios of revenues and expenses would be evaluated.
35	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	What if the gTLDs continue to be substantially delayed – does an optimistic revenue forecast, which supports the proposal to dramatically expand recurring costs, create a conflict of interest for ICANN by giving the organization a stake in, and a bet on, the timing and size of the new revenue stream? Could this perceived or real conflict reduce worldwide stakeholder confidence in ICANN's judgment in these matters?	The revenues assumptions in the FY14 Budget reflect a conservative estimation of fixed fees increase based on the current schedule of the new gTLD evaluation program. Separately, the expansion of recurring costs corresponding to the increase in New gTLD related revenue can be timed accordingly to the timing of the increase of new gTLDs.
36	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Have the sweeping initiatives outlined on Page 9 been vetted by the community and approved by the Board?	Vetting would normally occur through the strategic planning process during which the strategy/ direction of the organization as well as decisions on allocating resources to pursue this strategy would be defined. However, due to changes in ICANN management a formal strategic planning process did not occur. Instead, the CEO conducted numerous roundtables and listening exchanges centered on strategic issues that culminated in the formation of the initiatives listed in the FY14 Draft Budget. These initiatives reflect the direction of the organization and have been communicated extensively to the Board and community.
37	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Is there a way to phase the transition to the worldwide matrix organization that is proposed? What happens if ICANN can't sustain the predicted rate of change, or it causes unforeseen consequences? Has consideration been given to conducting pilot tests of this idea in a limited way before completely converting to the new structure?	The suggested phasing of the matrix organization implementation is effectively happening as the implementation consists primarily in progressively putting in place the resources and processes that support the matrix. There is not "big bang" approach but rather a careful, step-by-step, approach that allows to ensure at all times that all requirements are addressed.
38	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	There seem to be a number of overlapping initiatives in the DNS Industry Engagement area (introduced on Page 9). The ISPCP feels that there is a need to ensure that issues such as redundancy, scope-creep, the possibility of over-rapid expansion and a thoughtful determination of ICANN's role in promoting the "DNS Industry" are; well understood, vetted by the community and approved by the Board in order to justify this spend.	For the purpose of the FY14 Draft Budget, placeholders have been put in as the DNS scope of responsibilities is still being developed. The plan will be refined as a better understanding of the service requirements are formulated. ICANN commits to ensuring that the resources dedicated to DNS Industry Engagement are equitable in scale and scope with all other initiatives. The creation of the newly formed Generic Domain Division is resulting from the explicit understanding that a thoughtful definition of ICANN's role in promoting the DNS industry needs to be conducted.
39	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Accepting that one of the primary goals of this budget is to further strengthen the infrastructure, the ISPCP questions why SSR staff & infrastructure, and bottom-up policy making bodies are suffering so badly in this budget. With so many resources being channeled into the infrastructure support of internal overhead activities (such as "institutionalize management disciplines" and "mature organizational support functions"), why is "world facing" infrastructure being starved? We question whether these choices are being made with the encouragement and support of the Board and equally 4 important, question whether such decisions also require additional dialogue with those stakeholders most impacted.	The FY14 Draft Budget reflects a strategic planning process that is still evolving. SSR and Policy Development continue to be top priorities and with the input of stakeholders and the Board, ICANN will allocate the appropriate resources required to fund these initiatives.

Ref #	Posted by	Org	Question / Comment	ICANN Response
40	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	At a more detailed level, the ISPCP asks whether the "Optimize PDP" item (Page 32) is in line with the "GNSO Project List." Likewise on the same page the "Evolve SO/AC Structures" item contains \$200k allocated to "Organizational Reviews" – does this imply that ICANN anticipates a self assessment by the GNSO?	On an annual basis, ICANN provides support for organizational reviews (article4 section 4 of bylaws). The AtTask system is not directly aligned with the GNSO Project List previously published: <a href="http://gns0.icann.org/meetings/projects-list.pdf">http://gns0.icann.org/meetings/projects-list.pdf</a> . Elements of the GNSO Projects List do feed into Tasks in the AtTask system, but not on a budget basis. The Organizational Review question is addressed in the response to comment #13.
41	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Just as the Compliance function was starved for years, the ISPCP (the recipients of the first call for help when the DNS and numbering systems break) finds the treatment of the Security function in this budget troubling. For example – \$1.2 million of Security projects and headcount are listed as cancelled in the FY13 variance analysis on Page 17. More detail is required on what specific projects come under this heading. Have these projects been carried into FY14? If so, is that delay the primary source of the \$1.6 million of additional funding listed on page 22 (so there's really only \$.4 million in new money)?	A detailed analysis of the variances between the FY13 budget and actuals will be formulated when the fiscal year has closed. While the delays causing the variances mean that some work scheduled to be done in FY13 must be carried into FY14, the bulk of the FY14 budget is for ongoing and new work.
42	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Given the imminent arrival of new gTLDs, and the certainty that there will be "interesting" security, stability and reliability issues arising from that change, shouldn't the Security function be a front-and-center item in this budget? Currently the Security function only appears to be briefly mentioned, in a couple of footnotes.	The strategic planning process currently being redesigned will provide the adequate opportunity to address how the fundamental importance that SSR has for ICANN should be reflected into objectives and action plans. The resources required to achieve those objectives can then be defined and planned for.
43	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	What is the rationale for the proposal on Page 26 that "Operations Excellence" (which reads like a catchall for overhead functions) receives ten times the money that is going to "Multi-Stakeholder Model Evolution"(which is at the heart of what ICANN exists to do)?	Information in AtTask is not meant to reflect a prioritization of ICANN's efforts, but rather it aims to increase the transparency and visibility of ICANN's workload as guided by ICANN's Strategic Plan which was developed in collaboration with the community. The "Operations Excellence" objective is large compared to the other three objectives because it encompasses multiple efforts including: 1) increasing the quality and efficiency of existing operations, 2) optimizing gTLD services, 3) delivery on the new management system, and 4) long term growth plans and risk mitigation.
44	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	How is this budget process structured to guard against bloat in recurring overhead costs and ensure focus on the "line" functions (such as the bottom up multi-stakeholder policy development process) that the organization must deliver as part of its charter in the Bylaws and the Affirmation of Commitment?	The basis for ICANN's budget process is the strategic planning process, during which the community provides feedback on how core operations and new initiatives should be prioritized to align with the Bylaws and the Affirmation of Commitment. The public comment process also allows stakeholders to provide guidance on the prioritization of the work of ICANN as it relates to the overall vision, mission and strategic work laid out for the community, staff and Board.
45	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	Here are annotated versions of a page from the original slide deck summarizing the FY14 budget. Note that all of this information was presented on Page 38, it has been split to allow room for the annotation. Subsequently ICANN issued a revised version of this page. Our analysis of that revised page follows. [See "ISPCP1" tab]	Noted
46	"Mike O'Connor" <mike@xxxxxxxx>	ISPCP	In ICANN's updated draft there is good news and bad news. The good news is that the original errors have been corrected. The bad news is that there is still a \$5million arithmetic error (detailed below)in the version of the table in the slide deck. The table provided as a reply in the Comments Forum corrected the \$5,236k error we identified in this analysis, but not in the slides that were published in the slide deck. Furthermore, the ICANN-provided detail leaves out the pre-reveal withdrawals and thus understates the number of withdrawals that are projected. In addition, there are still several numbers that we can't reconcile. Here is our annotated version of the slide in question. [See "ISPCP2" tab]	Please see response to comment # 32 above
47	"Metalitz, Steven" <met@xxxxxx>	NSO CSG	These are preliminary comments only and address just one aspect of the Draft Budget. CSG reserves the right to provide more comprehensive comments during the reply round of this public comment period. Individual constituencies within CSG may also file individual comments.	Noted.
48	"Metalitz, Steven" <met@xxxxxx>	NSO CSG	The Draft Budget indicates that \$280,000 in community support requests were approved during the so-called "fast track" process, leaving a balance of only \$320,000 to be allocated in the final budget. CSG asks that this balance be increased to at least \$560,000 in order to preserve the integrity of the community support request process.	The \$600,000 budget is a placeholder. Requests are assessed on the basis of rationale; hence the review panel will consider requests that potentially exceed the remaining \$320,000 and submit those that meet established criteria to the Board for funding.

Ref #	Posted by	Org	Question / Comment	ICANN Response
49	"Metalitz, Steven" <met@xxxxxx>	NSO CSG	The "fast track" was presented as a channel for seeking ICANN support solely of activities that would be concluded during the first trimester of FY 14, i.e., by October 31, 2013. CSG representatives were specifically advised by the CFO that support requests for activities that would extend throughout the entire fiscal year should be submitted during the "regular" process. Now we learn that 47% of the entire "placeholder" figure of \$600,000 has been allocated during the fast track. (We also note that not a single "fast track" request from a constituency participating in CSG was approved.) Common-sense budgeting concepts require that no more than one-third of community support funding should be allocated to activities that will terminate in the first third of the fiscal year. This necessitates an increase in the "placeholder" figure to at least \$840,000, so that the amount allocated during fast track is reduced to one-third of the total. In fact, since the CFO advised that support for all full-year activities should be channeled through the regular process, not the fast track, an even higher "placeholder" figure would be justified. At a minimum, \$560,000 should be made available for allocation during the regular process now underway.	The SO-AC budget requests are evaluated on a merit basis therefore the review panel will consider requests that potentially exceed the remaining \$320,000 and submit those that meet established criteria to the Board for funding. The "fast track" process was introduced for the purpose of providing an early decision on activities that needed to be carried out in the first part of the fiscal year. The NCSG has submitted 4 requests for the fast track: 1-The IGF workshop was approved as a combined request with NPOC/NCUC (please see the NCUC request where support is provided for NCSG traveler) 2-Printed brochure: approved as is 3-Travel Support: no funding provided as ICANN already agreed to provide support for 18 additional GNSO NCSG and other Constituency leadership 4-Language Service: no additional funding as ICANN is already providing this service as part of the GNSO toolkit
50	"Raimundo Beca" <rbeca@xxxxxxxxxxxxxx>	N/A	At Prague, I made a statement in the Public Forum regarding the Historical Costs of the New gTLD program. Namely, my comments at Prague regarding the Historical Costs addressed three issues: the name given to the Historical Costs, the total amount of the Historical Costs and the opportunity in which the Historical Costs should be returned to ICANN. Regarding the name given to the costs incurred by ICANN in the preparation of the New gTLD program, I stated that they should not be called with the euphemistic term of "Development Services Fees" used in the 2013 Budget, but that they should be called Historical Costs, as they effectively are. I am pleased to learn today that effectively in the 2013 Forecast Budget and in the 2014 Budget they are called Historical Costs. Regarding the total amount of the Historical Costs, I expressed at Prague my concerns about the fact that the historical Costs were capped at a value of 32.5 million, artificially estimated. Incidentally, the last formal figure of the Historical Cost incurred by ICANN was reported in September 2010, with a value of 29.9 million. Of course, it is hard to believe that from September 2010 to June 2012 ICANN incurred only in 4.6 million of additional Historical Costs, in circumstances that in that period a number of highly expensive programs, like the TAS System and the Outreach Program, were funded by ICANN. Consequently, I asked that the real amount of the Historical Costs should be estimated in a fair and audited manner. Unfortunately, this has not been yet the case. Regarding the opportunity in which the Historical Costs should be returned to ICANN, I expressed at Prague that, given that the Historical Costs are expenses effectively incurred by ICANN, they should be returned as soon as the fees collected are available for expenditure. Unfortunately, this has also not yet been the case. Effectively, in the 2013 Forecasted Budget of the New gTLD program it appears that only 18 million of Historical Costs are forecasted, in circumstances that an impressive Change in Net Assets of 74 million appears in the 2013 Forecasted Budget of the New gTLD program.	The Historical Development Costs were designed to be the costs incurred by ICANN to develop the new gTLD program from October 2008 to the launch of the program. The costs of 32.5m represent the costs estimate for the specific period of October 2008 to December 2011 (with the launch of the program happening in January 2012). The costs estimate will be made available to the community. The Historical Development Costs incurred are retroceded to ICANN as soon as the fees are available and non-refundable, consistently with the revenue and expense recognition policy. Consequently, it is expected that \$18m out of the total Historical Development Costs of \$32.5m will have been returned to ICANN by the end of FY13.
51	"Chris Chaplow" <chris@xxxxxxxxxxxxxx>	BC	We welcome the release of Draft FY14 Operating Plan and Budget on the 10 May 2013 as planned and the subsequent webinar presented by Xavier Calvez. We appreciate this opportunity to comment on the FY14 Operating Plan & Budget as we have deep interest in this subject. We acknowledge the work undertaken by ICANN to install, configure, and add data to the ATASK management system and support this system. We note that the data cells are very different from previous years which make comparisons difficult and limited. In view of this, we submit these comments as a rebuilding of the foundations for future years. We welcome the efforts that are emerging to improve the interaction by the CFO and his team with the leadership of the SOs/ACs and the entities within the GNSO – its constituencies and stakeholder groups regarding input to the operating plan and budget.	Noted. Thank you.



Ref #	Posted by	Org	Question / Comment	ICANN Response
52	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	The level of detail in the FY14 draft plan is greater than previous years. Most of the community have repeatedly called for more detail in the belief that lack of detail presents major challenges to the ability to provide comments. In terms of dimension, in previous year the operating expenses were divided into 15 organizational activities plus about 5 subdivision breakdown and 40 operating expenses. In FY14, information is provided in 160 programs with four categories (Personnel, Travel, Professional Service, Administration), creating potentially 640 data cells. (This scoreboard is FY13 = 60 FY14 = 468.) However, only 117 of the 160 have figures. Q. Is this because financial data has still to be evaluated and is expected to be provided in FY15?	ICANN's proficiency in AtTask is evolving. The FY14 Budget Draft AtTask list is ICANN's first attempt at using the tool to document a full year of activities. Due to the ongoing work to develop consistency and uniformity to the AtTask system, there are programs listed that were realigned, renamed, restructured, etc. into new programs. As a result, the original programs created have no financial data.
53	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	The presentation of the budget is different this year. Instead of the 80-page document style, it has a 12-page glossy introduction followed by 30 pages of tables. This is more information and probably preferred by constituency veterans since there is more and compact information. The explanatory text was largely obvious and bulking. However this approach may be a concern to the newcomer.	Noted.
54	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	The ATASK dump spreadsheet is an important document in spite of being difficult to print in xls and impossible in pdf. Let's think about improvements. Suggest band background shading or thin horizontal border every 5 lines.	Noted. As ICANN's proficiency in AtTask matures, reporting will be improved.
55	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	Please clarify what the Admin category entails if Personnel is a separate category?	The Admin category includes expenses that are not directly tied to a specific function, but rather the organization as a whole. Examples of admin costs are rent, depreciation, equipment rental, telephone/ teleconference, etc.
56	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	We note the forecast general revenue for FY13 is similar to budget at 76m\$ gTLD application revenue is difficult to comment on at 174m\$ up from an original 61m\$	FY13 New gTLD revenue was originally budgeted at \$154M (refer to slide 14). FY13 revenue is forecasted to land at \$175M, which is \$21M favorable to the budget.
57	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	General revenue budget is 88m\$ We note that historic transaction volumes are predicted at down 1% and consider this might be conservative due to work economic situations and new gTLD release. We highlight the predicted new New gTLD domain sales income in 7m\$.	The predicted New gTLD related revenue from registries and registrars of \$7M is primarily from fixed registry fees, and is not related to domain name sales.
58	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	Operating Expenses FY13 forecast of 68m\$ against 77m\$ suggests that planned projects are running behind schedule. The BC expressed this concern last year since FY12 budget was 71m\$ and 63m\$ in FY12 Forecast. Q. Is the best place to find the actual in "Audited financial statements posted within 120 days after the fiscal year end"? If so the 63m\$ forecast became a 70m\$ actual. Why such a difference?	Yes. The best place to find finalized financial data is in the audited financial statements. These statements are an objective independent examination of the financial results and provide reasonable assurance that the data are presented fairly, in all material respects. The variance between the FY12 forecast of \$73M (not \$63M. \$63M is for ICANN OPs only) and final actual results of \$70M is due to: 1) delayed New gTLD evaluations and 2) depreciation and bad debt which were included in operating expenses in the actuals, but in a separate category in the forecast. For consistency, depreciation and bad debt will be reported as operating expenses going forward.
59	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	Subject to inaccurate forecasts, the BC expresses concern that FY14 operating expenses at 84 m\$ are again optimistically high, and hide and delay the realization that the that non-gTLD planned projects are running significantly behind schedule even though the dashboards in myICANN.org do not seem to corroborate this.	The implementation of AtTask aims at ensuring that projects are progressing as planned. ICANN staff will be utilizing this tool to allocate resources, assign necessary time frames, monitor progress and milestones, and increase financial monitoring in order to maximize team effectiveness and avoid delays in projects.
60	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	Fy13 change in net assets in FY13 is forecast as an extraordinary 30m\$. Noting 8m\$ is from operations, 4m\$ is from financial investment and 18m\$ 'historic development cost'. The BC requests a statement from the Board Finance Committee on the current ICANN reserves now that it must have reached one year's operating cost.	Staff will provide the comment to the Board Finance Committee and will work with the Committee to formulate an answer.
61	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	In FY13 approved budget stated staff levels up from 158 in FY12 to 189 in FY13. FY13 forecast is now average 163 and end of year 198 . FY14 Budget is average 230 and end of year 263. Because FY14 is broken down into 11 'group functions' and FY13 was 15'organizational activities,' is not possible to comment on the increase in decrease given to resources as the divisions are so different. Except Compliance is common to both lists. FY11 Budget 11 persons; FY12 Budget 15; FY13 Budget 20; FY13 Forecast 15 average 17 end of year; FY14 Budget 18 average 19 end of year.	The document has been revised and can be found in the "FY14 Draft Operating Plan and Budget (Revised)" section at <a href="http://www.icann.org/en/news/public-comment/op-budget-fy14-10may13-en.htm">http://www.icann.org/en/news/public-comment/op-budget-fy14-10may13-en.htm</a>
62	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	As the BC considers Compliance to be the utmost importance, Q We ask the question why compliance staffing remains below FY13 budget levels. Q As the above figures are do not include new gTLD, are there more compliance staff in the FY14 gTLD group?	Please see the "Addendum 2" to the public comment replies

Ref #	Posted by	Org	Question / Comment	ICANN Response
63	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	<p>Compliance</p> <p>Summing 11 programs from ATASK that make up Compliance we deduce that the budget for FY14 is 3.6m\$. FY13 actual are not reported in sections. FY13 Budget was 4.8m\$ and FY12 Forecast was 3.8m\$.</p> <p>Q Why has compliance dropped to budget levels of two years ago?</p> <p>Q As this is a project of significant interest to BC, where is the budget update on the New Compliance ticket and CRM system outlined on page 54 of FY13 Budget in the ATASK?</p>	<p>ICANN continues its commitment to "strengthen the Contractual Compliance Function and its operations; and to establish clear performance measures and improve communication and reporting to the community." The apparent decrease in Compliance is due to a change in reporting methodology. The FY14 draft budget of \$3.6M is based on functional area activities (in this case, the Compliance department) whereas FY13 and FY12 were based on organizational activities (compliance activities across all departments). In FY14, the Compliance department is budgeted to increase spend by 19% over FY13 and 98% over FY12.</p> <p>The FY14 budget for the New Compliance ticket and CRM system is \$200K and is included in the capital budget which is not currently in AtTask.</p>
64	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	<p>Outreach</p> <p>Summing 11 programs from ATASK that make up Outreach, we deduce that the budget for FY14 is 11.0 m\$. This is a significant percentage of the annual budget. One programme alone, "Implement Regional Strategies to Engage Stakeholders Regionally," is 5.5m\$. Q Is there any intention to break this down further?</p>	<p>We understand the need for increased transparency and visibility into ICANN's workload and progress. Due to the ongoing work to develop consistency and uniformity to the AtTask system, we have provided program level data for the FY14 Draft Budget. As ICANN's proficiency in AtTask matures and project planning becomes more fully developed, ICANN will provide more detailed information.</p>
65	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	<p>Security Stability and Resiliency</p> <p>This appears to have dropped from 9.1m\$ in FY13 to 2.7m\$ in FY14. We support and note that SSR review team recommendations endorsed by the recent public comment should be reflected as priorities in the FY14 and future budgets, as applicable. Q We find that on first review, there were financial implications to many of the recommendations. Have these been incorporated?</p>	<p>The apparent decrease is due to a change in reporting methodology. The FY14 draft budget is based on functional area activities whereas FY13 and FY12 were based on organizational activities. In FY14, the Security department is budgeted to increase spend by 47% over FY13 and 68% over FY12.</p>
66	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	<p>IANA and Tech Ops</p> <p>IANA appears to have a budget of 2.7m\$ in FY14. (no breakdown available in FY13). We support that the IANA function, administered as a responsibility of ICANN, coordinates the unique codes and numbering systems that help keep the Internet running smoothly. Excellence in Root Zone Management is essential and the enhancement of software to support the increasing demands being placed on IANA is supported. The effective measurement and analysis of statistics will prove essential not only ensuring the effectiveness of the IANA operations but also in meeting the accountability requirements placed on the organizations. In a similar manner, the automation of the Private Enterprise Number process is also viewed as a positive enhancement for IANA.</p>	<p>The FY14 budget for the New Compliance ticket and CRM system is \$200K and is included in the capital budget which is not currently in AtTask.</p>
67	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	<p>Document Management System (DMS)</p> <p>This was a project in FY13 that the BC supported. Q Where is this in ATASK is this?</p>	<p>The Document Management System (DMS) is no longer a stand alone project. The system is being deployed and adopted not only in terms of infrastructure but also in terms of organizational processes. The "DMS" appears in various At-Task Programs such as: Key Document Management, Registrar Contract Management, Finance Process and Procedure documentation, New gTLD Process Design &amp; Documentation, Board Support, and Implement IANA Functions Contract.</p>
68	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	<p>Enhance Multi-lingual Strategy</p> <p>BC supports this and there appears to be a large increase in FY14.</p>	<p>Noted.</p>

Ref #	Posted by	Org	Question / Comment	ICANN Response
69	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	IDN Variant Management Projects We have many questions about this project and how it is supporting ICANN's mission. \$1.5 M is a significant amount of funding for a project that has little detailed information available.	<p>The IDN Variant TLD program was created at the direction of the Board in late 2010 to facilitate the development of workable approaches to the deployment of IDN TLDs containing variant characters. IDN Variant TLDs have been an outstanding topic for several years and they impact several communities. Full information about the program and related materials is available at <a href="http://www.icann.org/en/resources/idn/variant-tlds">http://www.icann.org/en/resources/idn/variant-tlds</a>. The Variant program has been underway for several years, and it has completed the first three phases and delivered, on time, several key items that are driving the last phase of the program.</p> <p>The requested budget is mainly for the execution of the Procedure to Develop and Maintain the Label Generation Rules for the Root Zone in Respect of IDNA Labels (the LGR procedure). The procedure was developed by a team of experts from the community that advised ICANN staff and expert consultants. The LGR procedure provides a formal mechanism for creating and maintaining the rules with respect to IDN labels in the root. This mechanism will be used to determine which Unicode code points are permitted for use in U-labels in the root zone, what variants (if any) are possible to allocate in the root zone, and what variants (if any) are automatically blocked. Executing the LGR Procedure requires the formation of generation panels by the different writing system communities in order to define and populate Label Generation Rules. These rules are then vetted by a second expert panel, the Integration Panel, and the results are added to the IDN LGR for the root-zone. The requested budget is carry out the work to support the community based Generation panels where needed and to hire the expertise needed for the integration panel.</p> <p>The program is also requesting funds to identify and carry out the changes needed to the ICANN systems and processes to address variant TLD delegation when they become feasible.</p>
70	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	2013 – 2016 Strategic Plan Development Q Where is this in ATASK?	Please see the Program: "Development of ICANN Strategic Plan in FY2014" under the "Operations Excellence" Goals
71	"Chris Chaplow" <chris@xxxxxxxxxxxx>	BC	TLD Universal Acceptance We strongly support.	Noted.
72	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Issues Document: <a href="http://www.icann.org/en/news/public-comment/op-budget-fy14-10may13-en.htm">http://www.icann.org/en/news/public-comment/op-budget-fy14-10may13-en.htm</a> On behalf of the Registries Stakeholder Group (RySG), the following are comments from the Registries Stakeholder Group on the Draft ICANN FY14 Operating Plan and Budget. This statement has the support of a supermajority of the members of the Stakeholder Group. We first want to communicate thanks and appreciation of the huge amount of time and effort that ICANN staff has committed in migrating to new financial systems, entering very large amounts of data and producing the draft plan and budget. We look forward to contributing to the budget process in this cycle and to continuing improvements to the process in the future. Unless otherwise noted, the comments are organized by the slide numbers of the Draft ICANN FY14 Operating Plan and Budget, which can be found at <a href="http://www.icann.org/en/news/publiccomment/op-budget-fy14-10may13-en.htm">http://www.icann.org/en/news/publiccomment/op-budget-fy14-10may13-en.htm</a> . Slide titles marked with a blue asterisk (*) contain some requests/questions for which we request responses as soon as possible because the responses may assist the RySG in finalizing its comments.	Noted. As ICANN's proficiency in AtTask matures, reporting will be improved.
73	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Slide 14, FY13 Forecast vs. FY13 Published Budget The FY13 forecast shows \$18,008,000 for historical development costs. It is our understanding that the plan is to deposit these funds into the ICANN Reserve Account. Has that happened for any of the funds; if so, how much? When will the full amount of the funds be deposited into the Reserve Account? Has ICANN settled on a target for the Reserve Fund? Clarity on this figure, and ICANN's progress on reaching it, would be appreciated.	Please see response to comment # 2 above

Ref #	Posted by	Org	Question / Comment	ICANN Response
74	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	Slide 14, FY13 Forecast vs. FY13 Published Budget Please explain the nature of the "Bad Debt Expenses." While FY13 FORECAST OF \$573,000 may not be a significant percentage of the overall Budget, IT IS A VERY LARGE INCREASE (43.3%) OVER THE FY13 BUDGETED AMOUNT. What is driving it? Importantly, what does ICANN intend to do about resolving it?	Please see response to comment # 3 above
75	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	Slide 15, FY13 Forecast vs. FY13 Published Budget – Revenue We note that the FY13 forecast shows that fees paid to ICANN from gTLD registrants via registries and registrars account for \$72,687,000 of ICANN's revenue, which represents approximately 95.1%. In other words, gTLD registrants funded the overwhelming majority of all ICANN activities in 2013 including subsidization of SOs and ACs besides the GNSO as well as all of ICANN's strategic programs. In the past, the Operating Plan and Budget contained charts that estimated how revenue and expenses compared ICANN organizations. The RySG thinks that that is still a good idea because it shows: <ul style="list-style-type: none"> <li>• How gTLD registrant fees contribute to the overall ICANN community</li> <li>• gTLD registrants how much of their fees are used to support gTLD related activities</li> <li>• GNSO participants what programs they subsidize through registration fees</li> <li>• Other organizations an estimate value of the services they receive from ICANN</li> <li>• Other ICANN organizations the amount of subsidization they receive from gTLD registration fees.</li> </ul> It also is a way for ICANN to become transparent with the source and output of funds. If there is some reason why transparency is not appropriate in this area, the RySG would like to understand what that is.	Please see response to comment # 4 above
76	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	Slide 19, FY14 Draft Operating Plan & Budget vs. FY13 Forecast The RySG would first of all like to thank the ICANN Finance Team for producing this chart that compares the draft upcoming year's budget to the latest forecasts of previous year revenue and expenses. This has been requested for many years and has been much needed so that community members are able to evaluate projected spending to the actual needs of the previous year. We have three questions related to this slide, one that is similar to those asked under Slide 14: <ol style="list-style-type: none"> <li>1) Is the plan still to transfer the recovered historical new gTLD costs into the Reserve Account?</li> <li>2) If so, when will the historical costs estimated for FY14 be deposited into the Reserve Account?</li> <li>3) Is there an estimate as to when the Reserve Fund will reach the Board's targeted amount?</li> </ol>	Please see response to comment # 1 above
77	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	We note: The FY14 ICANN Operations budgeted revenue (excluding new gTLDs) increases 15.4% over the FY13 forecast while expenses increase 23.8%; this still leaves \$3,659,000 in revenue over expenses. We have several concerns in this regard: 1) A 23.8% year over year increase is very large; 2) the fact that expenses are increasing at a year over year rate of 8.4% more than revenue and there is still over \$3.6M in excess revenue makes us wonder whether ICANN registry and registrar fees are too high; 3) the fact that revenue is high should not be a license to spend more. At a bare minimum, explanation should be provided regarding these concerns.	Please see response to comment # 6 above
78	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	Slide 20, FY14 Draft Operating Plan & Budget vs. FY13 Forecast – Revenue Noting that the FY14 Budget predicts revenue from Registries and Registrars to be \$76,592,000, 94.4% of total FY14 operations revenue, it would be helpful for the GNSO community to know the amount of estimated expenses planned in support of the GNSO in general and specifically registries, registrars, registrants and new gTLD users. In addition, it would be helpful to know the amount of estimated expenses planned in support of the RIRs and ccTLDs. This used to be provided but is no longer and no adequate rationale was communicated. The RySG believes that providing this level of detail is a transparency requirement that those who pay the fees deserve.	Please see response to comment # 7 above

Ref #	Posted by	Org	Question / Comment	ICANN Response
79	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Slide 21, FY14 Draft Operating Plan & Budget Variance Analysis – Revenue The explanations for revenue variances compared to the FY13 Forecast are very helpful, but we note that there is no explanation for the \$37,000 increase for ccTLDs. Perhaps the scale of the increase warranted no further explanation? Regardless, the more important question that should be answered here is what the community should expect going forward with regard to ccTLD contributions. The ccNSO has been subsidized by gTLD fees for many years and there has been lots of discussion about this changing but no significant changes have ever materialized. In fact, ICANN lowered its FY14 target for ccTLD contributions, and it rarely received the full budgeted amount over the past several years. It seems to us that the gTLD community deserves information in this regard. Is there some reason why gTLD fees should be used to subsidize ccTLD support? Is it not reasonable to expect the ccNSO to be relatively self-supporting?	Please see response to comment # 8 above
80	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Slide 22, FY14 Draft Operating Plan & Budget Variance Analysis As previously stated, the RySG appreciates the variance analyses that are provided in the Operating Plan and Budget. They provide important information regarding revenue and spending trends from one year to the next. But in some cases more detail is needed, especially when the variances are large. For example, the variance shown for Professional Services under the category of Other Variances is-\$1,861,000, which is a significant decrease. We request that notes be provided as done elsewhere to explain the main causes of variances that not obvious or explained elsewhere (e.g., personnel, meetings);this could be accomplished via written notes and/or by providing detailed breakouts of variances by categories.	Please see response to comment # 9 above
81	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Slide 23, Draft Operating Plan & Budget Headcount by Function * Some of the groups on this slide are self-explanatory; others are not. We request that at least the following groups be defined: 02 – Strategic Comm; 03 –GSE; 06 –DNS Industry; 08 – Operations; 09 – Technical functions; 10 –Org support.	Please see response to comment # 10 above
82	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Slides 28- 32, Draft Operating Plan & Budget – AtTask * We appreciate the increased detail that is provided in the At Task system, but it seems clear that only a subset of that detail was made available to the community. Budget detail appears to be only provided down to the program level. Particularly for larger programs, detail about the various projects and their associated budgeted expense amounts are needed to allow for an adequate review of the budget. This is critical as ICANN shifts to a “matrix” operating structure and initiatives are handled by cross-functional teams. We provide some example sin our comments below for slides 30 and 32, but we request that project detail be made available for all programs. In fact, it would also be very helpful	Please see response to comment # 11 above
83	"Drazek, Keith" <kdrazek@xxxxxxxxxxxx>	RySG	Slide 30, Draft Operating Plan & Budget – AtTask * We note that this slide provides budgeted goal and portfolio expense amounts for the Operations Excellence objective. In that regard, we would like to call attention to one of the programs under the Effective Business Operations portfolio: Other Programs for EffectiveBusinessOperations.\$6,795,000 is budgeted for this program, which amounts to 44.0% of the total portfolio budget. As far as we could find in the At Task spreadsheet provided with the public comment documents, no further detail is given for this program. What is this program? It is way too large to be shown without further breakdown both in terms of the projects it includes and the dollar amounts associated with those projects. We assume that there is a place in At Task where the project detail can be found and request that it be provided. Without it, it is not possible to perform a competent review of the budget.	Please see response to comment # 12 above

Ref #	Posted by	Org	Question / Comment	ICANN Response
84	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	<p>Slide 32, Draft Operating Plan &amp; Budget – AtTask *</p> <p>We note that this slide provides budgeted goal and portfolio expense amounts for the MultiStakeholder Model Evolution objective. In that regard, we would like to discuss two of the programs under the Organizational Reviews portfolio and two under the Support Policy Development Efforts portfolio. As can be seen on the slide, the Organizational Reviews portfolio comes under the Evolve SO/AC Structures. Looking further into AtTask, two of the programs and their budgeted amounts are:</p> <p>the GNSO Review with \$0 budgeted; Structural(Organizational)Reviews Management with \$199,589 budgeted, which amounts to 100% of the amount for this portfolio. In other words, there are no funds budgeted for any of the specific reviews such as the GNSO Review, even though the GNSO Review is expected to start in FY14. Explanation is requested on this.</p> <p>As is also clear on the slide, the Support Policy Development Efforts portfolio is under the Optimize Policy Development Efforts goal. In AtTask, two of the programs are: GNSO Policy Support with a budget of \$80,831 (1.6% of the portfolio expenses); SO Policy Development Efforts with a budget of \$2,063,662 (40.9% of the portfolio expenses). We assume that most GNSO policy support will be funded out of the SO Policy Development budget; is that a correct assumption? In the case of the SO Policy Development Efforts, the budgeted amount is way too large to be shown without further breakdown both in terms of the projects it includes and the dollar amounts associated with those projects. As stated earlier, we assume that there is a place in At Task where the project detail can be found and request that it be provided. Without it, it is not possible to perform a competent review of the budget</p>	Please see response to comments # 13-14 above
85	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	<p>Slides 35-36, Draft Operating Plan &amp; Budget – Community Support Requests *</p> <p>As communicated in the Operating Plan &amp; Budget webinar held on 15 May, there is an asterisked note at the bottom of slide 36 that refers to services that are already provided in in-kind but there are no asterisks shown for any of the special budget request line items. Please update the table on these two slides to identify the items that will be provided as in-kind services.</p>	Please see response to comment # 15 above
86	"Drazek, Keith" <kdrzek@xxxxxxxxxxxx>	RySG	<p>Slide 40, New gTLD Program—Operating Expenses</p> <p>The current estimate for full program expenses as of April 2013 for Pre-delegation testing is \$24,303,000. The RySG suspects that this could be reduced significantly if duplications in the process were eliminated. There is a fairly limited number of backend registry service providers who will bear the bulk of the pre-delegation testing requirements. We are quite sure that other savings could be achieved by eliminating unnecessary duplication of efforts.</p>	Please see response to comment # 16 above

**ICANN - FY14 BUDGET DRAFT  
ADDENDUM 1 - FUNCTIONS**

Functions	Description
<b>Reserved</b>	The Ombudsman is an independent, impartial and neutral intermediary between the organization and its constituencies, and reviews facts, investigates complaints about unfairness, and resolves disputes through Alternative Dispute Resolution (ADR) practices. The Ombudsman has jurisdiction over complaints about things done (or not done) by one or more members of ICANN staff Board or an ICANN constituent body, and things done (or not done) by the Board of Directors that may be inconsistent with the Articles or the Bylaws.
<b>Executive</b>	Responsible for plans, policies and procedures, along with organizational reviews, strategies, structures and systems that drive the organization. Manage, train, administer and provide oversight and advice to members and projects of the Strategic Initiatives Department.
<b>Strategic Communications</b>	Internal and external communications support functions including but not limited to global media outreach, analysis and monitoring; multi-platform engagement tools; publications production; and creative services.
	Encompasses sessions, workshops and open forums affiliated with the international meetings that require tools such as streaming live audio and video, chat rooms, and remote participation.
	Provide support for translation, simultaneous interpretation, teleconference interpretation, transcription (of recorded sessions) and RTT (real-time-transcription, also known as scribing).
<b>Global Stakeholder Engagement</b>	Oversight of implementation and execution of stakeholder engagement plans in each region (Asia, Australia/Pacific Islands, Africa, Europe, Middle East, Russia/CIS, Latin America and the Caribbean, and North America) including the establishment of positions, resources and processes to support improved and increased public participation on a scalable basis.
<b>Governmental Engagement</b>	Establishment of projects and work activities under a cohesive global plan designed to engage government stakeholders and international organizations, build regional capacity, and enhance Internet governance involvement.
<b>SO/AC Engagement</b>	Support and facilitate the community's formation of policies, processes, guidelines, evaluations and recommendations that engage, inform and educate all stakeholders, advisory bodies and supporting/affiliated organizations.
	Procedural and administrative support, programs and activities, and the facilitation of events/initiatives designed to bring together stakeholder groups, constituencies, and community users.
	Execute the support levels, itineraries, deadlines, methodologies and budget processes necessary to provide travel support for community members and constituents in alignment with the board approved annual budget.
<b>DNS Industry Engagement</b>	Coordinate and manage the day-to-day stakeholder relationships and requirements, provide oversight of the liaison operations for and services to the stakeholder community, and facilitate applicant onboarding.
	Encompasses registrar contract, engagement and relationship management such as accreditation review, approval and agreement; related procedures and processes; and logistical support and coordination of impacted project work.
	Establish, renegotiate, redesign and/or renew business terms and contracts for the Registry Services Technical Evaluation Panel; retain Emergency Back-end Registry Operator (EBERO) providers and finalize and align related agreements; test and onboard providers; produce operational manuals; and support a timely, efficient, and open process for the evaluation of new registry services.
	Oversee projects to study and make recommendations on the viability, sustainability and delegation of IDN Variant TLDs and to enable countries/territories that use languages based on scripts other than Latin to offer users with domain names in non-Latin characters.
<b>Governance Support</b>	Administer general legal advice to all departments and functions; maintain, track and issue strategic guidance on all active litigation projects; maintain litigation readiness; review dispute resolution processes; build on corporate compliance; and respond to accountability structure requests.
	Maintain bylaws and job functions tied to the position of Board Secretary; manage content and administration for the Board of Directors committee meetings; and assist the board in managing conflicts of interest policies and processes.
	Provide applicable staff support to the Nominating Committee (NomCom) program and for the review of processes that deal with statements of interest, candidate recommendations, and the independent committee tasked with selections.
<b>Operations</b>	Responsible for the day-to-day operational activities and resources of the organization that impact gTLD functions and administrative support, customer service and online community services.
	Ongoing administrative and support activities for gTLD operations, including process design and procedural documentation; communication and technical support functions; customer service; financial management; application processing; rights protection; system management; and vendor procurement.
	Maintain and manage current and potential vendor relationships that deal with contractual support activities, procurement, and payment; ensure effective delivery of the customer relationship management software systems; provide support of the self-service customer portal; and deliver on streamlined internal operations and processes.

Functions	Description
	Development, rollout, enhancement and maintenance of online platforms that leverage new collaboration and productivity technologies to support ongoing improvements to business, operational, and policy development processes, and which also create a unified experience for end users.
<b>Technical Functions</b>	Responsible for the global coordination of the DNS Root, IP addressing, and other Internet protocol resources.
	Development of DNS measurement and monitoring tools; support of root scaling efforts; and coordinated efforts to accelerate the trustworthy deployment of DNSSEC to improve the stability, security and resiliency of the Internet crossing departmental, organizational and constituency lines.
	Identify security initiatives and standards, maintain risk assessment and management, and provide input for changes to application processes, data storage and transfer, web application security testing, etc.
	Core day-to-day activities and general projects in support of IT infrastructure, processes, and internal systems, along with the centralization and standardization of data and resource management tools to align with an enterprise resource management platform.
<b>Organizational Support</b>	Activities, projects and initiatives that expedite and facilitate the adoption of an operations-focused working culture, support staff alignment and cohesion, attract and retain talent, and maintain a productive work environment.
	Financial activities, operations and programs that ensure a stable organizational infrastructure based on treasury, transactional, reporting and regulatory requirements. Includes budgeting and financial control mechanisms.
	Develop, coordinate, evaluate and execute on the use of effective management reports for operations; manage the initial phases and deployment of business excellence methodologies organization-wide; and integrate the use of portfolio management disciplines from concept to adoption.
	Day-to-day enterprises required for staff support, office building and front desk services, facilities management, inventory, purchasing, travel management, etc.
<b>Contractual Compliance</b>	Administrative processes, people and systems, and training activities, necessary to deliver on compliance operational activities such as community and contracted parties outreach; contractual updates and reports; contract and policy initiatives; working groups and review teams; and other monitoring tasks.



**ICANN - FY14 BUDGET DRAFT  
ADDENDUM 2 - HEADCOUNT**

Group	FY14 Budget (Revised)		FY13 Forecast		Increase/ (Decrease)		FY13 Adopted Budget		FY12 Actual	
	EOY HC	Avg HC	EOY HC	Avg HC	EOY HC	Avg HC	EOY HC	Incr/ (Decr)	EOY HC	Incr/ (Decr)
00 - Ombudsman	1	1	1	1	-	-	1	-	1	-
01 - Executive	11	10	9	6	2	5	5	6	6	5
02 - Strategic Comm	25	22	19	14	6	8	22	3	15	10
03 - GSE	29	23	17	14	12	9	19	10	-	29
04 - Gov Engagement	5	4	4	3	1	2	1	4	14	(9)
05 - SO/AC engagement	23	22	21	19	2	4	21	2	20	3
06 - DNS Industry	26	21	16	12	10	9	22	4	11	15
07 - Governance support	16	14	14	11	2	4	15	1	10	6
08 - Operations	17	11	7	3	10	8	7	10	7	10
09 - Technical functions	53	48	42	42	11	6	50	3	38	15
10 - Org support	38	35	31	25	7	10	29	9	16	22
11 - Compliance	19	18	17	15	2	3	15	4	11	8
<b>ICANN OPS</b>	<b>263</b>	<b>230</b>	<b>198</b>	<b>163</b>	<b>65</b>	<b>68</b>	<b>207</b>	<b>56</b>	<b>149</b>	<b>114</b>
<b>ICANN - NgTLD*</b>	<b>21</b>	<b>29</b>	<b>35</b>	<b>16</b>	<b>(14)</b>	<b>13</b>	<b>13</b>	<b>8</b>	<b>-</b>	<b>21</b>
<b>TOTAL ICANN</b>	<b>284</b>	<b>259</b>	<b>233</b>	<b>178</b>	<b>51</b>	<b>81</b>	<b>220</b>	<b>64</b>	<b>149</b>	<b>135</b>

\*Some New gTLD staff will be transferred to ICANN Ops in FY14.