Finance Update
July 17th 2013

DURBAN

NO.47 · 14-18 JULY 2013

ICANN

Agenda

- FY14 Draft Operating Plan & Budget
  - Budget approval timing
  - Published budget and changes
  - SO/ AC Requests
  - Public Comments
  - FY15 Budget Process Development

- Future Financial Reporting
  - FY13 Actual vs. FY13 Budget and FY12 Actual
  - FY14 Quarterly Reporting and Forecasts

FY14 Draft Operating Plan and Budget

Budget approval timeline

-- May 10th • Budget published for comment

-- June 20th • End of public comment process

-- July 5th • Responses to public comment published

-- July 12th • Changes finalized in Durban

-- July 17th • Communication of changes in Durban

-- August 4th • Deadline to receive comments on changes

-- August 7th • BFC to finalize budget

-- August 22nd • Board to approve budget

FY14 Draft Operating Plan &Budget
Statement of Activities (Published 10-May-2013)

STATEMENT OF ACTIVITIES	ICANN Ops				New gTLD Program				Total			
	FY14 Budget	FY13 Forecast	Fav/ (Unfav)	%	FY14 Budget	FY13 Forecast	Fav/ (Unfav)	%	FY14 Budget	FY13 Forecast	Fav/ (Unfav)	%
TOTAL SUPPORT AND REVENUE	$ 88,158	$ 76,419	$ 11,739	15.4%	$ 97,780	$174,566	$ (76,786)	-44.0%	$185,938	$250,984	$ (65,047)	-25.9%
OPERATING EXPENSES												
Personnel	35,247	29,987	(5,261)	-17.5%	10,257	5,320	(4,936)	-92.8%	45,504	35,307	(10,197)	-28.9%
Travel & Meetings	15,342	9,897	(5,445)	-55.0%	217	216	(0)	-0.1%	15,559	10,113	(5,446)	-53.8%
Professional Services	18,229	16,442	(1,786)	-10.9%	45,128	75,857	30,730	40.5%	63,356	92,300	28,943	31.4%
Administration	12,061	8,719	(3,342)	-38.3%	1,963	1,550	(413)	-26.7%	14,023	10,268	(3,755)	-36.6%
Bad Debt Expenses	480	573	93	16.3%	-	-	-	0.0%	480	573	93	16.3%
Depreciation Expenses	2,540	2,094	(446)	-21.3%	-	-	-	0.0%	2,540	2,094	(446)	-21.3%
Community Support Requests	600	536	(64)	-11.9%	-	-	-	0.0%	600	536	(64)	-11.9%
Operating Expenses	$ 84,499	$ 68,248	$(16,251)	-23.8%	$ 57,564	$ 82,944	$ 25,380	30.6%	$142,063	$151,191	$ 9,128	6.0%
CHANGE IN NET ASSETS DUE TO OPERATING ACTIVITIES	$ 3,659	$ 8,170	$ (4,511)	-55.2%	$40,216	$ 91,622	$ (51,406)	-56.1%	$ 43,875	$ 99,793	$ (55,918)	-56.0%
OTHER INCOME/ (EXPENSE)												
Contingency	(3,659)	-	(3,659)	0.0%	-	-	-	0.0%	(3,659)	-	(3,659)	0.0%
FX Translation Gain / (Loss)	-	154	(154)	-100.0%	-	-	-	0.0%	-	154	(154)	-100.0%
Investment Gain / (Loss)	-	3,914	(3,914)	-100.0%	470	59	410	690.4%	470	3,973	(3,503)	-88.2%
Other Income/ (Expense)	$ (3,659)	$ 4,068	$ (7,727)	-189.9%	$ 470	$ 59	$ 410	690.4%	$ (3,189)	$ 4,127	$ (7,317)	-177.3%
CHANGE IN NET ASSETS BEFORE CONT., HIST. COSTS & RESERVES	$ 0	$ 12,239	$(12,239)	-100.0%	$40,686	$ 91,682	$ (50,996)	-55.6%	$ 40,686	$103,921	$ (63,235)	-60.8%
New gTLD App Support Cont.	-	(138)	138	-100.0%	-	-	-	0.0%	-	(138)	138	-100.0%
Historical Development Costs	10,163	18,008	(7,845)	-43.6%	(10,163)	(18,008)	7,845	-43.6%	-	-	-	0.0%
New gTLD Risk Costs	-	-	-	0.0%	-	(755)	755	-100.0%	-	(755)	755	-100.0%
CHANGE IN NET ASSETS	$ 10,163	$ 30,109	$(19,945)	-66.2%	$ 30,522	$ 72,919	$ (42,396)	-58.1%	$ 40,686	$103,027	$ (62,342)	-60.5%

Comments provided on subsequent slides.

Changes vs published version

	ICANN OPS	New gTLD	Total
Updated - July 12th			
Revenues	88.2	112.1	200.3
Operating expenses	-84.5	-61.9	-146.3
Exceptional expenses	-4.3		-4.3
Contingency	-3.7		-3.7
Other items	10.2	-11.2	-1.1
Change in net assets	**6.0**	**39.0**	**45.0**
Published - May 10th			
Revenues	88.2	97.8	185.9
Operating expenses	-84.5	-57.6	-142.1
Contingency	-3.7		-3.7
Other items	10.2	-9.7	0.5
Change in net assets	**10.2**	**30.5**	**40.7**
Differences			
Revenues	0.0	14.3	14.3
Operating expenses	0.0	-4.3	-4.3
Exceptional expenses	-4.3	0.0	-4.3
Contingency	0.0	0.0	0.0
Other items	0.0	-1.5	-1.5
Change in net assets	**-4.2**	**8.5**	**4.3**

Recent changes vs published version

➤ Exceptional items
  - ✓ ICANN strategy panels: 1-year expense announced by CEO during Durban opening ceremony – $3.5m.
  - ✓ Atlas II – At Large Summit: planned in London in June 2014 – $0.7m.

➤ New gTLD
  - ✓ Cost estimates adjustments resulting from operational changes – $4.3m (net impact).
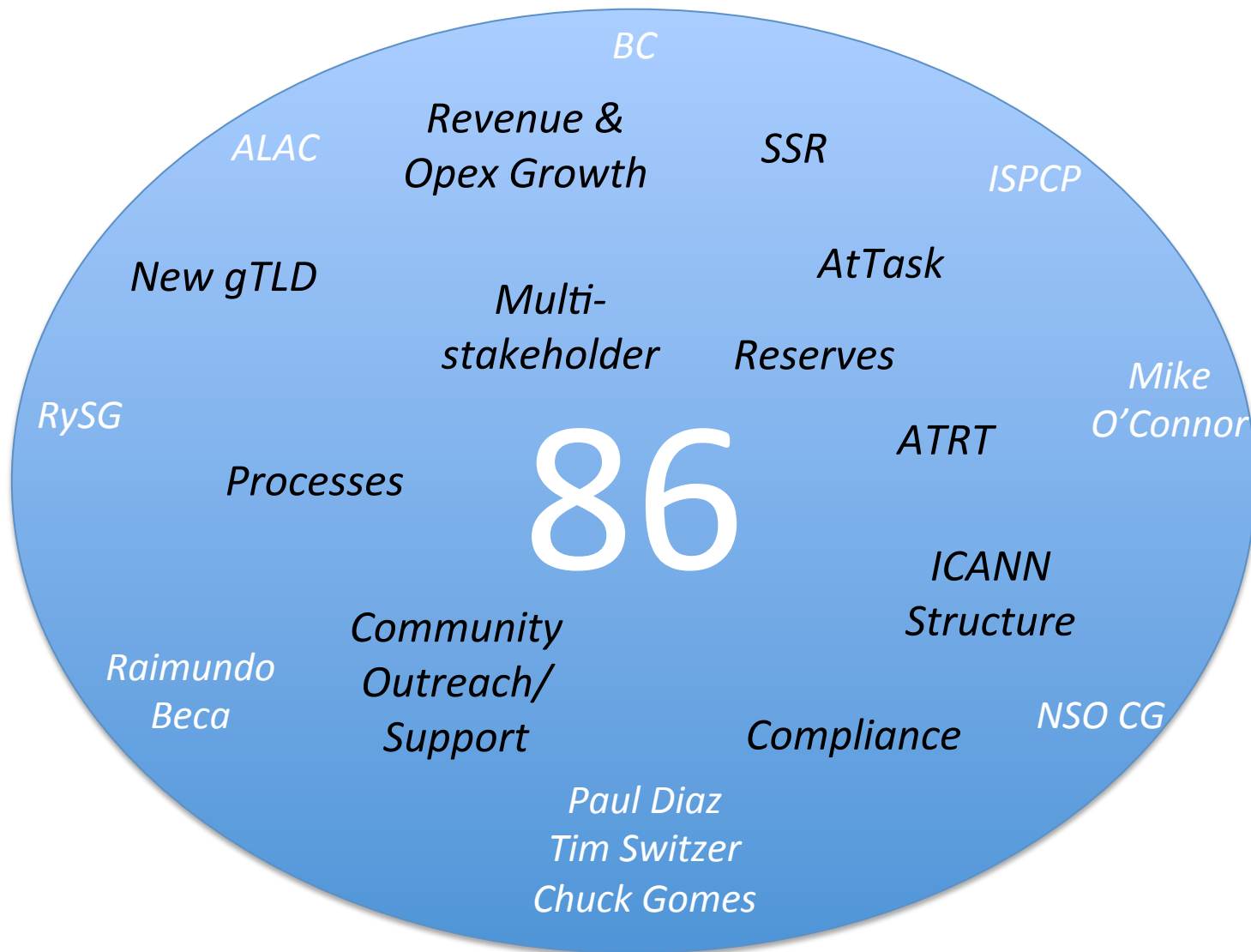 - ✓ Timing adjustments to revenue without impact on total program revenues - $14.3m.

SO/AC FY14 Budget Requests

+ Reminder: "Fast track" requests granted amounted to: $279k.

+ "Regular track" requests:

Received	Funded
$347k	$372k

+ Total requests for FY14 (Fast and regular track): $649k.

+ Implementation with staff contact (to be provided)

FY14 Draft Budget Public Comments

BC

ALAC

Revenue & Opex Growth

SSR

ISPCP

New gTLD

AtTask

Multi-stakeholder

Reserves

RySG

Mike O'Connor

ATRT

Processes

86

ICANN Structure

Raimundo Beca

Community Outreach/ Support

Compliance

NSO CG

Paul Diaz
Tim Switzer
Chuck Gomes

FY14 Draft Budget Public Comments

Category	#
Revenue and Opex Growth	20
AtTask	13
New gTLD	13
Community Outreach/ Support	10
General	9
ICANN Structure	5
Process	4
SSR	4
Multi-stakeholder model	3
Headcount	2
ATRT	1
Compliance	1
Reserves	1
Total	**86**

Organization/ Individual	#
ALAC	7
BC	21
ISPCP	23
Mike O'Connor	1
NSO CSG	3
Paul Diaz/ Tim Switzer/ Chuck Gomes	15
Raimundo Beca	1
RySG	15
Total	**86**

FY14 Draft Budget Public Comments
Example 1 – Operating Expenses

Comment:

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.

Response:

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.

FY14 Draft Budget Public Comments
Example 2 – Community Outreach/ Support

Comment:

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?

Response:

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.

FY14 Draft Budget Public Comments
Example 3 – New gTLD

Comment:

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.

Response:

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.

FY15 Budget Process Development

ICANN will continue the work it began at the Prague meeting to involve the community in the budget development process.

The focus of our interaction will continue to be:

- Strategic Planning
- Timeline
- Structure & Content

FY15 Budget Process Development

- Timing?
- SO/AC budget requests process?
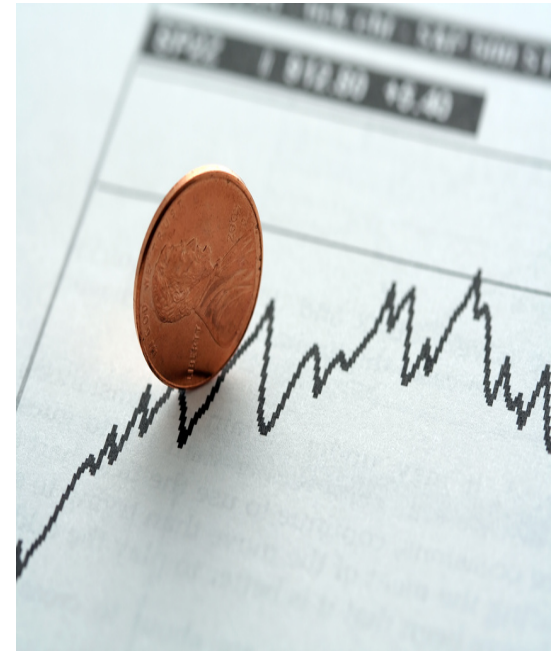- AtTask?
- Interaction/communication?

Future Financial Reporting

FY13 Results

- FY13 Audited Financial Statements by October 2013

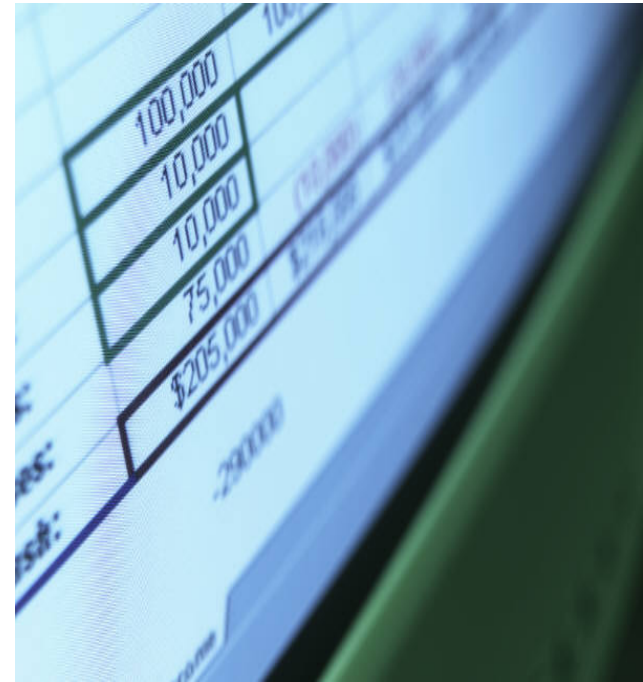- Analysis of FY13 Actual vs. FY13 Budget and FY12 Actual by ICANN 48 in Buenos Aires

FY14 Financial communication

Quarterly financial information

With comments on trends/changes

Published on Website/Wiki

Thank you

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