ICANN | FY14 Draft Operating Plan and Budget

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Overview

This FY14 Draft Operating Plan and Budget sets forth the proposed focus of efforts and organizational commitments for the next fiscal year.

This proposal will be modified as a result of feedback from the community and ICANN's Board, and will be considered for adoption in June 2013.

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Background

This document provides context for the budget development process and qualitative and quantitative descriptions of FY14 operational activities.

During the current fiscal year, there have been significant process improvements that have impacted the organization and as a result, the current and future year planning processes.

This document will provide an overview of those changes, with a description of what is in place and what is yet to implemented.

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Content

Update on the current year financial information, including:

- Key changes between the FY13 approved Budget, and a full year forecast of the FY13 financial data established after 7 months of activity.

- FY14 suggested Budget information and main changes between the FY13 Forecast and the projected FY14 Budget.

- Comprehensive breakdown of the FY14 budgeted costs across all the projects and activities carried out by the organization, using the internal management system AtTask, also visible on myICANN.org.

Organizational Transformation

FY13 and FY14: Continued Transformation

Following the launch of the New gTLD Program in FY12, ICANN has continued on the path of accelerated changes in FY13.

FY13 and FY14: Continued Transformation cont.

Most of the initial evaluation phase of the New gTLD Program has been carried out, representing the majority of the entire evaluation process. Meanwhile, the organization has welcomed a new CEO.

The new leadership has brought immediate focus on the transformation of the organization towards operational excellence, has initiated a renewed and expanded stakeholders' engagement activity, and has addressed the strategic requirements of the New gTLD Program.

The resources of the organization for FY13 have been carefully concentrated on these areas with an emphasis on acquiring required talent and selectively completing critical projects, allowing operating expenses to remain below budgeted levels.

FY13 and FY14: Continued Transformation cont.

In FY14, the organization will implement strategic initiatives designed in FY13:

- Transforming into a worldwide matrix organization, expanding ICANN's presence internationally, thus allowing a truly global stakeholders' engagement

- Implementing a DNS Industry Engagement organization

- Further strengthening the infrastructure.

These ambitious changes will drive an increase of expenses across most areas of the organization, while funding also increases as a result of the new registries progressively starting operations.

Planning Process Overview

Target Planning Process Overview

STRATEGIC PLAN
- Long Term Design
- Organization-wide Objective/Goal

BUDGET & OPS PLAN
- Annual Update
- Outline Required Resources
- Fulfill Core Deliverables and Services

EXECUTION
- Recurring Monitoring
- Interdependent Projects /Activities
- Cyclical Projects and Tasks assigned during Fiscal-Year Timeframe

OBJECTIVE → GOAL

PROGRAM ← PORTFOLIO

PROJECT → TASK
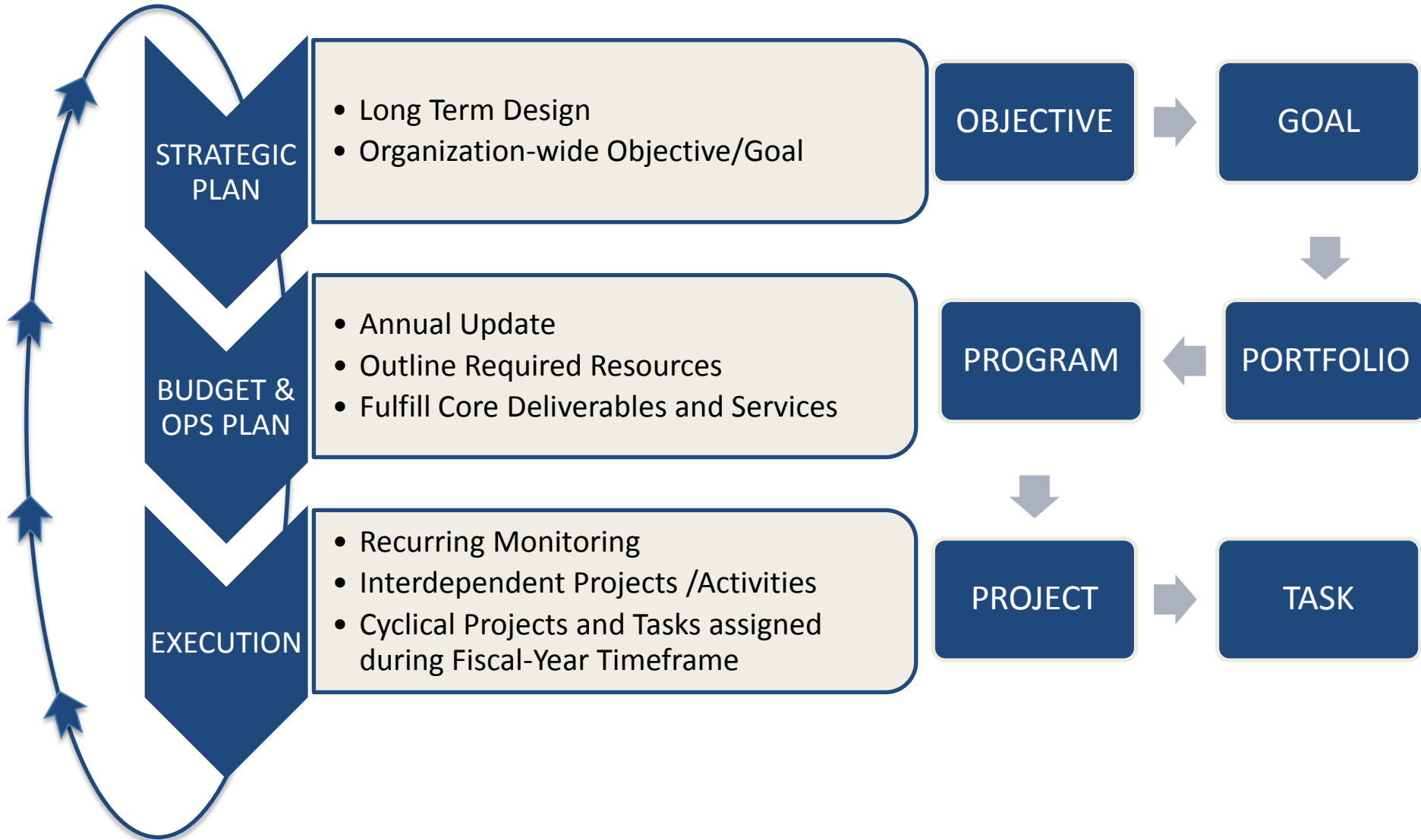
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Budget process – Mid-year change

Original plan

New CEO

Phase 0
Budget improvement process
Recommended changes

Framework
Generate early detailed project data
Multiple interactions Staff/Community

Final draft
Earlier public comment
Marginal changes to budget

Revised approach

Implementation of AtTask

Final Draft
Define FY14 projects and activities in AtTask
Develop Budget
Public Comment

FY13 Forecast Update

FY13 Forecast vs. FY13 Published Budget

(In thousands)

STATEMENT OF ACTIVITIES	ICANN Ops				New gTLD Program				Total			
	FY13 Forecast	FY13 Budget	Fav/ (Unfav)	%	FY13 Forecast	FY13 Budget	Fav/ (Unfav)	%	FY13 Forecast	FY13 Budget	Fav/ (Unfav)	%
TOTAL SUPPORT AND REVENUE	$ 76,419	$ 78,870	$ (2,451)	-3.1%	$174,566	$153,801	$ 20,765	13.5%	$250,984	$232,671	$ 18,313	7.9%
OPERATING EXPENSES												
Personnel	29,987	30,958	971	3.1%	5,320	3,885	(1,435)	-36.9%	35,307	34,843	(464)	-1.3%
Travel & Meetings	9,897	11,387	1,490	13.1%	216	208	(8)	-4.0%	10,113	11,595	1,482	12.8%
Professional Services	16,442	20,663	4,221	20.4%	75,857	65,075	(10,782)	-16.6%	92,300	85,738	(6,562)	-7.7%
Administration	8,719	10,880	2,161	19.9%	1,550	340	(1,210)	-355.7%	10,268	11,220	952	8.5%
Bad Debt Expenses	573	400	(173)	-43.3%	-	-	-	0.0%	573	400	(173)	-43.3%
Depreciation Expenses	2,094	2,400	306	12.7%	-	-	-	0.0%	2,094	2,400	306	12.7%
Community Support Requests	536	536	-	0.0%	-	-	-	0.0%	536	536	-	0.0%
Operating Expenses	$ 68,248	$ 77,224	$ 8,976	11.6%	$ 82,944	$ 69,508	$ (13,436)	-19.3%	$151,191	$146,732	$ (4,459)	-3.0%
CHANGE IN NET ASSETS DUE TO OPERATING ACTIVITIES	$ 8,170	$ 1,646	$ 6,524	396.4%	$ 91,622	$ 84,293	$ 7,329	8.7%	$ 99,793	$ 85,939	$ 13,854	16.1%
OTHER INCOME/ (EXPENSE)												
Contingency	-	(3,720)	3,720	-100.0%	-	-	-	0.0%	-	(3,720)	3,720	-100.0%
FX Translation Gain / (Loss)	154	-	154	0.0%	-	-	-	0.0%	154	-	154	0.0%
Investment Gain / (Loss)	3,914	1,000	2,914	291.4%	59	-	59	0.0%	3,973	1,000	2,973	297.3%
Other Income/ (Expense)	$ 4,068	$ (2,720)	$ 6,788	-249.6%	$ 59	$ -	$ 59	0.0%	$ 4,127	$ (2,720)	$ 6,847	-251.7%
CHANGE IN NET ASSETS BEFORE CONT., HIST. COSTS & RESERVES	$ 12,239	$ (1,074)	$ 13,313	-1239.4%	$ 91,682	$ 84,293	$ 7,388	8.8%	$103,921	$ 83,219	$ 20,702	24.9%
New gTLD App Support Cont.	(138)	(2,000)	1,862	-93.1%	-	-	-	0.0%	(138)	(2,000)	1,862	-93.1%
Historical Development Costs	18,008	14,808	3,199	21.6%	(18,008)	(14,808)	(3,199)	21.6%	-	-	-	0.0%
New gTLD Risk Costs	-	-	-	0.0%	(755)	(54,755)	53,999	-98.6%	(755)	(54,755)	53,999	-98.6%
CHANGE IN NET ASSETS	$ 30,109	$ 11,734	$ 18,374	156.6%	$ 72,919	$ 14,731	$ 58,187	395.0%	$103,027	$ 26,464	$ 76,563	289.3%

Comments provided on subsequent slides.

ICANN

FY13 Forecast vs. FY13 Published Budget - Revenue
(In thousands)

	FY13 Forecast	FY13 Budget	Fav/ (Unfav)	%
Existing TLDs				
Registry	$ 38,808	$ 39,031	$ (223)	-0.6%
Registrar	33,879	36,216	(2,337)	-6.5%
RIR	823	823	(0)	0.0%
ccTLD	1,863	2,000	(137)	-6.9%
Meeting Sponsorships/other	1,046	800	246	30.7%
Operational Revenue	$ 76,419	$ 78,870	$ (2,451)	-3.1%
New gTLD Application Fees	$ 174,566	$ 153,801	$ 20,765	13.5%
Total Support and Revenue	$ 250,984	$ 232,671	$ 18,313	7.9%

Comments provided on next slide

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FY13 Forecast Variance Analysis – Revenue
(In thousands)

FY13 Budget	**$ 232,671**	

Variances - Fav/ (Unfav):

Registry	(223)	The change in .com contract from fixed to transaction fee starting December 2012 is expected to increase registry revenue by $3.0M. At the same time, projected transaction volume is 10% lower than budget for registries with transaction fees. This will result in a decrease of slightly over $3.2M in non-.com transaction fee revenue.
Registrar	(2,337)	The decrease in registrar revenue is driven by projected total transaction volume that is 8% lower than budget, which will decrease revenue by (-$2.6M). This decrease is partially mitigated by an estimated 40 registrars accredited (+$0.2M) and 60 applications received (+$0.1M) over budget.
ccTLD	(137)	
Contributions & Other Income	246	Larger Sponsorship revenue from both ICANN Toronto and Beijing meetings than the budgeted $0.4M per meeting.
New gTLD App Fees	20,765	Change in new gTLD application program (no batches) (i) front-loads Initial Evaluation work increasing application fee expense and revenue, and (ii) delayed delegation of first new gTLD registries revenues until FY14.

FY13 Forecast	**$ 250,984**	

FY13 Forecast Variance Analysis – Operating Expenses
(In thousands)

ICANN Ops FY13 Budget	**$ 77,224**	
Variances - Fav/ (Unfav):		
Personnel	971	Delayed hiring, with an average annual headcount at 163 vs. 181 budgeted (+$3.4M) offest by higher average salary due to hiring of director level and above (-$2.0M) and partial reclassification of New gTLD allocation to other expense categories below (-$0.4M).
Travel & Meetings	1,490	Decreased travel due to delayed hiring (+$0.9M), mainly in Global Partnerships (+$0.3M), Policy (+$0.2M) and Board Support (+$0.2M); lower Toronto meeting costs due to better rates (+$0.2M); reclassification of New gTLD allocation from personnel to T&M (+$0.2M); other variances (+$0.2M).
Professional Services	4,221	Stakeholder Relations favorable (+$1.2M) primarily due to delayed IDN Variant spend (+$1.0M) and TCH costs moved to NgTLD (+$0.4M); Security favorable due to delayed projects, mainly training/capacity building and internal security and certification (+$1.2M); Registry favorable (+$1.2M) due to reduced number of RSTEP panels from 5 to 2 (+$0.4M), EBERO set up moved to NgTLD (+$0.1M) and other delayed projects (+$0.7M); Policy favorable (+$0.8M) primarily due to WHOis studies (+$0.4M) and PDP Research (+$0.1M); Registrar favorable (+$0.7M) primarily due to change in accounting for data escrow; IT favorable (+$0.5M) due to re-prioritization of IT roadmap by new VP of IT, resulting in delayed projects Reclassification of New gTLD allocation from personnel to professional services (+$0.3M) Operations and Executive unfavorable (-$2.4M) due to unbudgeted development of on-line multi-stakeholder platform (-$1.6M) and unbudgeted CEO roundtables and other projects (-$0.8M); Other variances (+$0.6M).
Admin	2,161	DNS Ops favorable due to lower maintenance costs (+$0.5M); Reclassification of New gTLD allocation from personnel to admin (+$0.5M); Global Partnerships favorable primarily due to lower sponsorships (+$0.3M); HR favorable (+$0.3M) primarily in OEI training/ recognition program; IT support (network support, colocation services and teleconference fees) (+$0.2M), other favorability (+$0.3M) primarily due to change in accounting for insurance premiums.
Other	133	Depreciation favorable (+$0.3M) due to delayed projects, Bad debt unfavorable (-$0.2M).
ICANN Ops FY13 Forecast	**$ 68,248**	

FY14 Draft Operating Plan and Budget

Financial Data

FY14 Draft Operating Plan & Budget vs. FY13 Forecast

(In thousands)

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.

FY14 Draft Operating Plan & Budget vs. FY13 Forecast - Revenue
(In thousands)

	FY14 Budget	FY13 Forecast	Fav/ (Unfav)	%
Existing TLDs				
Registry	$ 42,363	$ 38,808	$ 3,555	9.2%
Registrar	34,229	33,879	349	1.0%
RIR	823	823	0	0.0%
ccTLD	1,900	1,863	37	2.0%
Meeting Sponsorships/other	1,800	1,046	754	72.1%
Sub-total	$ 81,115	$ 76,419	$ 4,696	6.1%
New gTLD				
Registry	$ 5,193	$ -	$ 5,193	0.0%
Registrar	1,850	-	1,850	0.0%
Sub-total	$ 7,043	$ -	$ 7,043	0.0%
ICANN Ops Revenue	$ 88,158	$ 76,419	$ 11,739	15.4%
New gTLD Application Fees	$ 97,780	$ 174,566	$ (76,786)	-44.0%
Total Support and Revenue	$ 185,938	$ 250,984	$ (65,047)	-25.9%

Comments provided on next slide

FY13 Forecast	**$ 250,984**	

Variances - Fav/ (Unfav):

Registry	8,748	Transactions volume in historical gTLD registries is forecasted to decrease during the 2nd half of FY14 by 1%, as a result of the new gTLD registries starting operations, resulting in a flat transaction volume vs FY13. Full year effect of the conversion of .com contract from fixed fee to transaction adds (+$2.5M) in revenue for FY14. Revenues generated from new gTLD registries is (+$5.2M) in FY14, mostly from fixed fees.
Registrar	2,200	Revenues from existing TLDs has a impact of (+$0.3M) due to an increase in fixed fees from new registrars. The estimated transactions created by the new gTLD registries generate additional transaction fee revenue of (+$1.9M).
ccTLD	37	
Contributions & Other Income	754	The FY14 budget includes contributions from four meetings versus two in FY13.
New gTLD App Fees	(76,786)	The new gTLD application fee revenue amount is proportional to the evaluation costs incurred. As the evaluation costs decrease from FY13 to FY14 (see the New gTLD program - Expense variance analysis), so do the revenues.
FY14 Budget	**$ 185,938**	

FY14 Draft Operating Plan & Budget Variance Analysis
(In thousands)

SUMMARY	FY13 Forecast (Pro Forma)	Impact of Internationalization (incl. languages)	Right-sizing of DNS services	Impact of DNS growth on Tech Services	Increased Community Engagement	Impact of growth on support services	4 ICANN meetings vs 2*	Reclasses	New gTLD Allocation	Other variances	Total	Revised draft FY14 Budget	%
Personnel	$ 29,987	$ 2,105	$ 2,010	$ (74)	$ 538	$ 1,579	$ -	$ -	$ (2,612)	$ 1,713	$ 5,261	$ 35,247	17.5%
Travel & Meetings	9,897	2,599	390	59	1,313	491	1,058	(1,000)	(40)	575	5,445	15,342	55.0%
Professional Services	16,442	600	486	1,251	(799)	111	1,151	1,000	(153)	(1,861)	1,786	18,229	10.9%
Administration Costs	8,719	2,239	43	407	13	1,509	-	-	(873)	4	3,342	12,061	38.3%
Bad Debt & Depreciation	2,667	-	-	-	-	-	-	-	-	353	353	3,020	13.2%
Community Requests	536	-	-	-	-	-	-	-	-	64	64	600	11.9%
Subtotal	$ 68,248	$ 7,544	$ 2,929	$ 1,642	$ 1,066	$ 3,690	$ 2,210	$ -	$ (3,678)	$ 848	$16,251	$ 84,499	23.8%
Contingency - 5% of Opex.	-									3,659	3,659	3,659	0.0%
ICANN Ops Operating Exp. $	68,248	$ 7,544	$ 2,929	$ 1,642	$ 1,066	$ 3,690	$ 2,210	$ -	$ (3,678)	$ 4,507	$19,910	$ 88,158	29.2%
Average Headcount	163	14	14	2	3	14	0	0	0	20	67	230	40.9%

The categories listed above are comprised of the following departments:

	-GSE	-Registrar	-IANA	-Community	-IT	-Ombudsman
	-Lang Svcs.	-Registry	-DNS Ops	engagement	-HR	-Executive
	-Government	-IDN	-Security	-Constituents/	-Finance	-Strategic initiatives
	Engagement	-DNS Industry Mgt		stakeholders	-Project Mgt	-Communications
	-Consult, rent,	-gTLD Operations		travel	-Admin	-Meetings
	legal, etc. for	-Customer service		-Online	support (excl.	-Policy development
	int'l offices			community svcs	rent on int'l	-Legal
					offices)	-Board support
						-NomCom
						-Operations Executive
						-Contractual compliance

*Excludes ICANN staff and community travel costs, which are captured in their respective categories above.

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FY14 Draft Operating Plan & Budget Headcount by Function

Group	FY14 Budget EOY*	FY14 Budget Avg	FY13 Forecast EOY*	FY13 Forecast Avg	Inc/ (Dec) EOY*	Inc/ (Dec) Avg
00 - Reserved	1	1	1	1	-	-
01 - Executive	11	10	9	6	2	5
02 - Strategic Comm	25	22	19	14	6	8
03 - GSE	29	23	17	14	12	9
04 - Gov Engagement	5	4	4	3	1	2
05 - SO/AC engagement	23	22	21	19	2	4
06 - DNS Industry	26	21	16	12	10	9
07 - Governance support	16	14	14	11	2	4
08 - Operations	17	11	7	3	10	8
09 - Technical functions	53	48	42	42	11	6
10 - Org support	38	35	31	25	7	10
11 - Compliance	19	18	17	15	2	3
ICANN OPS	**263**	**230**	**198**	**163**	**65**	**67**
ICANN - NgTLD	**21**	**29**	**35**	**16**	**(14)**	**13**
TOTAL ICANN	**284**	**259**	**233**	**179**	**51**	**80**

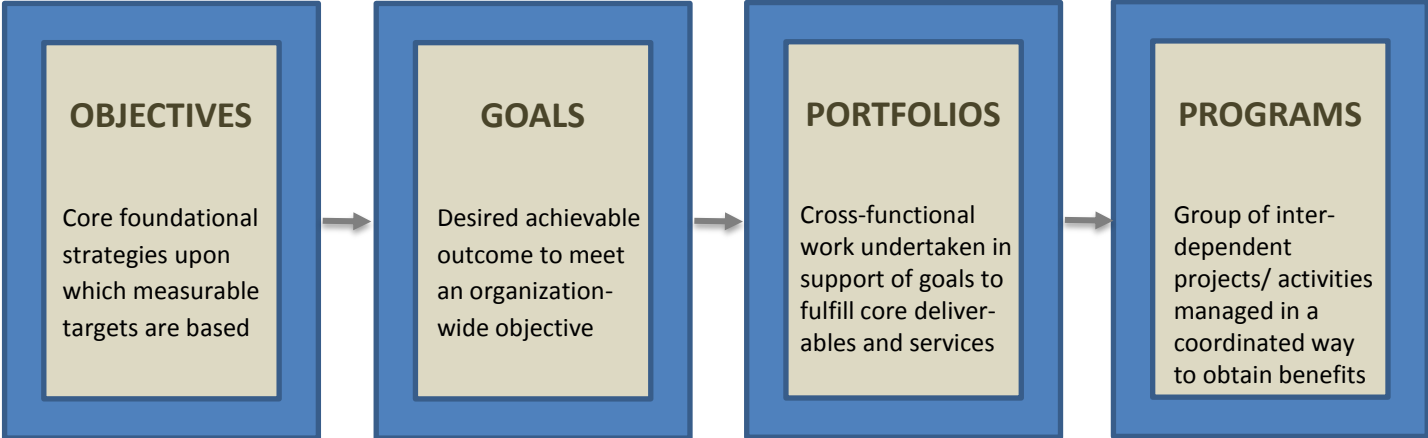*End of year

FY14 Draft Operating Plan & Budget Headcount Growth
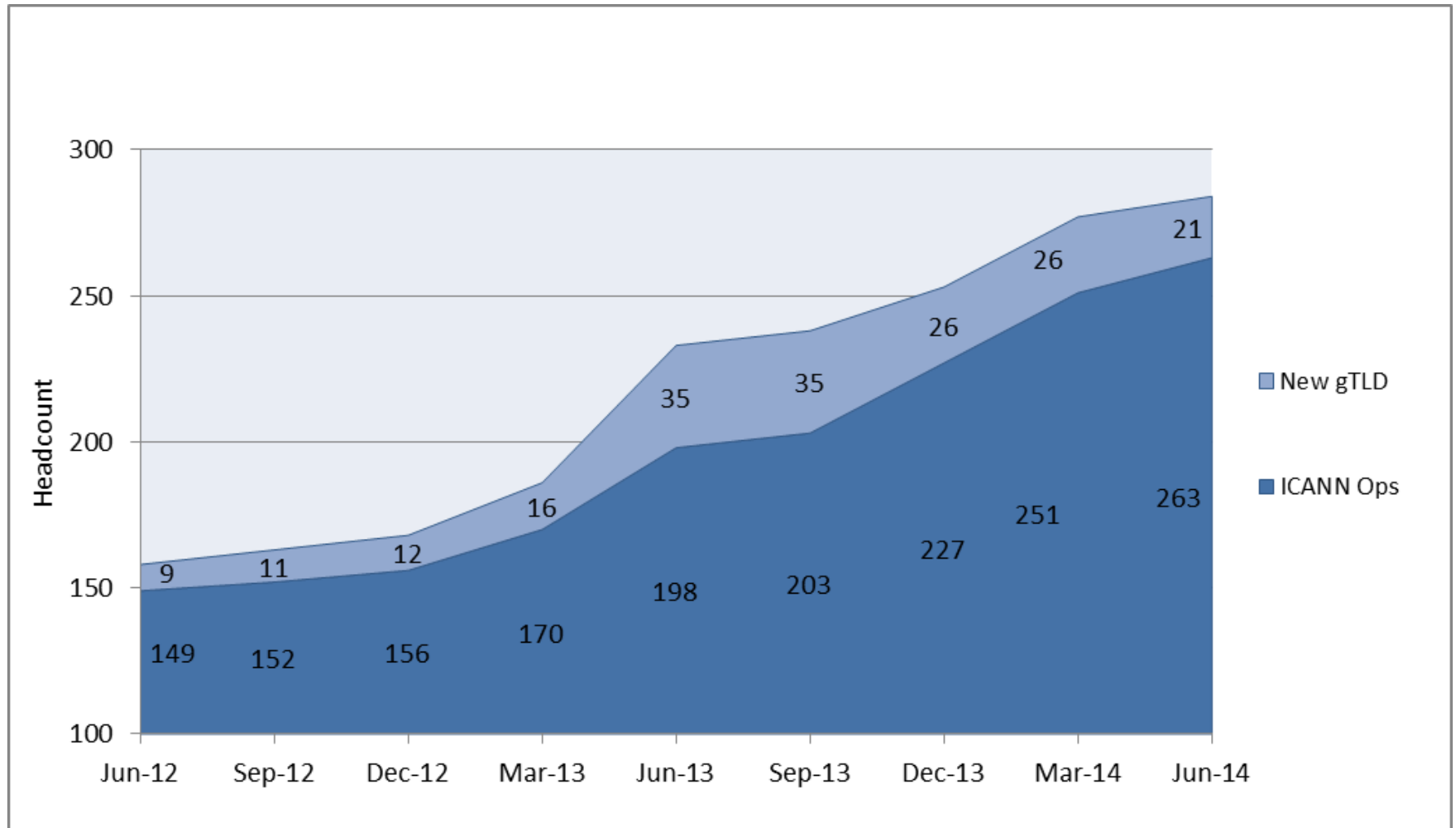
FY14 Draft Operating Plan and Budget

Management Delivery

Management Delivery: Objectives & Goals
w. FY14 Draft Budget

DELIVER CORE INTERNAL FUNCTIONS
ACT AS STEWARD OF PUBLIC INTEREST
ENGAGE IN IG ECOSYSTEM
DEEPEN PARTNERSHIP WITH I-ORGS.

$15.6M

INSTITUTIONALIZE MGMT. DISCIPLINES
MATURE ORG. SUPPORT FUNCTIONS
OPTIMIZE R&R SERVICES
PLAN FOR SCALE, SECURITY, CONTINUITY

$106.4M

(of which $57.6M is related to the New gTLD program)

1 AFFIRMATION OF PURPOSE

2 OPERATIONS EXCELLENCE

3 INTERNATIONALIZATION

4 MULTI STAKE HOLDER   MODEL EVOLUTION

ENGAGE STAKEHOLDERS GLOBALLY
COMMUNICATE CLEARLY & LOCALLY
INTEGRATE GLOBAL/REGIONAL RESP.
EVOLVE GOV. RELATIONSHIPS

$11.9M

OPTIMIZE POLICY DEV. PROCESS
INCREASE/IMPROVE PARTICIPATION
EVOLVE SO/AC STRUCTURES
PROMOTE ETHICS & TRANSPARENCY

$8.2M

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Management Delivery: AtTask Structure Overview

OBJECTIVES		GOALS		PORTFOLIOS		PROGRAMS
Core foundational strategies upon which measurable targets are based	→	Desired achievable outcome to meet an organization-wide objective	→	Cross-functional work undertaken in support of goals to fulfill core deliver-ables and services	→	Group of inter-dependent projects/ activities managed in a coordinated way to obtain benefits

Status Key: (Status is measured against expected completion dates)

- 🟩 On Target — Project dates are on track to meet the estimated planned completion date
- 🟨 At Risk — Project dates are tracking behind the estimated planned completion date
- 🟥 In Trouble — Project dates are tracking late the estimated planned completion date
- 🟦 Complete — Project is completed

Description – a detailed definition of the scope of work
Owner – name identified with each entry that is responsible for the work at ICANN
Timeline – target date designated for completion or, for ongoing work for the current fiscal year (e.g. FY13T3)
Metric – description of quantifiable measurement(s) of success
Priority – indicates level of priority within the fiscal year (e.g. Urgent, High, Normal and Low)
Dependencies – resource or activity that is critical to the success for completing the work
Risks – factors that may have a negative impact on successful completion of the work
Stakeholders – parties who are either interested or impacted by the work

ICANN transitioned to this centralized Portfolio Management System in January 2013. Work is still ongoing to develop consistency and uniformity to the system.
Information found in the ICANN Portfolio Management System will be continually updated. It is an information source for informal reference only.
It should not be used as an official source of information about ICANN or its work.

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FY14 Draft Operating Plan & Budget – AtTask
(In thousands)

Objective	Personnel	Travel & Meetings*	Professional Services	Admin**	Total
Affirmation of Purpose	$ 8,443	$ 2,612	$ 4,024	$ 561	$ 15,641
Operations Excellence	**28,134**	**9,427**	**54,353**	**14,441**	**106,354**
ICANN Ops	17,877	9,211	9,225	12,478	48,791
New gTLD	10,257	217	45,128	1,963	57,564
Internationalization	**3,982**	**2,589**	**3,446**	**1,882**	**11,899**
Multi-Stakeholder Model Evolution	**4,946**	**1,530**	**1,533**	**159**	**8,168**
Total	$ **45,504**	$ **16,159**	$ **63,356**	$ **17,043**	$ **142,063**

*T&M includes $0.6M of community support requests.

** Admin includes $2.6M for depreciation and $0.5M for bad debt.

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FY14 Draft Operating Plan & Budget – AtTask
(In thousands)

Affirmation of Purpose	$	**15,641**
Goal **Portfolio**		
Act as Steward of the Public Interest - Sally Costerton	$	**1,459**
-Affirmation of Commitments		1,459
Deepen Partnerships with Internet Organizations - Tarek Kamel	$	**28**
-Build stronger partnership with the I*		28
Deliver Core Internet Functions - Akram Atallah	$	**10,976**
-Contractual Compliance Functions		2,044
-Contractual Compliance Initiatives		1,381
-IANA Operations		2,737
-IDN Variant Initiative		1,436
-Security Stability & Resiliency		2,708
-Strengthen Root System		669
Engage in the Internet Governance Ecosystem - Tarek Kamel	$	**3,177**
-Coordination of ICANN participation in Internet Governance		3,177

FY14 Draft Operating Plan & Budget – AtTask
(In thousands)

Operations Excellence	$	106,354
Goal **Portfolio**		
Institutionalize Management Disciplines - Akram Atallah	$	6,241
-Deliver on Management System Mapping		173
-Establish SOPs Across the Organization		48
-Executive Office Functions		2,379
-Implement Operational Readiness		9
-Provide Legal Support and Advice		3,381
-Strategic Planning		252
Mature Organizational Support Functions - Akram Atallah	$	40,988
-Administrative Services		8,370
-Effective Business Operations		15,433
-Finance Operations		1,460
-Human Resources		4,735
-Maintain Board Support		2,903
-Strategic Initiatives Operations		521
-Support Enterprise Wide Systems		7,565
Optimize gTLD Services - Akram Atallah	$	56,886
- gTLD Services		3,030
-gTLD Operations		52,737
-Outreach and relationship mgt w/ existing and new Registry, Registrar community		1,119
Plan for Scale, Security, Continuity - Akram Atallah	$	2,240
-Continuity of outside mechanism (e.g. UDRP, TMCH)		3
-ICANN Communications		1,155
-Risk Management		1,081

FY14 Draft Operating Plan & Budget – AtTask
(In thousands)

Internationalization	**$**	**11,899**
Goal	**Portfolio**	
Communicate Effectively with Stakeholders - Sally Costerton	**$**	**67**
-Transparency in IANA Functions Performance & Reporting		67
Engage Stakeholders Globally - Sally Costerton	**$**	**11,712**
-Brand ICANN (and promote) the Multistakeholder Model of Governance		143
-Engage Stakeholders Regionally		5,584
-Global Stakeholder Engagement Planning		1,798
-Language Services		3,652
-Raising Awareness of ICANN Worldwide		436
-Regional Initiatives, including Centers of Excellence		99
Integrate Global and Regional Responsibilities - Sally Costerton	**$**	**120**
-Global matrix development		108
-Support Legal Functional Presence in Regions		11

FY14 Draft Operating Plan & Budget – AtTask
(In thousands)

Multi-Stakeholder Model Evolution	$	**8,168**
Goal **Portfolio**		
Evolve SO/AC Structures - David Olive	$	**460**
-Anticipate and accommodate community evolution broader geo participation		6
-Evolving MultiStakeholder Model		254
-Organizational Reviews		200
Increase and Improve Global Participation - Sally Costerton	$	**1,754**
-Deploy Collaboration Platform		943
-Enhance Community Participation		811
Optimize Policy Development Process - David Olive	$	**5,314**
-Enable Cross Stakeholder Collaboration		264
-Support Policy Development efforts		5,050
Promote Ethics and Transparency - John Jeffrey	$	**640**
-Conflicts of Interest Management		49
-Contractual Compliance Reports to Community		158
-Supporting Accountability Structure		399
-Take actions resulting from Ethics and COI Reviews		35

FY14 Draft Operating Plan and Budget

Community Requests

FY14 Draft Operating Plan & Budget – Community Support Requests
(In thousands)

Requests submitted (55)	$	934
FY 14 Budget Placeholder	$	600
Approved (Fast track)	$	280

FY14 Draft Operating Plan & Budget – Community Support Requests

Request #	Group	Request Document Title	Request Round	Total Requested	Status	Approved
FY14-A01-01	GNSO	1-GNSO - Council Strategic Planning Session	Fast Track	46,240	Approved	46,240
FY14-A02-01	NPOC	2-NPOC - The role of Civil Society in developing the business model of the DNS in Africa	Fast Track	27,000	Approved	8,000
FY14-A02-02	NPOC	4-NPOC - Impact of new gTLDs on NGOs/NFPs and on end-users	Fast Track	5,000	Denied	-
FY14-A03-01	SSAC	3.1-SSAC - Annual workshop	Fast Track	80,000	Approved	80,000
FY14-A03-02	SSAC	3.2-SSAC - Meetings at IETF	Fast Track	10,000	Approved	10,000
FY14-A03-03	SSAC	3.3-SSAC - Travel to ICANN Meetings	Fast Track	20,000	Denied	-
FY14-A03-04	SSAC	3.4-SSAC - Administrative Committee face to face meetings	Fast Track	15,000	Deferred to Regular Track Review	-
FY14-A03-05	SSAC	3.5-SSAC - Travel for IGF workshop	Fast Track	5,000	Denied	-
FY14-A04-01	NCUC	5-NCUC - Print Materials	Fast Track	-	Deferred to Regular Track Review	
FY14-A04-02	NCUC	6-NCUC - Workshops & Related Outreach at IGF 2013	Fast Track	12,000	Approved	12,000
FY14-A05-01	NCSG	7-NCSG - Workshop session at 2013 Internet Governance Forum	Fast Track	12,000	Denied	-
FY14-A05-02	NCSG	8-NCSG - Printed Brochures and Printed Communiques	Fast Track	5,000	Approved	5,000
FY14-A05-03	NCSG	10-NCSG - Travel Support	Fast Track	72,000	Denied	-
FY14-A05-04	NCSG	11-NCSG - Language Translation Services	Fast Track	-	Denied	-
FY14-A06-01	BC	12-BC - ICANN Meetings Coordination	Fast Track	3,200	Denied	-
FY14-A06-02	BC	13-BC - ICANN Meeting Preparation, Planning and Coordination	Fast Track	9,600	Denied	-
FY14-A06-03	BC	14-BC - Website and Wiki Update and Mailing List	Fast Track	3,840	Denied	-
FY14-A06-04	BC	15-BC - Monthly member Conference Calls	Fast Track	9,600	Denied	-
FY14-A06-05	BC	16-BC - Banking	Fast Track	6,240	Deferred to Regular Track Review	-
FY14-A07-01	ALAC	17-ALAC - Extension of Authorized Departure Date for ExCom and specified liaisons	Fast Track	16,000	Approved	4,000
FY14-A07-02	NARALO	18-NARALO - Outreach Campaign	Fast Track	22,500	Deferred to Regular Track Review	-
FY14-A07-03	EURALO	19-EURALO - Participation at the 13th ICANN Studienkreis meeting	Fast Track	5,775	Denied	-
FY14-A07-04	APRALO	20-APRALO - Workshop at IGF 2013	Fast Track	32,000	Approved	12,000
FY14-A07-05	AFRALO	21-AFRALO - Workshop at IGF 2013	Fast Track	25,000	Approved	15,000
FY14-A08-01	RySG	22-RySG - Ongoing support at the current level of service for organized teleconference calls	Fast Track	-	Denied	-
FY14-A08-02	RySG	23-RySG - To enhance level of support for organized face-to-face meetings	Fast Track	-	Denied	-
FY14-A08-03	RySG	24-RySG - Acquisition of an efficient and broad-use document management tool	Fast Track	1,900	Denied	-
FY14-A08-04	RySG	25-RySG - Funding of one (1) additional travel slot for participation in ICANN Meeting 47 in Durban	Fast Track	3,500	Approved	3,500

FY14 Draft Operating Plan & Budget – Community Support Requests cont.

Request #	Group	Request Document Title	Request Round	Total Requested	Status	Approved
FY14-A90-01	ISP	26-ISP - Constituency outreach and support for continued participation	Fast Track	6,000	Deferred to Regular Track Review	-
FY14-A90-02	ISP	27-ISP - Officer and WG Chair Travel to ICANN meetings	Fast Track	64,000	Denied	-
FY14-A10-01	GAC	28-GAC - Increase in Supported Travelers to the three (3) ICANN meetings	Fast Track	120,000	Approved	30,000
N/A	ICANN	GNSO leadership travel funding to ICANN meeting	Fast Track	-	Approved	54,000
FY14-B01-01	RSSAC	30-RSSAC FY14 Budget Request - ICANN meetings	Regular Track	33,000	Under Review	
FY14-B04-01	RySG	36-RySG ICANN FY14 Budget StandardRequest Priority 1	Regular Track	*	Under Review	
FY14-B04-02	RySG	37-RySG ICANN FY14 Budget StandardRequest Priority 2	Regular Track	18,000	Under Review	
FY14-B04-03	RySG	38-RySG ICANN FY14 Budget StandardRequest Priority 3	Regular Track	3,600	Under Review	
FY14-B05-01	NCUC	39-NCUC FY14 Regular Budget Request (Policy Conference)	Regular Track	11,100	Under Review	
FY14-B05-02	NCUC	40-NCUC FY14 Regular Budget Request (Print Materials)	Regular Track	8,000	Under Review	
FY14-B05-03	NCUC	41-NCUC FY14 Regular Budget Request (New EC Retreat)	Regular Track	6,950	Under Review	
FY14-B05-04	NCUC	42-NCUC FY14 Regular Budget Request (IGF Bali supplemental)	Regular Track	8,000	Under Review	
FY14-B06-01	ISP	43-ISP request for Travel for Officers & WG Chairs FY14 Budget	Regular Track	48,000	Under Review	
FY14-B06-02	ISP	44-ISP request for secretariat support FY14 Budget	Regular Track	*	Under Review	
FY14-B07-01	IPC	45-IPC leadership travel support to ICANN public meetings	Regular Track	14,000	Under Review	
FY14-B07-02	IPC	46-IPC secretariat	Regular Track	20,000	Under Review	
FY14-B07-03	IPC	47-IPC outreach activities	Regular Track	10,000	Under Review	
FY14-B07-04	IPC	48-Organization of and IPC attendance at FY14 ICANN Inter-Sessional Meeting	Regular Track	19,000	Under Review	
FY14-B07-05	IPC	49-IPC Publications	Regular Track	5,000	Under Review	
FY14-B08-01	BC	50-SO-AC-SG FY14 Budget Request BC 6 - Outreach Material V2	Regular Track	8,000	Under Review	
FY14-B08-02	BC	51-SO-AC-SG FY14 Budget Request BC 7 - Leadership Development V3	Regular Track	23,500	Under Review	
FY14-B08-03	BC	52-FY14 Budget Request BC 8 - Outreach Events V1	Regular Track	10,000	Under Review	
FY14-B08-04	BC	53- FY14 Budget Request BC 9 - Leadership Travel V2	Regular Track	27,000	Under Review	
FY14-B08-05	BC	54- FY14 Budget Request BC 10 - Secretariat Services Pt1 V1	Regular Track	3,840	Under Review	
FY14-B08-06	BC	55- FY14 Budget Request BC 11 - Secretariat Services Pt2 V1	Regular Track	9,600	Under Review	
FY14-B09-01	LACRALO	56-LACRALO FY14 Budget Request - Final	Regular Track	*	Under Review	
FY14-B09-02	APRALO	57-APRALO - FY14 Budget AprIGF - Final	Regular Track	9,000	Under Review	
Total				**$ 933,985**		**$ 279,740**

* In-kind services already provided as part of the ICANN FY14 Budget

FY14 Draft Operating Plan and Budget

New gTLD Program

New gTLD Program – Financial Summary
(In thousands)

VARIANCE EXPLANATIONS

FULL PROGRAM		
Current Estimate (April 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)

	Current Estimate (April 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
Total Application Fees	$ 364,872	$ 370,000	$ (5,128)
Less: Total Refunds	(49,934)	(32,930)	(17,004)
Net Application Fees	**$ 314,938**	**$ 337,070**	**$ (22,132)**
Expenses			
Evaluation Costs	$ 133,393	$ 142,618	$ 9,225
Overheads	31,386	14,238	(17,148)
Historical Development Costs	32,454	32,454	0
Total Operating Expenses	**$ 197,234**	**$ 189,310**	**$ (7,924)**
Remaining Balance	**$ 117,704**	**$ 147,760**	**$ (30,056)**

	Current Estimate (April 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
Remaining Balance	**$ 117,704**	**$ 147,760**	**$ (30,056)**
Risk Reserve *	115,800	120,000	(4,200)
Net Remaining Balance	**$ 1,904**	**$ 27,760**	**$ (25,856)**

* Risk Reserve of $115.8M includes $1.0M of actual costs incurred through March 2013

Application Fees   (5,128)
(i) Applications 1930 vs. 2000 budgeted (-$12.9M).
(ii) ICANN Applicant Support Contributions, 1 approved application vs. 15 budgeted (-$1.8M); offset by application fees collected (+.1M).
(iii) Application fee of $5K/each for applicants who applied to the program but did not complete the process (+.8M).
(iv) Assumed 85 applications will elect CPE at $10K/application (+.8M).
(v) Investment income from funds destined for longer term needs. Funds have been distributed across several investment manager firms with funds earning an average of 45 basis points (+1.5M).
(vi) Revenue for RSTEP to be billed to applicants (+2.8M).
(vii) Applicants that paid $185K each but withdrew from program prior to the release of the applicant list (+3.5M).

Refunds   (17,004)
Total projected withdrawals 646 vs. 545 budgeted; Total applications reflect withdrawals to date and projected withdrawals. For breakdown of refund milestones, see table 1.0 in appendix.

Evaluation Costs   9,225
Objection Processes (+14.0M); Initial Evaluation (+3.3M); Quality Control (-$1.2M); Extended Evaluation (-$3.3M); Program Administration (-$4.5M); All other (+.9M).

Overhead   (17,148)
ICANN staff allocation (-$7.5M); Other overhead (-$5.2M); gTLD team (-$4.5M).

Risk   (4,200)
In June 2012, the assumption retained to reflect risk costs was to distribute the total amount of the risk reserve across the 3 years of the evaluation period.

The presentation methodology was changed in the April 2013 New gTLD Program Statement of Activities versus the June 2012 version to reflect the actual risk costs and the net balance as a risk reserve. The risk reserve of $114.7M represents the net balance for the program to date. Future costs until the end of the program cannot be estimated.

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New gTLD Program – Financial Summary
(In thousands)

	EXPENSES			REVENUE		
	Current Estimate (April 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)	Current Estimate (April 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
FY12	$ 5,594	$ 1,917	$ (3,677)	$ -	$ -	$ -
FY13	101,076	84,316	$ (16,760)	174,750	153,801	$ 20,949
FY14	68,102	87,544	$ 19,442	98,625	159,833	$ (61,208)
FY15	22,462	15,532	$ (6,929)	41,563	23,436	$ 18,127
Full Program	**$ 197,234**	**$ 189,310**	**$ (7,924)**	**$ 314,938**	**$ 337,070**	**$ (22,132)**

VARIANCE EXPLANATIONS

Expenses *   **(7,924)**

    ICANN Staff Allocation (-$7.5M); Other Overhead (-$5.2M); gTLD Team (-$4.5M); Evaluation Processing (+9.2M),

Revenue   **(22,132)**

    Refunds (-$17.0M); New gTLD Applicant Fees (-$8.4M); ICANN Applicant Support (-$1.9M); CPE Fees (+.8M); Extended Evaluation Fees (+2.8M) for RSTEP; Investment Income (+1.5M).

* Detailed explanation of expenses provided subsequent slides

New gTLD Program – Operating Expenses
(In thousands)

1930 Applications	Current Estimate Full Program (April 2013)	Prior Estimate Full Program (June 2012)	Variance Current vs. Prior Fav/(Unfav)
Operating Expenses			
Direct Costs			
Initial Evaluation	70,226	73,495	3,269
Extended Evaluation	6,800	3,540	(3,260)
Quality Control	9,821	8,600	(1,221)
String Contentions	2,426	2,505	80
Objection processes	10,741	24,800	14,059
Pre-delegation	24,303	25,128	825
Program Administration	9,077	4,550	(4,527)
Indirect/Overhead			
gTLD Team	10,078	5,599	(4,479)
ICANN Staff Allocation	14,601	7,118	(7,483)
Other Overhead	6,707	1,521	(5,186)
Total Operating Expenses	$ 164,780	$ 156,856	$ (7,924)

See comments on variances on the next slide.

New gTLD Program – Expense Variance Analysis
(In thousands)

Prior Estimate (June 2012) Expenses	156,856	
Variances - Fav/ (Unfav):		
Initial Evaluation	3,269	Due to favorable contract negotiations, String Similarity Panel (+$4.8M); Favorability due to lower applications 1930 vs. 2000 budgeted (+2.6M); Registry Services (-$.2M); DNS Stability (-$.2M); Background Screening (-$.3M); Geographic Names (-$.5M); Fin/Tech/Ops Panel (-$3.0M) due to rework and additional evaluation due to change requests.
Extended Evaluation	(3,260)	Unbudgeted RSTEP costs to be offset by separately billing to applicants (-$2.8M); Assumed 400 apps will go to EE - 200 Fin and 200 Tech @ $10K/app (-$.5M); Favorability due to lower applications 1930 vs. 2000 budgeted (+.1M).
Quality Control	(1,221)	Change in sample population and scope of work (-$1.5M); Favorability due to lower applications 1930 vs. 2000 budgeted (+$.3M).
String Contentions	80	
Objection Processes	14,059	Govt Objection cases received were 10 @ assumed rate of $150K vs. 2000 @ $4.7K (+7.9M); ALAC cases 5 vs. 40 (+$5.2M); Independent Objection cases 25 @ assumed rate of $150K vs. 100 @ assumed rate of $94K (+.9M).
Pre-Delegation	825	Favorability due to lower applications 1930 vs. 2000 budgeted (+$.8M).
Program Administration	(4,527)	TMCH (-$3.9M); Consultants for QC, LCs and Panel Coordination (-$.4M); EBERO (-$.1M); URS (-$.1M).
gTLD Team	(4,479)	Due to program needs the following functional areas were identified: gTLD Operations, gTLD Initial and Extended Evaluation, gTLD Post-Evaluation, gTLD Customer Service, gTLD Systems, and gTLD Rights Protection. (i) gTLD Post-Evaluation which includes Contracting, Pre-delegation testing, CPE and Auctions - average headcount 7 vs. 0 budgeted (-$1.8M) (ii) gTLD Systems - average headcount 4 vs. 1 budgeted (-$1.0M) (iii) gTLD Customer Service which includes resources for Istanbul and Singapore - average headcount 16 vs. 6 budgeted (-$.6M) (iv) gTLD Rights Protection - new functional area (-$.4M) (v) gTLD Initial and Extended Evaluation team - average headcount 3 vs. 2 budgeted (-$.4M) (vi) gTLD Operations - 2 headcount (-$.1M)
ICANN Staff Allocation	(7,483)	Due to additional support needed for the NgTLD program, staff allocation increased. Allocation for all 4 areas of Opex (Personnel, Travel, Prof Services, Admin) for 8 depts (Executive, IT, HR, Finance, Internal Operations, PMO, Security and Admin Support) were evaluated and revised costs were included in the program. Percentage of allocation ranges from 8% to 25% for each departments total operating expenses. Only a percentage of personnel costs were allocated for the remainder of the organization with the assumption that all other costs will be directly coded to the program. (i) FY13, $3.6M vs. $2.1M (-$1.5M) (ii) FY14, $6.1M vs. $2.1M (-$4.0M) (iii) FY15, $3.7M vs. $1.7M (-$2.0M)
Other Overhead	(5,186)	Legal professional services not included in budget (-$4.0M); Investment management fees (-$.7M); All other i.e. travel, etc. (-$.5M).
Current Estimate (April 2013)	164,780	

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New gTLD Program – Multi-Year View
(In thousands)

1930 Applications	Prior Estimate Full Program (June 2012)	Current Estimate Full Program (April 2013)				
		FY12 Actual	FY13 Forecast	FY14 Forecast	FY15 Forecast	Total
Application Fees						
New gTLD Applicant Fees	368,000	-	193,462	126,425	39,667	359,554
ICANN Applicant Support Contributions	2,000	-	138	-	-	138
CPE Fees	-	-	-	365	486	851
Extended Evaluation Fees (RSTEP)	-	-	-	1,890	910	2,800
Investment Income	-	-	184	845	500	1,530
Refunds	(32,930)	-	(19,034)	(30,900)	-	(49,934)
Net Application Fees	$ 337,070	$ -	$ 174,750	$ 98,625	$ 41,563	$ 314,938
Operating Expenses						
Direct Costs						
Initial Evaluation	73,495	3,172	59,432	7,622	-	70,226
Extended Evaluation	3,540	-	-	5,100	1,700	6,800
Quality Control	8,600	-	4,814	5,008	-	9,821
String Contentions	2,505	-	-	1,040	1,386	2,426
Objection processes	24,800	39	4,165	6,536	-	10,741
Pre-delegation	25,128	-	4,989	16,272	3,041	24,303
Program Administration	4,550	450	2,458	3,550	2,620	9,077
Indirect/Overhead						
gTLD Team	5,599	689	1,688	4,141	3,561	10,078
ICANN Staff Allocation	7,118	1,137	3,632	6,116	3,715	14,601
Other Overhead	1,521	107	1,891	2,555	2,155	6,707
Historical Development Costs	*32,454*	-	*18,008*	*10,163*	*4,283*	*32,454*
Total Operating Expenses	$ 189,310	$ 5,594	$ 101,076	$ 68,102	$ 22,462	$ 197,234
Net Remaining Balance	$ 147,760	$ (5,594)	$ 73,674	$ 30,522	$ 19,101	$ 117,704

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Appendix

Table 1.0
(In thousands)

Refund Milestone	Current Estimate (Apr 2013) Units	Total Amount	Prior Estimate (June 2012) Units	Total Amount	Variance Fav/ (Unfav) Units	Total Amount
Pre-reveal		$ 5,236	0	-	0	$ (5,236)
80%	1	$ 148	40	5,920	39	$ 5,772
70%	105	$ 13,650	60	7,770	(45)	$ (5,880)
35%	390	$ 25,350	100	6,475	(290)	$ (18,875)
20%	150	$ 5,550	345	12,765	195	$ 7,215
TOTAL	**646**	**$ 44,698**	**545**	**32,930**	**(101)**	**$ (17,004)**

(i)   Unbudgeted pre-reveal withdrawals (-$5.2M)

(ii)   Apps @ 80%, 1 actual vs. 40 budgeted (+5.8M)

(iii)   Apps @ 70%, 105 vs. 60 (-$5.9M)

(iv)   Apps @ 35%, 390 vs. 100 budgeted (-$18.9M)

(v)   Apps @ 20%, 150 vs. 345 budgeted (+$7.2M)

Thank You