

Report of Public Comments

Title: FY15 Draft Operating Plan and Budget																					
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Prepared By:	ICANN Staff																				
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Section I: General Overview

This document summarizes the public comments received on ICANN’s Draft FY15 Operating Plan and Budget document during the public comment and reply period from 8 May through 1 Jul 2014.

There were 51 comments received which were wide-ranging and diverse. We have grouped the comments by subject matter and have responses to each comment in this document.

We want to acknowledge the significant work and efforts put by the Community in reviewing the FY15 Operating Plan and Budget and producing the useful comments that were posted. Thank you for your input and continued contribution to fulfilling ICANN’s commitment to accountability and transparency.

Section II: Contributors

At the time this report was prepared, a total of [number] (n) community submissions had been posted to the Forum. The contributors, both individuals and organizations/groups, are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the foregoing narrative (Section III), such citations will reference the contributor’s initials.

Organizations and Groups:

Name	Submitted by	Initials
SOPWG of the ccNSO	Roelof Meijer	SOPWG
Registry Stakeholder Group	Paul Diaz	RySG

Registrar Stakeholder Group	Michele Neylon - Blacknight	RrSG
Business Constituency	Steve DelBianco, Jimson Olufuye, Marilyn Cade	BC

Individuals:

Name	Affiliation (if provided)	Initials
Ken Stubbs	N/A	KS

Section III: Summary and Analysis of Comments

General Disclaimer: This section is intended to broadly and comprehensively summarize the comments submitted to this Forum, but not to address every specific position stated by each contributor. Staff recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).

1. IANA Stewardship Transition and Accountability

1.1. Comment from Ken Stubbs: I was unable to find a detailed breakdown for the approx 4.7 million ICANN is allocating to ICANN globalization/IANA transition. In the interest of transparency, can you point the way to a more detailed cost breakdown. This is a very substantial amount of funds and deserves significant cost elaboration. Thank you for your co-operation.

Response: The \$4.7 million is what was originally estimated to create the draft FY15 budget in April 2014. This cost covers the work that relates to the US Government Transition Initiative, and the four tracks that sit underneath this: (1) Transition of U.S. government stewardship of IANA functions at ICANN, (2) Strengthen ICANN's accountability & governance, (3) Maintain security and stability of implementation of the root zone updates, and (4) Strengthen bilateral relationships with policy bodies.

We now have a better understanding of the resources needed to deliver these four important tracks of work, and have therefore adjusted the original placeholder of \$4.7M to \$6.9M. Please refer to the below chart (1a) for a more detailed breakdown of this figure.

For the first two tracks, the cost estimate is an envelope designed to support these processes in all ways, and include meeting/travel support and outside services. "Support" includes: providing IT platforms and tools, staff support and various forms of engagement to ensure transparency and accountability. Other components include meetings, travel and lodging support, interpretation and translation services, staff and communications support. The track 3 includes a preliminary estimate designed to cover the FY15 expenses to be incurred by ICANN for ensuring the security and stability of root zone updates. Additional cost estimates will be provided after decisions related to the stewardship transition, for example root zone

maintainer services and key rollover processes, are made through community dialogue. The fourth track involves work related to the review and strengthening of existing informal and formal commitments between ICANN and the bodies that produce the policies implemented by the IANA department.

(1a) Breakdown of \$6.7M

Track	FTE (1)	Personnel (2)	Prof. Svcs. & Travel	Total
Enhancing ICANN Accountability & NTIA Stewardship Transition	4	\$1.0	\$4.3	\$5.3
Agreements with Internet Groups	1	\$0.2	\$0.6	\$0.8
Internal Operations	0	\$0.1	\$0.7	\$0.8
Total	6	\$1.3	\$5.6	\$6.9
1) FTE = Full Time Equivalent (headcount)				
2) Personnel includes support from the following departments: Strategic Reviews and Initiatives; Communications; Legal; and Project Management.				

1.2. Comment from SOPWG of the ccNSO: The SOP WG notes that the budgetary and operational impact of these two, major processes is not (fully) reflected in the FY 2015 Operational Plan and Budget. The SOP WG advises ICANN to publish more details as soon as possible to inform the community not only of the processes, but also of the impact at operational level, the possible re-allocation of budget and the effect of any such re-allocation.

Response: Please see response to comment 1.1.

1.3. Comment from RySG: It is understandable that the USG transition of the IANA functions was a very late addition to ICANN's projected expenditures so very little time and information was available to estimate costs. That said, it is assumed that some basis was used to develop the estimate of \$4.8M (or \$4.7M) and it would be helpful to know what that was as well as what the breakdown of the major elements of that amount are. Without that, it is nearly impossible to provide constructive feedback. In cases where project value is relatively small (e.g., less than \$1M), it may be sufficient to simply provide the total estimated cost of the project. In cases where the project value is fairly large, a detailed breakdown of the total project costs is needed.

Response: Please see response to comment 1.1.

2. Link to Strategic Plan

2.1. Comment from SOPWG of the ccNSO : We commend ICANN for greatly improving its Operating Plan and Budget in terms of structure, clarity and presentation, in particular the manner in which Objectives, Portfolios and highlighted projects are explained, and the budget is allocated to them. We look forward to the FY 2016 Operating Plan and Budget that -if we understand correctly- will be directly related to the 2016-2020 Strategic Plan. The SOP WG has been advocating for such a relation since its inception.

Response: Beginning with fiscal year 2016, the Five-Year Strategic Plan (FY2016-2020) will inform the annual planning cycle. Additional details on how this will work will be provided when we reach this phase of planning later in 2014. As illustrated, the Five-Year Strategic Plan will inform the multi-year planning of activities, and these activities will be defined by annual plans and budgets. The progress of work, accomplishments toward goals and effectiveness of strategies will be managed and reported through ICANN's Managements Systems, including through a set of key success factors (KSFs) and key performance indicators (KPIs). These will inform an annual check of the Strategic Plan to validate that the organization is on-track, or that adjustments are needed.

2.2. Comment from SOPWG of the ccNSO: However, it is also noted that the nature of some of the projects mentioned in draft FY 2015 Operating Plan and Budget reflect on-going business, and relate to regular ICANN/IANA functions rather than projects (with a clear and timely end goal, deliverables and schedule). The SOP WG suggests that in future operating plans projects in the latter sense are distinguished from on-going activities.

Response: In future Operating Plans we will be clearer in distinguishing what is the Ongoing work verses Projects. The FY15 Operating Plan can also be viewed within the ICANN Portfolio Management System (<https://features.icann.org/plan>). Ongoing work is marked with "FY15" or "Ongoing" in the title of the Project.

2.3. Comment from SOPWG of the ccNSO: The SOP WG welcomes the improvement in defining deliverables, and inclusion of Key Success Factors per goal. However, in our view there is room for improvement in the design of the Key Success Factors. For example, a KSF like “quality services are delivered timely and effectively” might be open to multiple interpretations and it is not always perceived as a KSF.

Response: This is a newly implemented process and as such needs to mature.

2.4. Comment from RySG: How do ICANN’s four strategic objectives relate to the elements of this mission statement? How do the budgeted expense items relate to the element of this mission statement? The draft operating plan and budget makes it easy to track expenses back to the strategic objectives but there is

nothing in the document that describes how the strategic objectives map to the mission. There are two critical tasks that are required for reviewing an operating plan and budget: 1) To make sure that it facilitates mission accomplishment; and 2) to make sure that it does not support funding of activities outside of mission. It is very difficult to perform either one of these tasks based on the Draft Operating Plan and Budget. It would be very helpful if the operating plan and budget contained information that connects mission elements 1.a, 1.b, 1.c, 2 and 3 to budget items at least at the portfolio level. Ideally, this would be easier to do if the strategic objectives correlated to the mission elements, but this is undoubtedly a task better done in the development of the ICANN Strategic Plan.

Response: Please see response to comment 2.1.

3. Revenue

3.1. Comment from SOPWG of the ccNSO: We note the assumption that new (gTLD) registries will register 33 million domain names in 2015. In the opinion of the SOP WG this assumption is quite optimistic. Firstly, we would appreciate to learn more about the grounds of such a prognosis.

Response: There are very limited amounts of market data available that can be used to predict the volume of registrations. As a result, the budget assumptions used are based upon internal discussions and reasonableness reviews. Input on these assumptions will be helpful, and staff will permanently monitor the registration statistics on a monthly basis to refine and expand the analysis that leads to definition of assumptions.

The number of registrations per registry is determined for a 12-month period, and was compared to the number of registrations received by new TLDs in the past (prior to the new gTLD program), with an expectation that the number of registrations in the first year would be lower than in the past in a new registry delegated as a result of the new gTLD program, since hundreds of registries are made available on the market within the first year.

The proportion of registries which annual registrations would exceed the 50,000 transaction quarterly threshold (above which transaction fees are billed) was assumed separately for brands, geo/community/IDN and the rest of the new strings, as it is reasonable to think that these different types of strings could see a different pattern of registration.

The transaction revenue for newly delegated registries results from the following methodology:

- Distinction is made between registries that would exceed the threshold of 50,000 for a quarter or for any consecutive 4 quarters. Only those registries exceeding this threshold trigger a transaction fee for ICANN.
- The following fractions of the total number of registries exceeding the threshold are assumed by category:
 - Brands: 25%
 - Geographic/community/IDN: 50%
 - Others: 20%
- Average number of transactions per year:

- 60,000 for registries exceeding the 50,000 threshold
 - 15,000 for the other registries.
- New registries are assumed to be delegated throughout FY15 on a straight-line basis.
- The resulting number of transactions are:
 - 6.7 million transactions for registries exceeding the 50,000 threshold
 - 8.3 million transactions for the other registries
 - Total: 15 million transactions.

As the FY15 Budget approval had not yet been provided, and additional information was available, the ICANN staff performed a review of the revenue assumptions affecting the FY15 revenue projections. One of the key assumptions impacting the revenue in FY15, and particularly its growth, is the number and timing of registries being delegated. As of 01 July 2014, 322 new registries had been delegated (vs. the 400 assumed at the time the draft Operating Plan was published). This additional knowledge led to re-evaluating the revenue assumptions. As a result of this re-evaluation, we reduced FY15 revenues by \$10M, from \$114M to \$104M, to reflect a slower ramp up of the new registries than originally budgeted. Accordingly, the FY15 operating expenses were reduced by \$10m to align with the new revenue target (excluding USG transition).

We consider the new revenue target of \$104M is a reasonable assumption for FY15. However, we acknowledge that there is a risk that the FY15 revenue can be even lower. As a result, while we are monitoring the timing of new registries delegation and the volumes of registrations, we are developing contingency plans, in case this scenario would become more likely.

4. Goal 1.1: Deliver Core Internet Functions (Affirmation of Purpose)

4.1. Comment from SOPWG of ccNSO: Goal 1.1 Deliver Core Internet Functions: In the view of the SOP WG this section does not take into account the changing environment. As changes can be expected, i.e. changes will take shape in FY 2015, this section needs to be reviewed, taking into account different scenarios.

Response: As things evolve, the changes will be reflected within the ICANN Portfolio Management System (<https://features.icann.org/plan>).

4.2. Comment from SOPWG of the ccNSO: Goal 1.1 Deliver Core Internet Functions: The SOP WG agrees that activities relating to WHOIS, IANA, SSR and DNS Ops as captured in the related portfolios and related projects reflect the goal “Deliver Core Internet Functions”. However, recognizing and acknowledging their importance, the SOP WG questions whether capability building and outreach are “core” services given the definition of the goal: “services essential to the functioning of the Internet”. It seems to be more appropriate to include training and outreach projects in other goals.

Response: We agree that capability building is not a "core" service essential to the functioning of the internet and might fit better into other goals, however improving the capabilities of internet operators around the globe does help improve the functioning and resilience of the global internet. Regarding outreach, it is even less core than capability building yet the resources needed to perform the function have to be subject matter experts and therefore are part of the SSR team. We are working on programs to train the Global Stakeholder engagement team to perform these functions so the SSR team can focus on the "core" services.

4.3. Comment from ccNSO: Goal 1.1 Deliver Core Internet Functions: The SOP WG notes that with regard to the first goal on core Internet functions, the numbered text following the table does not match with the portfolios in the table. For example, Portfolio 1.1.3 is "IANA Operations" but the text following states "1.1.3 Internationalized Domain Names (IDNs Portfolio" – which is included in the table as Portfolio 1.1.4.

Response: We will correct the numbering.

4.4. Comment from RySG: Portfolio 1.1.4 – Internationalized Domain Names (pp. 18 & 70) Considering the amount of work remaining in the process of introducing IDN TLDs with regard to IDN variants, it is not clear that \$1.0M is sufficient for 'All Other' IDN projects.

Response: The IDN program budget has been carefully crafted to reflect a realistic view of a level of work which is foreseen for the fiscal year 2015. It encompasses the creation/maintenance of necessary panels, travel and other related activities. The IDN program is further supported by Registry Services, Technical Services, Project Management Office, and Operations teams.

4.5. Comment from RySG: Portfolio 1.1.5 – Security, Stability & Resiliency of Identifier System (pp. 18 & 70) \$2.5M is budgeted for this. There is clear consensus in the ICANN community that SSR is a top priority so it is essential that adequate funds are planned for this.

Response: ICANN agrees that SSR of the Identifier systems is a core activity. All activities that ICANN undertake contain elements of SSR associated with them. The SSR budget lines are to fund activities of the dedicated SSR group that helps to ensure SSR efforts are coordinated and given adequate consideration and priority.

5. Goal 1.2: Act as Steward of the Public Interest (Affirmation of Purpose)

5.1. Comment from ccNSO: Goal 1.2 Act as a steward of the Public Interest: It is unclear to the SOP WG if and how the Accountability review process as recently launched, is reflected in this Ops plan. In our view this will be a long-term and significant effort and needs to be reflected in the plan.

Response: The recently launched Accountability review process is still in the early stages, with details about the method, duration and cost of the work still evolving through community work. We expect to define the Accountability process in the coming months, at which time we will be in a better position to reflect the impact of this work in the FY Operating Plan and Budget. ICANN considers the Accountability review process a priority and therefore will adequately fund the creation and implementation of the process.

5.2. Comment from RySG: Reading the description for 1.2.1 The Affirmation of Commitments (AoC) Portfolio and its associated projects, it is not clear why Project 26002 (Internet Governance) is categorized within the Affirmation of Reviews Project. The description given for Project 26002, "Follow-up work on Strategy Panel on Internet Gov. Ecosystem as," appears to be incomplete. Further, from this description, it is unclear why the project is listed outside of 2.1.2 The Strategic Initiatives Portfolio for which one of the focus areas is "supporting cross-Community efforts of the Strategy Panels in regards to ICANN's role in the future of internet governance" and which includes as highlighted projects 26000 (Strategy Panel on Identifier Technology Innovation Follow-Up) and 26001 (Strategy Panel on Multi- Stakeholder Innovation Follow-Up). A more consistent scheme for categorizing projects would increase transparency into the costs associated with special initiatives like the 2014 Strategy Panels. Alternatively, greater detail and specificity in project descriptions could better justify the existing categorizations for these projects. It is recognized and accepted that a full solution to this problem is probably not possible in time for approval of the FY15 Operating Plan & Budget, but it is strongly suggested that large improvements in this regard are made early in the FY16 process.

Response: ICANN continues to refine project objectives and linkage to FY15 Goals and Portfolios on an ongoing basis as part of the project management discipline. Staff has noted the observation that greater detail and specificity in project descriptions could better justify the existing categorizations for projects and would improve clarity. Staff will address this through ongoing refinement of the reporting efforts.

6. Goal 1.3: Engage in the Internet Governance Eco-system (Affirmation of Purpose)

6.1. Comment from ccNSO: Goal 1.3 Engage in the Internet Eco-system Goal 1.3: (a) reads "increasing the number of organizations with public recognition of roles and responsibilities in the IG ecosystem". It is not clear to the SOP WG why or how this is ICANN's role. Members of the SOP WG also do not consider it

ICANN's role to coordinate and organize sessions and other events at the IGF. ICANN is a key contributor, but this is different from being responsible for organizing and coordinating this kind of events.

Response: The full text of the description of goal 1.3 on page 25 should read "increasing the number of organizations with public recognition of ICANN's roles and responsibilities in the IG ecosystem."

Increasing understanding of ICANN's roles and responsibilities is one of the reasons ICANN participates in events like the IGF. These events help to support the multi-stakeholder model in the IG ecosystem and they help make the global community aware of ICANN's role and how it fits within the IG ecosystem. In addition, because the sessions that ICANN organizes at the IGF involve ICANN's roles and activities globally, they showcase activities from the community driven regional engagement strategies. This in turn increases awareness of ICANN programs and promotes ICANN's multistakeholder model and processes. The IGF is an important part of ICANN's outreach to attract new participants into the ICANN models and processes.

7. Goal 1.4: Deepen Partnerships with Internet Organizations (Affirmation of Purpose)

7.1. Comment from ccNSO: Goal 1.4 Deepen Partnerships with Internet Organisations: It is unclear to the SOP WG what results and particular outcomes ICANN is looking for with its focus on engagement with I* organizations and why it warrants a separate item.

Response: ICANN and the I* organizations are part of the Internet eco-system, and many stakeholders engage in more than one of the organizations. Strengthening relations and identifying areas for focus for each organization, and opportunities for cooperation allow for efficient and effective allocation of resources, partnering on expertise, and meeting community needs.

8. Operational Excellence

8.1. Comment from SOPWG of the ccNSO: Need to take into account the customer or stakeholder's opinion. In the view of the SOP WG the words "Operational excellence" are of limited use to an organization if they are not followed by the words "as perceived by the customer" (or stakeholder). What we miss in this context, are concrete plans (including measurable targets) to develop and sign SLA's, benchmark ICANN's performance with other organizations (for example ccTLD and gTLD registry operators), measure customer and stakeholder satisfaction with regard to ICANN's services, and broad implementation of (a) quality assurance (standard).

Response: ICANN is utilizing the EFQM Excellence Model as part of its goal of Business Excellence. One of the criteria in this EFQM model is Customer Results. The EFQM Criterion definition is "Excellent organizations achieve and sustain outstanding results that meet or exceed the needs and expectations of their customers." Thus to achieve excellence we must take into account the community and establish

measurable targets. Our Dashboard development roadmap which was shared at ICANN 50 provided more details on the timing, plus we will incorporate the community input, more as well as solicit it as we continue to mature our Business Excellence processes.

9. Goal 2.1: Institutionalize Management Disciplines (Operational Excellence)

9.1. Comment from SOPWG of the ccNSO: EFQM implementation. Due to the good experience in IANA, implementing EFQM in ICANN's operations appears to be an obvious choice to put effective and efficient processes in place.

Response: Our future Business Excellence roadmap includes the EFQM excellence model.

10. Goal 2.2: Mature Organizational Support Functions (Operational Excellence)

10.1. Comment from Comment from SOPWG of the ccNSO: Breakdown of Function Operations With respect to goal 2.2, the SOP WG would appreciate a better understanding or breakdown of the \$7million assigned for Legal internal support and Support to the ICANN Board (section 2.2.5). In the view of the SOP WG this amount is very high if this item is focused on the Board training and their participation at meetings.

Response: Portfolios 2.2.5, 2.2.7 and 2.2.8 will be corrected in the final budget document as follows:

2.2.5 Legal Internal support and 2.2.8 Legal Advisory Function

The Legal Internal Support and Legal Advisory Functions Portfolios will include, among others, projects that will focus on: (a) management of all accountability mechanisms and litigation; (b) contract management, administration and support; (c) providing internal and external legal support and advice related to all operational, strategic and executive functions; and (d) providing legal support and advice to the Board.

2.2.7 Support ICANN Board

The Support ICANN Board Portfolio will include, among others, projects that will focus on: (a) maintaining a variety of tools to support the work of the Board, including a Board portal; (b) providing administrative and travel support for all Board members for three workshops, three ICANN Public Meetings, and as required for regularly scheduled Board meetings or appearances; (c) providing administrative support to all Board committees; (d) effectively manage the Board calendar, including regular tracking of the work of the full Board and Board committees; (e) supporting the Board of Directors in its work to assess Board skills and provide a variety of training options for directors; and (f) supporting the implementation of ATRT2 recommendations approved by the Board.

10.2. Comment from SOPWG of the ccNSO: The same argument applies to the \$21.9 million assigned for Support Function Operations (section 2.2.6). Is most of the budget allocation for HR development programs as mentioned in the description? When looking at Appendix A.2 it shows that most of the budget is intended for Admin Services in the Hub Offices and to New gTLD Allocation and Direct Costs. A more detailed explanation of how these two items are intended to support Function Operations would be helpful.

Response: Portfolio 2.2.6 Support Function Operations includes projects and ongoing activities that ensure ICANN's support functions (HR, Admin, PMO, Finance and Procurement, Meetings, etc.), systems and processes operate in a standardized and harmonized manner to increase efficiency and quality of output across the organization. The \$21.9M budgeted is comprised of the following: support functions (personnel, travel, consulting and administration) \$8.6M, bad debt & depreciation \$6.8M, rent and facilities costs \$6.5M, contingency \$6.0M, travel support for stakeholders and constituents \$2.4M, and allocation of support services to the New gTLD Program -\$8.4M.

11. Goal 2.3: Optimize gTLD Services (Operational Excellence)

11.1. Comment from SOPWG of the ccNSO: It is surprising that in point 2.3.2 \$0 was assigned to Customer Service and there were no other goals or portfolios focused on customer or stakeholder satisfaction.

Response: We expect that during FY15, the New gTLD Program Customer Services team will continue to spend over 80% of its time supporting New gTLD applicants. Therefore, the costs for the Customer Service team are included in the New gTLD Program. We will evaluate at the end of each quarter and adjust accordingly based on business needs.

11.2. Comment from SOPWG of the ccNSO: Professional Services According to goal 2.3, \$29.5 million is allocated to the New gTLD program, which is the highest allocation in this section. Looking at Appendix A.I, Professional Services make up \$16.9 of this total amount. Are these legal fees? The description mentions "with existing resources" but the amount assigned does not go hand-in-hand with the description. Although ICANN has gone through a steep hiring phase this past year (FY 2014) it still appears to be highly dependent on external consultants for its operations. The SOP WG would welcome if ICANN could indicate whether this is temporary or a deliberate choice to outsource parts of its operations.

Response: Please see response to comment 11.1.

11.3. Comment from RySG: Portfolio 2.3.5 Outreach & Relationship Mgmt. w/ Existing & New Registries (p.39) Considering that gTLD registries will generate \$128.1M (75.4%) of ICANN's projected revenue via registrant fees for FY15 (including new gTLD application fees), \$700,000 seems terribly insufficient for this budget item. It also seems terribly insufficient when recognizing that the ICANN operational support and

customer service for gTLD registries has reached near all-time lows in the past two years. This is an area where operational excellence should be a top priority but, instead, just a little over ½ of one percent of total proposed operating expenses is budgeted for this portfolio.

Response: The Registry Services outreach and relationship management services are supported by Registry Services team, whose headcount is expected to grow to 8 persons globally in FY 2015. Additionally, this effort is supported by Customer Support Center, Global Stakeholder Engagement, Technical Services, and Operations teams.

12. Goal 2.4: Plan for Scale, Security, Continuity (Operational Excellence)

12.1. Comment from SOPWG of the ccNSO: Security standard certification. The goal “plan for scale, security, continuity” has one highlighted project in the plan: ICANN’s risk Insurance renewal. Although we understand the significant related costs, we would expect at least a project aimed at obtaining a relevant security standard certification.

Response: ICANN agrees that a formal certification would be good. Preliminary steps leading to certification include adoption of an Industry-standard as a baseline, an independent 3rd party audit, followed by remediation of "findings". ICANN recently adopted the SANS-Institute list of "20 Controls". Following that, SAIC-Leidos was chosen from a palette of 4 RFP responders to do an audit. We are now at a point of assessing remediation steps. Certification may follow, after remediation is completed.

13. Goal 3.1: Engage Stakeholders Globally (Globalization)

13.1. Comment from SOPWG of the ccNSO: The SOP WG notes that according to the FY15 Operational Plan and Budget, internationalization, including engaging stakeholders globally, is the main cost driver, i.e. \$15.9M. We also note that compared with previous year the level of detail in the draft plan and budget has improved; amounts for a sampling of projects were included. However, compared with the other objectives, the objective of internationalization is stretched in order to cover a cluster of different activities (from communication to regional responsibilities, from stakeholder engagement to government relationships) and thus lacks the necessary focus. As the allocated budget for this Objective is considerable, the SOP WG suggest that ICANN seriously considers whether all the listed goals and projects really serve the purpose of internationalization and hence the purpose of the organization, and secondly the added value of the projects is adequately evaluated against the costs.

Response: The \$15.9M is the combination of the GSE and Government Engagement budgets with some Communications for FY15. For GSE, one of the main focuses of internationalization is supporting the implementation of the regional engagement strategies. These include activities for those regions with bottom-up plans and activities across all of ICANN's regions to engage with stakeholders from the business,

civil society, government and technical community as well as bring in new participants. The GSE, Government Engagement and Communications teams have worked closely together in preparation of the FY 15 budget and believe these activities fit within the Strategic and Operational priorities for the organization to support ICANN's goals of Internationalization.

13.2. Comment from SOPWG of the ccNSO: For example, 3.1.4 The Language Services Portfolio includes an aggressive two-year strategy to enhance ICANN's multilingual programs. At the same time, English is the only official language for ICANN documents. Translations are made only for reference and have no legal power for any binding legal documents, such as RAAs or RAs. If this remains to be the case, alternative and more economical ways of translation could be considered instead of the aggressive interpretation or translation plan. Alternatively, ICANN becomes much more internationalized i.e. documents in other languages will get the same status, in which case a program as proposed is warranted.

Response: We are currently organizing a focus group to look at 1. Expanding the English content that gets translated, 2. Alternative methods of translation. 3. Community needs for additional languages. This group will provide recommendations in October. It is important to note that there are legal restrictions around various types of documents, as well as translation methodologies. The language services department is always keen to receive community feedback and improve on its output.

14. Goal 3.3: Integrate Global and Regional Responsibilities (Globalization)

14.1. Comment from SOPWG of the ccNSO: Goal 3.3 Integrate Global and Regional Responsibilities. In the view of the SOP WG this is an important step to decentralize and improve ICANN's services in all the regions. It would be helpful to provide more details on how to ensure "appropriate resource allocation to regional offices that optimizes alignment and integration of matrix responsibilities."

Response: The management team is aligning the globalization strategy with the to-be-finalized 5-year strategic plan. The focus includes hub functional structure and process design to optimize alignment and integration of matrix responsibilities.

15. Multistakeholder Model Evolution

15.1. Comment from SOPWG of the ccNSO: We acknowledge the improvements in terms of the structure of this Objective. However, we still fail to see clear timeframes for the development of the activities, as well as a clear division between goals, activities to achieve these goals, and deliverables. We also note that possible risks and contingencies that may impede both the achievement of the macro--objective and the goals are not considered in the Operating plan. For example, under 4.1 "Optimize Policy Development Process" and

some other goals, we find that the activities to achieve the goals coincide with the so-called “key success factors for this goal”.

Response: As we continue to evolve and mature our Strategic Planning process we will incorporate targets and milestones into the Goals and Portfolios based on priorities which can be tracked through ICANN's performance management system.

15.2. Comment from SOPWG of the ccNSO: In the view of the SOP WG, specific activities to properly assess what ICANN has already achieved in the various areas pertaining to this Objective, including but not limited to the strengths, weaknesses and outcome of those activities, should be included. As stated in the comments made on previous Operating Plans and Budget, this kind of evaluation should be the first step for each of the goals under this objective to ensure that lessons from the past are learned and taken into account.

Response: As we continue to evolve and mature our Strategic Planning, Operating Plan and Budgeting process we will take into account lessons learned and incorporate as relevant.

16. Goal 4.1: Optimize Policy Development Process (Multistakeholder Model Evolution)

16.1. Comment from SOPWG of the ccNSO: Goal 4.1 -Optimize Policy Development Process. With regard to this goal, we would appreciate receiving clarification regarding the “effort to improve predictability of policy development, policy related and advisory processes”. We would like to underline that it is crucial for ICANN to better engage with the members of its constituencies and constantly brief them about the importance of their active and proactive participation in the policy development processes. At the same time, certain processes should be streamlined in the interest of the community and to allow to cope with the fast changes in a rapidly shifting environment. We agree that SO-AC communications should be more regular and effective and remain available to help ICANN to eventually redesign the communication content and identify new communication tools.

Response: The SOPWG of the ccNSO identifies a major challenge regarding ICANN's work - that "it is crucial for ICANN to better engage with the members of its constituencies and constantly brief them about the importance of their active and proactive participation in the policy development processes", AND "at the same time, certain processes should be streamlined in the interest of the community and to allow to cope with the fast changes in a rapidly shifting environment." Addressing these two important goals underlies the importance of "improve[ing the] predictability of policy development, policy related and advisory processes." ICANN participants strive to contribute and engage as part of the organization while at the same time maintaining their other professional and personal responsibilities. They need processes that are understandable, consistent, transparent and fair. In an environment of shifting roles and responsibilities throughout the Internet space, it is critical that staff regularly collaborate and communicate with community

members to ensure that contributions of time and energy are efficient and effective. This strategic goal reflects staff intentions and efforts to improve existing processes to ensure that they are understandable, consistent, transparent and fair for all community participants. It involves examining existing processes for areas of improvement, working with the community to develop proposed solutions and then getting those solutions implemented. One example of this goal is the effort to examine and improve the existing GNSO PDP process; another is the examination of the relationship between policy development and policy implementation.

One example of this goal is the effort to examine and improve the existing GNSO PDP process through the GNSO PDP Improvements project as well as the GNSO review; another is the examination of the relationship between policy development and policy implementation which is currently being undertaken by the GNSO Policy & Implementation Working Group.

16.2. Comment from RySG: Goal 4.1 Optimize Policy Development Process (pp. 55 & 74) We support the plan to spend at least \$6.8M as shown on page 55 to improve the policy development process, not because we believe that it is not working, but rather because it is a critical part of ICANN's mission and because we need continuous improvement. We wonder though why the total on page 74 shows a total of only \$6.6M. Also, the projects listed on page 74 are too limited to facilitate a thorough review of the breakout of the allocation of funds for this goal. Lumping all other projects into one combined category funded for \$3.5M with no further detail is unsatisfactory.

Response: Policy development support continues to be one of ICANN's key core functions. This area reflects budget for the existing Policy Development Support Team with the bulk of the resources allocated to employee and contractor resources. The budget supports ongoing and expanded staff administrative support of all of ICANN's core SO and AC communities and provides additional support to developing and implementing policy improvement recommendations from the ATRT2. That core support is reflected in the referenced 3.5 million figure on page 74. The version of the document on the web site shows 6.8 million on both pages 55 and 74, so perhaps a typo has been fixed from a previous document version.

17. Goal 4.2: Increase & Improve Global Participation (Multistakeholder Model Evolution)

17.1 Comment from SOPWG of the ccNSO: Goal 4.2 – Increase & Improve Global Participation. In the view of the SOP WG this goal seems to be based on the assumption that an increase in the number of participants will generate improvements with regard to ICANN representativeness and inclusiveness. While this may be partially valid, we strongly recommend strengthening the “global participation improvement” also from the perspective of increasing the quality of the participation. This is especially relevant with respect to the ICANN Fellowship Programme. In our view this should be revised to ensure quality and long-term participation with regular follow ups with those who benefited from the Programme.

Response: ICANN agrees with the importance of quality long term participation and from the beginning of the program, ICANN has focused on the quality of candidates and building sustainable, long term relationships with the ICANN Community. As a result several features of the Fellowship program provide regular follow up with those that have benefited from the program, including feedback required after each program, communications within an ICANN Facebook and Mailing list on current events that alumni are participating in within their region.

In addition to the Fellowship program itself – with the support and briefing that Fellows receive in advance of their arrival at the meetings, and the sessions at the meeting focused on learning about the ICANN communities, there is also a mentoring aspect that has been part of the Fellowship program for five years and an active Alumni network. Part of the ongoing alumni participation expectation is to continue to give back to ICANN and the community through outreach in their regions.

The success of these features and the Fellowship program are borne out by results. Alumni of the program can be found currently participating in leadership positions in the ccNSO, GAC, At Large, gNSO, SSAC and the Fellowship Selection Committee itself.

To look at just one Advisory Committee – 17 of the current GAC representatives are all former Fellows, including one of the Vice Chairs of the GAC. In some instances countries have joined the GAC or the cctlD joined ccNSO due to Fellows returning home and communicating what they had learned and convincing their appropriate entities to become involved. In addition four Fellowship Alumni have been appointed by NomCom to serve in leadership positions including on the CCNSO Council and ALAC. Another alum served on the NomCom itself. Fellows have contributed to ICANN by participating in working groups for various constituencies (ccNSO, At Large for example) as well as rising through the constituencies to leadership positions. Fellows have gone on to be the chairs and vice-chairs of the RALOs for different regions as well as the chairs of the NCSG, on the gNSO Council and active participants in many groups such as SSAC and the Business constituency. This breadth of participation also demonstrates the diversity in types of participants in the Fellowship program. Last but not least Fellows are active in other organizations within the IG ecosystem such as ISOC chapters in all five regions, many of which then become At Large Organizations. Another example of this community activity is the many fellows who are panelists and moderators at the upcoming IGF; this really shows the depth of expertise and experience that has come to the fellowship programme and is now having an impact in the wider Internet ecosystem.

The Global Stakeholder engagement teams outreach efforts and the regional engagement strategies developed with the communities have also integrated the Fellowship program. Fellows are assisting in creating webinars, serving as panelists in regional events, helping to “advertise” ICANN related events in their communities, and bringing awareness of ICANN to universities and local Internet events.

ICANN will continue to look at ways to better share this kind of information with the community as well as strengthen its engagement programs.

[18. Goal 4.3: Evolve SO/AC Structures \(Multistakeholder Model Evolution\)](#)

18.1 Comment from SOPWG of the ccNSO: Goal 4.3 – Evolve SO/AC Structures. Considering the fast evolution of the domain name sector, we believe that this goal should include more specific actions and time--framed plans to ensure that the current ICANN SO/AC framework is able to meet community expectations and to enable rapid adjust of the structure to the changes of the DNS environment. Unfortunately, the sub--goals seem not to be fully in line with the macro-- objective. Furthermore, we would suggest the sentence of sub-goal 4.3.2 – “*The Advancing Multistakeholder model Innovation Portfolio will include work to develop and manage process for educating and promoting ICANN's Multistakeholder model as the preferred and only method of successful Internet Governance.*” - to be rephrased. While acknowledging the achievement of the ICANN Multistakeholder model, we believe that any engagement/educational activity should be a two--lane process where one lane serves to listen and eventually, learn from other experiences in the ultimate interest of the ICANN Multistakeholder model.

Response: Evolving the SO/AC structures involves a range of areas, including the respective dialogues and engagement with the community on areas for improvement based on experience and learnings, in particular considering the fast evolution of the unique identifier system and community engaged in ICANN. The sub-goal 4.3.2 seeks to include utilizing reviews and other means such as engagement/education activities to continue to improve, develop and manage processes for engagement in the ICANN structure, including two way communications to learn and adjust based on experiences in the multistakeholder model.

18.2 Comment from RySG: Portfolio 4.3.1 Evolving Multistakeholder Model (pp. 59 & p.74). It is not clear that \$400,000 will be sufficient to evolve the multistakeholder model.

Response: Many factors contribute to the evolution of the Multistakeholder model, this area is complementary to other factors, such as the undertaking of the respective organizational reviews and AoC.

19. Goal 4.4: Promote Ethics and Transparency (Multistakeholder Model Evolution)

19.1. Comment from SOPWG of the ccNSO: Goal 4.4 – Promote Ethics and transparency. In the view of the SOP WG this goal focuses on an area and topics, which are a considered very sensitive area where the community has expressed concerns on numerous occasions. For this reason we recommend very specific actions and time frames should be included.

Response: Many steps have been taken over the years, and continue to be taken, at ICANN towards evolving ICANN's ethical framework. This work involves meeting best practices, including areas such as conflicts of interest, as well as addressing work stemming from efforts relating to enhancing ICANN's accountability and transparency. The project can be tracked through ICANN's performance management system.

20. New gTLD Program

20.1. Comment from RySG: [3.1 New gTLD Financial Summary \(p.63\)](#). We note that the current estimate as of April 2014 after the new gTLD program is well underway is that there may be a surplus of as much as

\$87.4M. We believe that current estimates should be much more reliable than previous estimates while understanding that there still may be unexpected expenses. That said, it seems reasonable to expect a fairly sizable surplus. So we think it is time to start planning for a bottom-up multistakeholder process to make recommendations regarding how any surplus will be used, noting that any such process will likely take considerable time. We also think that new gTLD applicants should play a key part of that process because they are the ones who made the investments and took the risks.

Response: The ICANN Board has previously indicated that it intends to consult with the Community on the use of any surplus funds remaining at completion of the New gTLD Program.

General Comments

21.1. Comment from SOPWG of the ccNSO: We underline ICANN’s intention to “maximize its efficiency with limited growth”. It would be useful to show some historical financial information - for at least two years – to allow the community to compare trends and significant changes in budget allocation.

Response: ICANN agrees that providing historical financial information could potentially help the community understand how the organization has evolved over time. ICANN will consider including multiyear financial information in future publications. As a reminder, all historical financial information can be found on the Financials page of ICANN.org.

It is important to note that the recent and significant changes in the organization should be considered when comparing the FY15 budget to prior years (FY13 and before). In FY14 ICANN underwent a significant organizational transformation: becoming a worldwide matrix organization, expanding our engagement with stakeholders globally, implementing a DNS Industry Engagement organization, and strengthening our infrastructure. These ambitious changes drove an increase of expenses across most areas of the organization.

21.2. Comment from SOPWG of the ccNSO: As underlined in previous submissions, we notice a considerable increase in operating expenses (+25% including new gTLDs, and +27% excluding new gTLDs). Looking at the current, global domain name sales trends (including the new gTLD), we believe the increase might be dangerously high and recommend ICANN to consider adequate measures in case the revenues are not in line with their projections.

Response: ICANN has begun implementing processes to monitor financial performance on a regular and frequent basis to ensure we are able to react timely to risks to our financial plan. These include: 1) monthly accrual-based closing of the books to ensure we record expenses in a manner that aligns with the actual work performed; 2) reporting and analyzing actuals vs. budgets to provide managers with relevant information so they are more accountable for performance and can plan actions to manage budget

variations (e.g. delay/ cancel hirings and/or projects); 3) producing forecasts to identify quickly, and respond to, changes in the external environment or internal activities; and 4) reviewing and improving internal budget processes to identify areas for improvement.

21.3. Comment from RySG: The amount of effort that occurred to create the draft budget and operating plan is very much appreciated including the implementation of new financial systems over the past couple of years. In addition the format of the provided documents made it relatively easy to review and the notes supporting the tables of data were very helpful.

Response: Thank you for your feedback.

21.4. Comment from RySG: One overarching comment that has been made many times over ICANN's history is that the level of detail provided at this point in the process is insufficient to allow community members to adequately evaluate the budget numbers and provide feedback in time for changes to be made before Board approval. It is understood that there are big challenges to overcome in order to solve this problem and that continued efforts are planned to resolve it, but it is important to repeat the concern until workable solutions are found. The operational planning and budgeting for the U.S. government transition of the IANA functions to the multistakeholder community provides an excellent example to illustrate this problem: Project 27000 (ICANN Globalization/USG Transition) has a budgeted amount of \$4.8M. (See Appendix 2 on p.70). But there is no further breakdown of the \$4.8M. On a side note that may simply be a minor error, it is not clear why a figure of \$4.8 million is shown on page 70 and \$4.7M is shown on page 14.

Response: ICANN acknowledges the need to establish and implement an annual process that ensures community members have sufficient details and time to evaluate and comment on the operating plan and budget. ICANN Staff will draft an annual planning process that includes roles and responsibilities, formats, and a roadmap. This draft planning process will be submitted to ICANN's Board and the broader community for review in the coming months.

At the time the draft Operating Plan and Budget was published for public comment, the amount for the USG Transition was \$4.7M. The \$4.8M on page 70 of the draft document is a typographical error.

21.5. Comment from RySG: Additionally, for certain projects, more detailed descriptions are needed to clarify project objectives and to tie the project to the corresponding FY15 goal, objective, and portfolio.

Response: Staff will work to refine project descriptions in the future. If there are specific projects for which you would like more detailed descriptions, please e-mail controller@icann.org.

21.6. Comment from RySG: The draft operating plan and budget for last year (FY14) did not include any project dollar amounts. This year total project costs are provided for a sampling of projects. This is an improvement that is recognized and valued. But it only helps if a project of interest happens to be one of the sample projects and if the total dollar amount is relatively small. For a project valued at over \$4M, more detail is required to be able to adequately review and provide comments.

Response: Staff agrees that increased transparency and visibility into ICANN's workload is needed and therefore made it a priority to include project level details in the draft FY15 Operating Plan and Budget. This is an improvement over prior years, however, Staff acknowledges that even more transparency and visibility will be needed in the future. As ICANN's proficiency in AtTask matures and project planning becomes more fully developed, ICANN will provide more project level information.

21.7. Comment from RySG: Finding plan & budget information for specific areas is difficult. If someone wanted to find out what the plans and estimated costs were for a specific project or subproject that was of high importance to them, how would they do it? The example given in General Comment 2 illustrates the difficulty of doing this. To find out what was budgeted for the USG Transition, it is necessary to find out which strategic objective it falls under, then which goal, which portfolio and which project. Of course if the project is not one of the sampled projects, it becomes even more difficult. Doing this for the USG transition was easier than most because it was at least listed in one of the budget tables and it was one of the sampled projects but it still was not easy. It would help a lot if tools or guides were provided to facilitate tasks like this. Another example that illustrates how difficult it is to effectively review the operating plan and budget is this: How would a member of the GNSO find how much was planned and budgeted for the GNSO including how the GNSO needs were accommodated? It is very difficult if not impossible to do this. It would be very helpful if the operating plan and budget information was also presented for each of the SOs and ACs.

Response: The FY14 Operating Plan and Budget contained a .xls file that allowed users to search and filter for programs. ICANN staff will consider including this and other resources that allow users to search for projects in the future Operating Plan and Budget publications.

ICANN is in the beginning stages of developing an annual planning process. As presented during the ICANN 50 Finance Public Session, Staff has proposed that a task force of community and staff participants be formed to draft an annual planning process that includes roles and responsibilities, formats, and a roadmap. ICANN staff will put forward for consideration the possibility of including a budget for each of the SOs and ACs.

21.8. Comment from RySG: ICANN expenditures continue to grow without any apparent checks. ICANN revenue continues to grow while ICANN staff and Board seem very willing to spend it. Unfortunately, based on the Revenue Overview provided in Section 1.1.1 (page 7), 97.4% of it will come from gTLDs registrants via Registry and Registrar fees ($42.7 + 34.2 + 29.5 + 3.2 + 55.9 = 165.5$; $165.5/169.9 = 97.4\%$). It seems to be well past the time to do cost-benefit analysis of expenditures so that expenses that do not produce the expected value can be reduced. The value should be evaluated by the full community based on results achieved.

Response: ICANN has continuously relied on a process of strategic and operational planning process which aims at ensuring alignment of objectives, with resource requirements, and funding. The past years main shortcoming of this planning process is that the horizon of the resource requirements and funding planning was limited to a 1-year horizon. Since last year, the organization (Community, board and staff) has engaged into a process to develop a 5-year strategy, supported by a 5-year strategic action plan and a corresponding definition of resources and funding. The completion of the strategic objectives at the 5-year horizon is the plan that should drive the resource definition of the organization. Adequacy of funding sources can then be assessed for the entire period and on a recurring basis (as an annual update).

In addition, the organization is putting in place tools to enable the constant monitoring of the achievement of annual objectives that are consistent with the 5-year strategy, including resource requirements and funding, including dashboard/KPIs. Cost-benefit analyses are definitely part of the improvements that can be expanded when defining new projects in order to ensure that they do align to the objectives, fit within resources constraints and represent an efficient utilization of those resources.

21.9. Comment from RySG: Why are no funds budgeted for the following portfolios? 1.3.2 Support Internet Gov. Ecosystem advancement capital (p.26), 2.1.1 Management Systems Mapping (p.30), 2.1.3 AoC Reviews Implementation (p.30), 2.3.2 GDD Customer Service (p.39), 2.4.2 Business Continuity (p.43), 3.3.1 Global matrix development (p.51), 3.3.2 Hub & engagement offices (strategy & planning) (p.51), 3.3.3 Internal communications (p.51), 3.2.2 Raising Awareness of IANA Functions, Performance & Reporting (p.49), 4.2.2 Deploy Collaboration Platform (platform for sharing) (p.57), 4.3.2 Advancing MSM Innovation (p.59), 4.4.2 Conflicts of Interest Management (p.61), 4.4.3 Board Accountability and Transparency (p.61), 4.4.4 Bylaws-mandated Accountability & Transparency Mechanisms (p.61)

Response: Generally, the fact that some portfolios do not have amounts allocated to them is due to the fact that the AtTask system is used by the staff as a daily management tool and therefore carries at any point of time inconsistencies resulting from timing or differences in approach to allocate resources. Among the list that you have included in your comment, there are several portfolios for which the resources appear in a different portfolio. Also, some portfolios are in the process of development and definition.

22.0. Comment from RySG: In addition to the minor inconsistencies noted previously, the FY15 Draft Operating Plan and Budget lists inconsistent figures for the number of new employees hired during FY2014; page 10 states that the number of employees hired in 2014 was 140, while page 12 cites this figure at 120. Although this inconsistency may simply be attributed to a typographical error, it raises the need to use metrics that are precise and accurate, rather than approximations, in order to ensure reliable budget projections.

Response: There is a typographical error on page 10. The number of employees forecasted to be hired in 2014 was 120, not 140. This error was identified during the community review session held 09 May and

corrected in the public comments forum on 12 May as well as the Revised Draft FY15 Operating Plan and Budget posted to ICANN.org on 16 Jun.

22.1. Comment from RrSG: The RrSG is currently completing its analysis of the ICANN FY2015 Budget and intends to submit its comment shortly.

Response: No comments were received in the public comments forum by the 01 Jul deadline. ICANN staff acknowledges the comments submitted to controller@icann.org on 15 Jul. Those comments are not listed in this document, however, we will review the comments, identify those that overlap with others, and attempt to provide a private response to those unique to the RrSG. If you would like to have those comments be public, we can publish them on the Finance Community Wiki page.

22.2. Comment from BC: The BC understands that with the new gTLD program in particular, addition of staff is required to provide the services required for compliance, contracting, support to the TM Clearing Center and URS, etc. We also recognize that additional staff are being added into other groups, such as the Global Stakeholders Group. It is the view of BC that as ICANN expands, it should do so responsibly, taking into consideration community requests and recommendations and following due diligence such as critical needs analysis before recruitment.

Response: As part of Operational Excellence, ICANN is committed to maximizing efficiency as much as possible with existing resources. As indicated in the draft Operating Plan and Budget, headcount is expected to grow at a slower pace in FY15 towards a normalized level by fully integrating the resources on-boarded by the end of June 2014. The headcount growth in FY15 is concentrated in areas that support the growing volume of activity in gTLD services, while other areas have marginal hirings. Staff will review hiring plans on an on-going basis to ensure they align with community needs.

22.3. Comment from BC: We note that in several instances there have been requests from the Stakeholders specific to support and enhancement of their work. These requests have been funded consistently at less than the Stakeholders have recommended, with the usual explanation that there is not funding available in the budget for further support. At the same time, it appears that funding for staff initiatives related to or overlapping to Stakeholder requests seems to be growing significantly.

Response: This comment has several components. To the extent it seems to address the Community special budget requests, staff has endeavored to respond to a variety of community special requests in a consistent manner over the past few years. Sometimes this requires developing pilot solutions that are intended to address community needs while managing resources in a consistent way with limited staff resources. This approach requires constant adjustment from year to year as, understandably, no general solution is satisfactory to all requestors. Regarding the comment addressing priorities of resource allocations, over the past couple of years there has indeed been a strategic expansion of staff resources devoted to overall ICANN

outreach and engagement that has demanded resource priorities in a number of regions. This focus has impacted the availability of resources for other areas. It is hoped that those investments are now showing results in improved community collaboration and outreach in geographic regions that were previously under-supported.

22.4. Comment from BC: The BC considers the installation of enterprise system architecture a step in the right direction, but would like to know the savings projection the system architecture will provide.

Response: With the recent hiring of ICANN's Chief Innovation and Information Officer (CIIO), and the resulting focus on IT-enabled solutions, ICANN's overall Enterprise Systems Architecture (ESA) is in early concept-validation stage. We have a high-level blueprint of proposed technologies. As a next step, within the next 6 months, we plan to hire an Enterprise Systems Architect. He/she will engage with the current "silo-owners" to (1) understand silo-transition roadmaps to a more homogenous set of technologies; and (2) based on those roadmaps, drive a complete cost/benefit analysis. That will inform us of possible savings and the time-horizon to savings. In the short-term, we will need to (1) Invest in the right technologies; and (2) "Knit" them with appropriate middleware. That will likely drive cost before it drives benefits in the long-term.