

ICANN

**Moderator: Brenda Brewer
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2:30 pm CT**

Coordinator: Excuse me speakers. Your recordings have started. You may now proceed.

Chuck Gomes: Thank you very much. This is Chuck Gomes. And this is the Design Team O IANA budget meeting on the 2nd of June. On the call from staff we have Grace Abuhamad and then we have Cheryl and Chuck and Mary and Olivier on the call as well.

What we need to try to do is wrap any - wrap up any loose ends that we have on the recommendations from Design Team O for the full CWG.

And I think what I will do unless somebody's got another suggestion that I'm very open to is to just go through the public comments and see which ones we still need to make any decisions on. And we need to send our recommendations with regard to responses to public comments to the CWG list by as early as possible tomorrow.

So the let's see which ones we have open. It sounds like Grace you don't have very good access to the things. But certainly feel free to jump in if you can set us straight in terms of what still remains to be done.

I think most of our comments from that we submitted last week have been incorporated into the comment tool and even into the final proposal. That's correct right Grace? Go ahead.

Grace Abuhamad: Hi Chuck. Yes that's correct. And then what I have now in the Adobe Connect room that you're looking at on the screen is the copy paste from the summary of action items that was circulated on Sunday that you circulated on Sunday.

Chuck Gomes: Good.

Grace Abuhamad: And I just have that up so that we can crosscheck, make sure that we've addressed all of those points. And that to my knowledge those points are the only ones that DTO still has left to look at.

Chuck Gomes: The ones that are on the screen right now?

Grace Abuhamad: That's correct yes.

Chuck Gomes: Okay that's very helpful. Thanks a lot Grace. Appreciate it. Okay so let's jump right in. The - so Internet NZ as we talked about last week, you know, has a process. And the - and how to - how they develop a budget. And there was some discussion on list about this I think but let's just talk right now.

Are - is there support for what we talked about last week about customizing the steps for Internet NZ's budget process and proposing them as a - as possible steps for consideration by PTI or would it be better if we proposed that that process, going through that exercise happened after the - we finalized the report or even after we - the CWG recommendations are approved. It could as long as it happens before transition.

I think the latest it could happen is going to happen enough time before transition actually would occur.

And then I guess another option - and sorry for my wandering talking but another option is to let PTI work out its own process for developing its budget.

But in that case we would need to make sure that steps are taken that the first year or so or for some period of time is adequately funded and that maybe we submit a budget for PTI in advance.

So let me be quiet and see what thought some of the rest of you have. And Olivier when you're - Olivier in your case just feel free to speak up when you want to say something since you can't raise your hand.

And I'm not seeing any hands. Oh, (Malcolm) I'm glad you joined us, very good. Okay anybody want to speak on that? What kind of approach should we recommend on this in response to Internet NZ's comments?

We're certainly not going to have time to develop any to customize their process before the - our submission tomorrow so we know we can't do that. But is it something we should work on after BA?

Olivier joined us in Adobe good. The - on that slow connection. That's impressive. Maybe you got a better connection.

So is this something we should plan on working on ourselves after the 8th of June when the proposal goes out to the SOs and ACs or what are people's

thoughts in terms of that? I don't really have a strong feeling one way or the other.

I thought the budget process that .NZ uses is a pretty good one and could be easily modified.

What do people think? Is this something that we just simply say we appreciate the process .NZ uses and we will, you know, refer to that to PTI once its formed that they can use it or do we apply it sooner in terms of the first budget development for PTI even before PTI is formed?

Nobody has any thoughts. I should read the chat. I'm curious (Malcolm) as to what - I don't understand your comment relative - oh, you're in the wrong meeting. Okay. This is the Design Team O meeting on the IANA budget. So that's not the meeting you're commenting on. That would explain why I'm confused.

So you're certainly welcome to participate in our meeting but I guess I will ignore your comment because I don't think it relates to this meeting. Are you also on the - you must be also on the CCWG call. So okay. Thanks for the smile Cheryl. Okay did we lose - it looks like we lost Olivier.

Olivier Crepin-LeBlond: Yes. It's Olivier here and I'm going to jump in because...

Chuck Gomes: Go ahead.

Olivier Crepin-LeBlond: ...I'm - so Olivier speaking. I am a full either 8 seconds behind everyone else or in another time warp. And connectivity comes in and comes out quite independently...

Chuck Gomes: Okay.

Olivier Crepin-LeBlond: ...the moment I put my hand up or something.

I think that the, you know, the various assumptions which are there on the table are all very valid indeed.

It - but certainly I would be feeling a lot more confident no matter what happens to know that the IANA function operator was going to be funded one way or other.

And certainly the experience or the idea of having some kind of a - of an emergency fund that's in escrow somewhere for a significant amount of time of IANA operation would be good for, you know, I think would be a good solution.

I absolutely think what Greg said on the other call with regards to bankruptcy, bankruptcy is not the kind of a case of, you know, the offices get closed down and everything gets checked out on the sidewalk.

In the states Chapter 11 offers you a certain number of graduation - graduated steps to disillusion. And in fact in most cases those steps actually happened to bring the company back to life.

However I do note that when those steps are taken there is a definite will from the administrator that is nominated to run the company and bring it back to life or kill it -- whichever way it needs to go -- that there is a real need for reducing costs.

And if there is one function that I would not like to see costs reduced on it's the IANA functions. If it works as it does reducing cost on it is just going to be fraught with danger.

And not only that but if one does reduce cost and things go wrong later on then obviously it will be attributed to having reduced the costs.

So in that way having an emergency fund available that is there in escrow would probably allay my concerns if there was any significant reduction in the budget that was due to unforeseen circumstances.

Chuck Gomes: Thank you Olivier. This is Chuck again. And I think you jumped to the fourth bullet point in the - in our action items which is from the IPC and that the funding should be - it should be adequately funded which I think we're all unanimous about. I don't think there's any question there.

We - the question is how do we do that? Do we recommend that - the budget? I'm just going to throw some thoughts or just thinking out loud.

Do we recommend that the future of, you know, what came up in the call today, the CWG call was like three years of funding be approved at some level.

Obviously there would need to be provisions for modifying that as other - as expense - new expenses became available or as reductions could be made or whatever the case may be.

What should we recommend? Should we recommend what came up in the CWG today that the ICANN budget be approved three years out with revisions each year?

As we've already proposed that on an annual basis the PTI submit a budget to ICANN nine months in advance and then that that be approved at least I think three months in advance for the next fiscal year.

Should we at the same time suggest that that level of funding be approved for two years ahead? Go ahead Olivier.

Olivier Crepin-LeBlond: Yes thanks Chuck. It's Olivier speaking. And I certainly had problems understanding why the approval of a budget three years ahead would actually make this budget available in any easier way except if it was approved three years in advance and earmarked and blocked, that some was blocked three years in advance.

And I think three years is a bit of an overkill in such a case. But just approving the budget three years in advance I - I'm not quite sure how that would work.

It's a budget allocation when things are actually important isn't it?

Chuck Gomes: So that's a good point. Chuck again. So would you - and thanks Cheryl for the checkmark. So you're actually - you would actually suggest that we provide that there be funds actually separated and set aside for this?

Olivier Crepin-LeBlond: Affirmative.

Chuck Gomes: Yes okay. Okay so I mean that's fine. I don't have any objection to that. And Cheryl likes it. So how would you word that recommendation?

Olivier Crepin-LeBlond: Yes this is Olivier speaking. I was hoping you wouldn't ask that specific question.

Chuck Gomes: You know me too well.

Olivier Crepin-LeBlond: That's where I have a problem with - well that's right have a problem with wording it because I'm not sure whether one can say that this money should be allocated and kept in escrow.

I think three years is way too early too much. But three - well three is worse. And this is where I do wonder, you know, why would IANA require three full years of budget in a bank account somewhere so that it could operate for three years continuously at full costs?

And I'm not sure. I mean and we - wouldn't we be in real trouble if we couldn't find a funder for IANA at that point?

Chuck Gomes: Yes. So you're thinking ahead to the separate - the possibility of separation as well which is fine. So well what about this and others - let me watch the chat just so I'm not missing something. I see people on multiple calls, have fun with that.

So and Mary doesn't have any problem with suggesting three years upfront funding. But obviously ICANN has a reserve fund okay? But I don't think that necessarily deals with Olivier's concerns.

So we have a couple of scenarios to deal with here. Funding out the gate at transition okay? And then we have future year funding that we need to deal with.

Should - we've already made a recommendation with regard to PTI's first budget that they submit to ICANN okay. And that, you know, depending on

when things occur don't know when that will, you know, it'll probably be somewhere in 2016.

And let's talk right now about the ongoing process and funding mechanisms. Do we want to recommend that funds be set aside for ICANN in an escrow account for one year in advance of any budget that's approved or do you want to do two years or Mary think I - may support three?

And I - and so Olivier let me put you on the spot again. What would you recommend?

So let's put the next year's funding aside for a moment okay the - and look at beyond one year funding would you - what would you recommend that that money put - be put in escrow to cover existing year budget expenses plus some cost of living increase?

Olivier Crepin-LeBlond: Thanks for this Chuck. It's Olivier speaking and that's what I'm trying to grapple with because that money would need to be used in case there are dramatic and drastic changes in the - out there.

It would effectively mean that the IANA department, post transition IANA and the operator could not be funded from - in a very abrupt way I guess. So that's some kind of an emergency fund.

Now how long would it take for the community and for the process to find new funding? Bearing in mind this is such a vital operation I cannot see IANA being without funding for three years. I think it's - it would be pretty dramatic if this was the case.

So I'd say less than three years. Of course one has to look at the - if one was to put this funding in an escrow account this is money that is blocked and that's a significant sum if you put three years' worth.

Two or one year is probably what I'd be looking at.

Chuck Gomes: And I think Cheryl your comment - this is Chuck again. That your comment Cheryl is two years? Did I get that right? Is that what that two means?

Yes thanks Cheryl. Okay.

Olivier Crepin-LeBlond: Chuck?

Chuck Gomes: Go ahead.

Olivier Crepin-LeBlond: Chuck I seem to be ahead of you in time now for some reason because I saw two years reserve in escrow. We'll we're still waiting for the to...

Chuck Gomes: Yes, yes.

Olivier Crepin-LeBlond: ...but Adobe is weird tonight. It's behaving...

Chuck Gomes: Okay yes so we're timing is off, sorry about that. Okay so I mean Mary are you comfortable with two years in escrow?

And would that just stay in escrow? As each new year is funded you would always have two years in escrow? The amount might change though?

I...

Mary Uduma: Can you hear me?

Chuck Gomes: Yes Mary.

Mary Uduma: Can you hear me?

Chuck Gomes: I do Mary. Go ahead.

Mary Uduma: Hello. Can you hear me?

Chuck Gomes: Yes.

Mary Uduma: Okay. Please we need to be consistent. If we are saying three years three years is out there or we're saying two years we need to be consistent.

So why are we going back to two years? Olivier suggested three years and I said I have no objection to that. And I have I'm giving let it be a takeoff get grant for three years.

Then IANA can say that each (unintelligible) and that...

Chuck Gomes: Your breaking up now Mary. I can hear...

Mary Uduma: (Unintelligible).

Chuck Gomes: Okay. You broke up so we missed all what you said in the last 60 seconds or...

Mary Uduma: Yes.

Chuck Gomes: Go ahead.

Mary Uduma: (Unintelligible) may not be with ICANN.

Chuck Gomes: Okay.

Mary Uduma: ...(unintelligible).

Chuck Gomes: You're mostly breaking up...

Mary Uduma: Hello?

Chuck Gomes: ...Mary. Do you need us to call you like we...

Mary Uduma: Can you hear me? I'm sorry. Oh my God.

Chuck Gomes: Do you need us to call you like we did last time because you're breaking up so much that we can't make - understand what you're saying.

I did get the part about why are we going back to three years? I understand it as going back. I don't think we've ever established any number of years for which a - an escrow account would be established. So I'm not sure what you mean by going - why are we backing off of three years?

Olivier explained why he thought three years was too much for an escrow account. I think this is the first time we've talked about an escrow account.

So because he thought that's an awful lot of money to be tied up in an escrow account. And Cheryl suggested two years in escrow.

And by the way I think it's better to talk in terms about it in escrow instead of reserve because reserve funds and they can use the - the board uses those as they need them. And escrow it would be - still be reserved but it'd be reserved for a very specific purpose.

Maybe there is ways and too bad (Xavier) is not on the phone with us. He could probably answer that right off the top but that's okay. We can get that kind of information.

So Mary you support let the money be with PTI and not with ICANN. Well keep in mind that PTI is an ICANN affiliate.

And my guess is that to - for cost efficiency that PTI - most of the things like finance and human resources and things like that will probably be done for PTI by the existing ICANN teams. Otherwise you have to set up in PTI a Human Resources Team, a finance team.

And so my own personal view is that I don't think it works to have them to let the money be with PTI and not with ICANN because that would then require even more costs to support PTI because they would have to have their own finance team and so forth. Does that make sense?

So you're - so in escrow for PTI is that - maybe that's what okay I see that. Yes. So that's fine. Okay so I think we're on the same page then.

And you're suggesting three years, take off the grant. What does that mean? Maybe you can type something in the chat. Sorry about that.

Three years. If we assume that - let's just assume that the while she's typing three years of - I assume that you're saying three years of operating budget for PTI. I get that.

So are you saying - so three years. Let's say the operating, annual operating budget of PTI is \$8 million. There have been higher estimates than that. The expenses they've given us so far aren't that high but we know it will go up.

So let's say \$8 million. So if you're talking about three years you're talking about \$24 million in an escrow account. And if we do two years it would be \$16 million again assuming that an annual budget would be about \$1 million and it may be higher.

So you think Mary that it would be okay to tie up \$24 million if that figure is close for three years? And then on an ongoing basis it'd be \$24 million there for on an ongoing basis each year it would rollover. Maybe the amount would increase.

But it would only be used if it's in escrow for operating budget if ICANN didn't find PTI for the current year right? So it might never be used.

Notice that Cheryl says she thinks two years is enough. In her humble opinion except I didn't know you - oh, it doesn't say humble opinion. In your own opinion okay.

I'll refrain from my smart remark that I was going to make Cheryl. I know that's what I was going to say, you humble? Sorry, sorry for the distractions everyone.

The - so Olivier what's your opinion? Do you - would you support three years?

Olivier Crepin-LeBlond: Thank you Chuck. It's Olivier speaking. I said earlier three years I thought was excessive especially as you mentioned \$24 million sounds like a pretty large amount of money for it to be sleeping around in an escrow account.

Two years would be I think would be fairer. I'm still thinking at the moment whether we could have anything else which would not actually block that money off but would actually make that fund, that money available should that be required.

And I'm - I don't know if I can think creatively enough at this point in time.

Chuck Gomes: Yes. And maybe that's a question that we don't try to solve now but that we go back to maybe (Xavier) and see what would be the most efficient way to protect the money so if it's needed it's there while at the same time not making it totally unusable.

Olivier Crepin-LeBlond: That's correct yes.

Chuck Gomes: So which is to say yes that's what I thought you were getting at.

Olivier Crepin-LeBlond: The other thing I understand -- and this is Olivier speaking of course -- there's a - or I have a business myself. And, you know, there are sometimes when you have money blocked off in an escrow account that doesn't bring any money in.

This amount of money here if it's \$16 million or \$24 million should be able to work for ICANN at that time. Just like what's going on...

Chuck Gomes: Yes.

Olivier Crepin-LeBlond: ...at the moment with the option fees for example. They are invested somehow.

Chuck Gomes: Yes exactly. So now I don't know enough about escrow accounts to know whether is it not possible to invest money in an escrow account? Does anybody know?

Olivier Crepin-LeBlond: Olivier speaking. I believe not. I believe escrow accounts are actually interest-free as such.

Chuck Gomes: So...

Olivier Crepin-LeBlond: At least from my limited knowledge of escrow accounts in the UK and in Europe. It might be different in the States. It might be different elsewhere. I don't know about that but perhaps (Xavier) would know at that point?

Chuck Gomes: Yes. And Cheryl's confirming the same thing. So why don't we instead of specifying escrow in our recommendation that we say that monies that are set aside cannot be used for anything except for PTI but at the same time can at least earn some rate of return so that they're not just totally wasted -- something like that. And I'm not sure what the right wording is.

Grace we're going to be relying you to help us capture all of this and turn it into great words. Sorry to put you on the spot that way.

But we do the same thing as you know to Marika.

So okay so now the question then Mary are you willing to make a recommendation for two years since both Cheryl and Olivier would prefer two years to three? Can you live with that?

We're in agreement that it would be set aside and would be invested in some way. We're in agreement there. But even understanding that both Olivier and Cheryl suggest two years of operating expenses rather than three.

Okay and you can live with it? Okay, thank you.

So one of our recommendations and we'll have to figure out where we put these in, is that two years of operating expenses would be set aside to four PTI in case of a situation where funding was not available from ICANN.

And we won't use the term. So Cheryl's wording should - what's NIT? Is that PTI? What's NIT, Cheryl? NIT be tied up in any investments but rather be on call available from escrow.

Oh, should not be tied up in any investments okay. Oh so you don't - Cheryl you don't think that investing in the money should be tied up in investments, even conservative investments. Is that what I'm getting?

Yes I got the nod. I figured it out. I was slow. Okay so you're suggesting one year in escrow Cheryl and one year earmarked open to investments? Okay. That's a compromise.

So you have one year that is totally set aside for this. It would not be invested. One year designated for this but it could be invested to in a conservative way to - so that it isn't just idle.

I think we all agree that access to the fund needs to be on call. Okay that was a response to Mary. All right so let's see if I've got it here. And I seem to be the only one talking. Everybody else is writing.

Yes they can. So what we're recommending if I understand it now that there would be one year of operating expenses that would be updated on an annual basis the amount okay, in an escrow account for use by PTI and additional years operating expenses that would be updated on an annual basis that would be reserved for PTI use if - and in both cases it if funding from ICANN was unavailable.

Is that what our recommendation is?

Yes I think Mary that we're in agreement. And the assumption would be that any investing of the funds would be done in a conservative manner not in a - it would be low risk tolerance type of investments but rather than - am I still on? Can you hear me?

Woman: Yes. We can still hear you Chuck.

Chuck Gomes: Good okay. Good I heard some little beeps and my headset and I thought all know that I just did disconnected by my sneeze.

Okay. Sorry about that. Escrow also ensures that access can be granted where an investment or even access to a call must have agreement.

And I think that's right Cheryl. So are - I think we're in agreement so let me see what we have here.

One year of operating expenses updated on an annual basis in escrow for use by PT - and - PTI and additional year earmarked open to low risk, let's say low risk investments. Is that helpful?

Both - all - both years of funding of funds would be for use of - for funding PTI in case ICANN is unable to for some reason in the future unable to fund PTI. So we've got a two year cushion. Thanks Grace for typing it in.

So is there anybody that's not - Olivier are you not you're not in Adobe now are you? So I better read what's there for you? So...

Olivier Crepin-LeBlond: Thanks Chuck. It's Olivier. I was just going to jump in. I am happy with this with the idea. So one year...

Chuck Gomes: You got the idea so...

Olivier Crepin-LeBlond: ...in escrow and one earmarked...

Chuck Gomes: Okay.

Olivier Crepin-LeBlond: I'm okay with this...

Chuck Gomes: So I won't take the time to read it. Okay so...

((Crosstalk))

Olivier Crepin-LeBlond: I had put my hand up but this machine is just killing me.

Chuck Gomes: Yes. That's all right don't worry. Just jump in orally that's fine.

So okay so we've got a recommendation there for the two years of funding split between an escrow and low risk investments.

And both years of funds would be for use of funding PTI in case ICANN is unable for some future reason to fund PTI. Okay so that's one recommendation.

Now for current year funding...

Grace Abuhamad: Chuck can I jump in quickly?

Chuck Gomes: Yes please. Feel free Grace.

Grace Abuhamad: Because I just - I'm - and it may be because I wasn't on your last call but I'm a little bit confused at the moment where this recommendation in particular would be going because if we look at the action items...

Chuck Gomes: I know.

Grace Abuhamad: Yes. So this...

Chuck Gomes: Yes.

Grace Abuhamad: ...is this related to another part of the proposal or just a general recommendation?

Chuck Gomes: Well it's probably related to Bullet Number 3.

Grace Abuhamad: Okay.

Chuck Gomes: Or was a bullet - no I don't think it's Bullet 3 - it was bullet - let me count one, two, three. Bullet 4 from the IPC is adequate funding.

Grace Abuhamad: Okay.

Chuck Gomes: And that's - and the reason we're going this way is because Olivier started off with this one Grace. So I just went with the flow there.

Grace Abuhamad: That's fine, I'll just update it.

Chuck Gomes: It is something we did talk about last in our last call. But you're right, we're going to have to figure out where to fit these. I think we got that one covered.

So let's go back now to the first bullet okay, which is do we want to do anything about the .NZ recommendations with regard to a budget process or do we leave that to PTI and suggest it as a process?

I didn't get any responses on that when I asked the question the first time. Let me try again and let me watch the chat too?

What do we say to .NZ's recommendation? We don't want to ignore it. We can say that we will leave it to for PTI to consider or should we use it in the development of the first year budget for PTI?

I'm continuing to throw out ideas but I'm not getting anything back from you guys. Ah, there we go, Grace did.

What Mary what .NZ recommended here - hold on a second. I'll get their comment right in front of me here.

They - their second recommendation was that the CW's stewardship should consider the Internet NZ experience and the analogy would operate as follows.

ICANN's annual setting expectations for PTI would include its views about the level of resources required to operate in the coming year.

That's - we kind of already covered that last week. And what we - what's already in the proposal. And that is that they would submit a budget to ICANN at least nine months in advance of the fiscal year.

Their second part of the analogy from .NZ is the PTI board will respond to the expectations set by ICANN for its years operation and the SLE framework it is operating in and propose with full transparency its annual operating budget as part of its annual operating plan.

It would have to explain any significant variations from the expectations. So that's really I think closely related to Step A and what we've proposed.

Step C is ICANN would approve and then fund that operating budget from general ICANN resources and contributions as their fund - as IANA is funded today.

And then they - they'll have an Item D that says concerns about cost of the IANA functions operator would be addressed by the IANA functions review.

I'm - don't think that's a function of the IFR the way it's defined. So that would be a - and Grace just with regard to their item BD there I think we can

safely say that that's not a function of - an appropriate function for the IFR as it is currently defined. Okay?

But the other parts, actually maybe we've already covered what .NZ is suggesting here. And that is that our response to this can be we would propose that PTI submit a budget nine - to ICANN nine months in advance. And that kind of covers A and B of their suggestion and that ICANN would approve it at least three months in advance of the applicable fiscal year.

And do we need any more than that on this? And of course we will say that way absolutely support transparency like I suggested at the beginning. Is that okay Grace and anybody else?

Grace Abuhamad: Yes. I'm typing it into the notes and I think I've got it.

Chuck Gomes: Yes good, okay. Thanks Grace. And I got a check mark there from Cheryl.

Okay so the - okay and so the second comment that we need to respond to is CWG will need to develop a proposed process for IANA specific budget review.

Do we need - I guess my question is do we need to do that? I'm not sure that it is a CWG rule but it could be. What do the rest of you think?

Should we do it for the first budget? And in fact the comments that are there right now aren't bad are they because notice what it says CWG agrees with the comment of the CWG accountability or should we qualify that and say it for the first year's budget and notes that a process should be developed possibly as part of the implementation of the proposal?

So in other words during implementation that process would be developed which would make sense I think because we're going to continually get more budget information from the finance team cost estimates as the proposal is refined.

I'm not sure about the second sentence though. It says the CWG should consider whether -- whoops it moved on me -- whether any - there aren't any elements that should be developed as part of the final proposal.

What does that - Grace can you help me understand what that second bullet means?

Grace Abuhamad: Yes so sure. So what we were doing there was just I think when we were drafting the response we were hoping that GTO would address this. And so we were thinking we would leave it open for GTO to suggest if anything needed to be included in the proposal.

But it looks like at this stage you're okay with the response and it's more of an implementation thing so nothing needs to be in the proposal.

Chuck Gomes: Yes I think so. Any disagreement...

Grace Abuhamad: Yes.

Chuck Gomes: ...with that? Okay then I think we're okay there. Now how will that happen during implementation? Can we leave that till implementation do you think?

So should we recommend that a Budget Development Team be created during implementation to provide recommendations or do you think it's good enough as it is?

Grace Abuhamad: Chuck this is Grace.

Chuck Gomes: All right Grace. Go ahead. Yes.

Grace Abuhamad: My suggestion would be that way at this point leave it open just because depending on how the ICG incorporates the CWG proposal we may end up with - I mean there are lots of possibilities about how we end up in an implementation phase whether that includes, you know, other communities coming in and also wanted to be part of this and things like that

So the weight that the budget gets developed I think is largely dependent on what happens even prior to NGIA approving the final stewardship proposals.

So, you know, I just I think getting too much in defining these things may have the ICG pushing it back to us eventually to change a lot of these specifications. So it - my view at this point is just to keep it open so that you limit the back and forth between the ICG and the CWG later on.

Chuck Gomes: And I see Mary's supportive of that. I am too. Anybody object to that? I am asking a lot of these questions just to test the waters and see what people think so that's fine.

Let's go to Number 3. And that's from ALAC need for a budget to support are indeed should be included. And that is a Design Team F issue.

And let's take a look at the response there and see if we're okay with that. By the way for those that don't understand what Design Team F has and is part of their recommendations now are that there needs to be ability for research and development related to the IANA services or things like - or special projects

like implementation of DNSEC or IPv6 and we wouldn't know what those would be.

But there needs to be a means to fund those kind of expenses is what this is about.

And so the seat - the proposed CWG response is that the CWG recommends that there needs to be flexibility to allow for spending related to research and development which would need to be covered as part of PTI operations and also recommended by Design team F.

Not I would make a little edit in that I think. The CWG recommends that there needs to be flexibility to allow for spending related to R&D or other special projects.

And we could put in parentheses, e.g., DNSEC, IPv6 which are expenses where in the past where the IANA services have had to deal with. And that's IPv6 so it's instead of - there we go. Good, thanks.

And then the next sentence says it is the expectation that these would be included in the draft budget which is expected to be presented nine months in advance of part of the presentation of the proposed budget.

That looks pretty good to me. Anybody have any suggestions for edits or disagree that it's not a sufficient response?

Okay. Moving on to Number 4, and this one we may have covered in part, okay? So PTI should be adequately funded and need to ensure that expenditures are appropriate.

We probably haven't done with the appropriate part but we can come back to that. This is from the IPC.

So the current response is see previous response concerning adequate funding. Where was that? It's not in the ones we have in front of us right now?

Setting a budget between PTI and IANN, oh okay, so this refers back to our previous comments I think of recommending that budget be proposed nine months in advance and so on.

Transparency comes up again. So note but no additional say for the community unless there are indications that they are not sufficient funding or gold plating.

Now I - correct me if I'm wrong but I think what that's saying and Grace maybe you can help me here, in other words we're not looking for community approval of this budget. That would really slow things down.

But there should be a means of community review to ensure that costs are adequately being met, adequately being funded and that there is no gold plating, in other words excess spending.

The question then comes up how would that happen?

Grace Abuhamad: So I agree with you Chuck. I think your assessment is correct there. What we're thinking I think with the dependency on the CCWG accountability is that they're looking at some enhancements on budget review and community sort of involvement in the budget process.

And I think that the way we have it currently phrased -- and it may just be a question of enhancing the conditionality -- but we are sort of dependent on those enhancements that the CCWG is proposing. And that should solve the issue here of having the opportunity for community to review.

Chuck Gomes: Now you said CCWG. How does the CCWG come into play here or did I misunderstand?

Grace Abuhamad: No that's - that is what I said. I think the CCWG then comes into play where there's - I mean...

Chuck Gomes: Oh, the budget yes, the ability for the community to veto the budget?

Grace Abuhamad: Yes.

Chuck Gomes: Okay.

Grace Abuhamad: But there's also in that, you know, review of the budget.

Chuck Gomes: Yes. Now a question for that and this is for everybody. And Olivier I'll let you jump in and a second. Let me finish my thought.

So should we recommend a separate review of the IANA budget along with what CCWG is recommending? In other words they're recommending that the community can veto the overall ICANN budget.

Should we make a similar recommendation for the separate IANA budget? And I'm not advocating one way or the other. I'm throwing that out for discussion and let me turn it over to Olivier.

Olivier Crepin-LeBlond: Thanks very much Chuck, Olivier speaking. And I this featuring a budget is not something that I'm possibly happy with as I think we have discussed in the past.

And when one - when it relates down to a question of whether the community should be reviewing and be given the ability to veto the IANA budget I really think we're going just one step too far.

At the end of the day it's plain I would imagine it's - the budget would be established with ICANN finance and with the people in IANA.

And they would be - a budget would be established as requested. I just can't see why or for what reason that budget would then be vetoed by a community except if it was not used for some kind of means of pressure for IANA to do something or for ICANN to do something. And I am a little concerned about this. Thank you.

Chuck Gomes: Okay, no thanks. And I'm going to dialogue with you a little bit here Olivier just to pursue the thoughts.

So do you think that we should just leave it up to PTI and its board and ICANN leadership to determine whether IANA expenses are appropriate?

I'm getting back to the comment from the ITC?

Olivier Crepin-LeBlond: Yes. Thanks for this Chuck. It's Olivier speaking. I would say yes. And the reason for this is that PTI has to have specific service levels and provide specific service levels for its services. And they are the best to know how much that costs.

I just can't see how an external body will be able to have a better idea of how much that costs.

Chuck Gomes: Well I agree with that. But I'm going to throw something in there.

What if - I mean that's also a very easy way to just add on costs. Hey I'd like to do this, you know? How do we build in some accountability there for cost effectiveness?

Because, you know, I mean that's one of the issues is in fact, you know, the registries in fact have concerns about -- and we've expressed these by the way directly to (Xavier) -- that as long as they're getting all these registry fees they just keep spending and finding new ways to spend it. How do you deal with that?

Olivier Crepin-LeBlond: Yes thanks for this Chuck, Olivier speaking. I'd say that it's - it all comes with regards to do wider ICANN budget because the way that I understand the moment there would be a way for the community to veto the budget and to have that changed.

I don't see why we should have a separate threat specific to the IANA budget. I mean do - please I'd like to hear about that.

Chuck Gomes: Oh, and by the way I'm okay with that. You're answering - you're your giving a very good answer in my opinion, Chuck speaking again. The because - and that's fine.

So our response then would be the checks on the budget for cost efficiency and avoiding the gold plating, et cetera, would be through the ICANN budget processes.

Did I say that? Does that make sense?

Olivier Crepin-LeBlond: Yes.

Chuck Gomes: Okay. I'm not opposed to that. In fact I think that's fine. I asked the question just to see where people were. And I - and anybody opposed to that approach in terms of dealing with are the expenditures appropriate?

Okay, great.

Olivier Crepin-LeBlond: And I don't know if my hand is up or it's down but I can't take it down at the moment.

Chuck Gomes: I don't even see you. So there's no hand up.

Olivier Crepin-LeBlond: I appear on my screen.

Chuck Gomes: Do you, okay while it's just...

Olivier Crepin-LeBlond: Bazaar.

Chuck Gomes: ...your screen, enjoy it. We can't see it. Or I can't anyway.

All right so Grace are you okay on that in terms in terms of I think we're going to have several responses here, the one that we added on the two years of expenses.

The part that we're talking about right now in terms of judging the appropriateness of expenses will be handled through ICANN accountability process specifically related to the budget.

And then do we want to also have - and this might be the first one rather than the third one would be that the - our recommendation with regard to the budget or maybe just refer to the budget process that we've already referred, to the annual budget process for getting approval is - that's a way of ensuring adequate funding is why I think maybe we want to put that in here again or at least refer to it again.

And you can probably fill in the details on that later. Oh you did, okay. Okay excellent. Okay.

So here's what we have. Again I'm going to read it so for Olivier's thing. We've got with regard to adequate funding we've got the budget process already referred to, the nine months budget, et cetera, the one year of operating expenses plus the additional in escrow plus one additional year at low risk investment and then we've got with regard to appropriate of expenses they will be handled through the CCWG accountability process. Any problems with that?

Okay the last one then -- and sorry we've got over an hour -- but the separation costs. There were a variety of comments that dealt with concerns about how IANA expenses would be covered following a separation process.

And Design Team N and supports this recommendation. We looked to the full working group for determination where this issue is best result.

The response right now says regarding operation costs the CWG notes that RYSG suggestion to have a sufficient portion of registry fees dedicated to the IANA services.

The CWG also recognizes that there would be transition costs and ongoing operation costs related to the possible selection of a new operator which are expected to be covered by ICANN.

The CWG will review the proposal and clarify accordingly now. So I guess that's part of our job right now.

We have - we talked about this area in Design Team M as well in escalation but it's not really an escalation issue certainly.

But I know that Avri in discussions it may be more with Design Team N and I am not on N but I have provided some feedback and been in some dialogue there.

Avri really is opposed I know to the registry suggestion. She thinks those kinds of issues should be handled via the ICANN budget process. And she may be right. I'm not saying one way or the other.

But how should we as Design Team O respond to this for separation costs? Now I think our recommendation for one year of operating expenses in escrow and one additional year partially covers it but it's not adequate because there will be special costs that are incurred, not just operational expenses.

So if separation was needed and we needed operating expenses we've covered a couple years but we haven't covered the transition costs itself.

Is that a task that we should make a recommendation on? Is that a design - do we want to punt to Design Team N? I don't suggest we do that just because that's the easy thing to do. What are your thoughts on that?

Olivier Crepin-LeBlond: Chuck it's Olivier.

Chuck Gomes: Go ahead Olivier.

Olivier Crepin-LeBlond: Thanks very much for this Chuck. so obviously there would be some added costs when it comes down to actually having separation going on. I'm not sure whether we have actually estimated those costs.

Chuck Gomes: We have not.

Olivier Crepin-LeBlond: We have not. It's a real wild guess to estimate those costs. I would as just a wild guess say well, should we just add 10% or 15% or 20% to the overall yearly budget as a separation cost? I don't know.

It - one of the complexities of this argument of course is if the separation takes place in a very handy manner it could be in a very nice manner then it would probably be very minimal costs.

And that could probably be taken on by the overall budget.

On the other hand if one looks at a more messy separation at that point you do have more of a problem with regards to the costings and you might have legal costs associated with this that are significantly higher than in other matters.

Chuck Gomes: So one of the...

Olivier Crepin-LeBlond: I don't know.

Chuck Gomes: Go ahead, finish. That's all right. You paused...

Olivier Crepin-LeBlond: I don't know where my last words on this one. I don't know.

I kind of think aside from asking the IANA department to provide us with a technical cost of a separation and for (Xavier) to provide us with a cost for the separation of the non-technical functions I cannot see how we would be able to put a figure on this.

Chuck Gomes: Well you through an idea into my head -- and I will come to you in just a second Grace -- when you said like 10% or something.

What if we were to take our one year offering expenses updated on an annual basis and the escrow and add 10% to each of those at the beginning to cover possible separation costs?

And then as we - the proposal, you know, as we learn more those costs could be more realistically estimated and adjustments could be made to that. Grace let me turn it to you please.

Grace Abuhamad: Thanks Chuck. So I'm just, you know, just listening to the conversation here and I'm thinking I know that the chairs have spoken with (Xavier) about some of the separation costs because that was an issue that was - had been raised on a few CWG calls.

And I believe that he is providing within the next 24 hours a sort of a - an overview on this. And that may be - I think it may be useful perhaps to wait

and have - until the group is able to see those documents to make an assessment there.

Because essentially what the chairs had asked (Xavier) for was sort of the cost different assessments on the costs of implementing PTI and different levels of separation and what that looked like from (Xavier)'s perspective. And I believe (Xavier) worked with finance on some of that as well.

Chuck Gomes: Yes. And in fact it's his team is doing it. But in fact I think that request was recommended by this design team to request that information.

But it is dealing with a different issue than what we're talking about right now. We're talking about separation costs, not implementation costs.

At the same time we could once they - and it probably is better done once we know full implementation details and costs.

We could suggest that after the transition occurs that estimates be prepared by ICANN finance with regard to what a separation might cost.

I think that to ask them to do that now like Olivier said is kind of futile because we don't know enough of the details to be able to do that.

But its separation costs are not something that's needed I don't think at transition. But they should be done shortly after transition so that there's adequate preparation in case separation would be needed. Did that make sense Grace?

Grace Abuhamad: Yes it did. And I guess what I was trying to get at earlier was that in some ways -- and this may be different -- but in some ways getting an idea of what

the cost of implementation is will give you an idea of the cost of separation is and not entirely but because so many things need to be implemented with this it's significant change, you know, we'll get an idea of what it would be like to go...

Chuck Gomes: Right.

Grace Abuhamad: ...a step further in separation. So that's what I was thinking is that...

((Crosstalk))

Chuck Gomes: And that's true. That's a good point. That's a good point.

So what's our response here? We - what about the idea of at the outset upping our escrow and one year of investment funds to one year operating expenses plus 10% just to provide a little cushion there for what right now are very unknown costs for separation? Do we want to pursue that?

((Crosstalk))

Chuck Gomes: Cheryl says yes. Mary...

Olivier Crepin-LeBlond: Chuck is Olivier.

Chuck Gomes: Oh go ahead Olivier.

Olivier Crepin-LeBlond: Thanks. I was going to say yes. I like that idea. So 10% first year and then reiterate. So the intricate process to have a more accurate estimate in the years afterwards. That'd be great.

Chuck Gomes: Okay. And Mary I got a plus one from you. Thank you very much. So do we - I think we have enough.

But Grace you're going to have to help me here if you think we need more in - if you need more to complete the responses here. Go ahead Grace.

Grace Abuhamad: Sorry Chuck. I didn't mean to have my hand up. But yes I do need a little bit more assistance here in all...

Chuck Gomes: Go ahead...

Grace Abuhamad: ...confirming the response.

Chuck Gomes: ...and ask your questions and we'll respond.

Grace Abuhamad: Okay. So right now I have at the beginning of the response separation costs are not required at the point of transition.

But this information could be - or requested to be developed within the first year of implementation. And then I was starting a sentence on 10% of funds to be reassessed after the first year.

Chuck Gomes: Yes. And it's specifically 10% in other words up there in number four where we said one year of operating expenses updated on an annual basis in escrow.

And then additional year we would up each of those so that - by 10% to - as a cushion to provide for possible separation expenses until such time that we have better estimates.

And somebody - everybody else if I said that incorrectly or you can improve on it please feel free. And I'm just letting for those that Olivier I guess is the one they can't see what's going on in here but...

Grace Abuhamad: Does this make sense now?

Chuck Gomes: Go ahead and read it...

Grace Abuhamad: So the second...

Chuck Gomes: ..rather than me reading this time you go ahead.

Grace Abuhamad: Sure. So the first sentence is separation costs are not required at the point of transition. But this information could be requested to be developed within the first year of implementation.

In the first year up to each - up to ten oh gosh increase...

Chuck Gomes: Maybe increase...

Grace Abuhamad: Right increase by 10% each of the following until such estimates can be provided. And then I have the one year of operating expenses and the one year of low risk investments.

Chuck Gomes: Okay any problems with that? Okay. Now I think we've covered the remaining items. My - oh and I guess we haven't covered the - well we don't need that - the comment about the - that current response would be replaced by what you just shared right?

Grace Abuhamad: That's correct. Yes.

Chuck Gomes: Okay so that's fine then. So let me suggest this -- and thanks Mary for the comment there-- that Grace do whatever cleanup she needs to do on this and send it to our Design Team O list.

And that we respond by what - as quickly as possible because I know it's late for some of you. It's probably early for you Cheryl or almost early probably really early 12 UTC on Wednesday is that okay?

Thanks Grace for that suggestion. If everybody can just take a quick look at this, provide any edits and then - and I'll do the same. And then let's send this to the full CWG list shortly after 12 UTC tomorrow.

Olivier Crepin-LeBlond: Chuck one just one quick question for you. It's Olivier speaking.

Chuck Gomes: Sure.

Olivier Crepin-LeBlond: And I'm sorry I wanted to go back to the beginning. But it's only now that for some reason two screens are now showing both on my iPad and on my laptop two screens are showing question number one.

So I finally managed to read it. And I see here that a budget should be filed by PTI. So submit it to ICANN nine months in advance.

Chuck Gomes: Right.

Olivier Crepin-LeBlond: And I just wonder thinking of the nine months in advance and I guess I'm asking you as an operator, as a registry, and knowing the investment cycle and so on that are required in the DNS space nine months

seems to be quite a long time in advance to know what your requirements are going to be.

Chuck Gomes: It's - that's a very good question. I don't know if we talked about it in this Design Team or some other one. But and you're absolutely right. It is a lot of time.

And - but we did talk about this a little bit. And we kind of worked backwards. And in fact I think you were the one that pointed out that ICANN does approve the special budget requests in advance of their regular budget. And those have to...

Olivier Crepin-LeBlond: Yes. But that's after three months so...

Chuck Gomes: That's separate - bear with me second. Let me finish.

Olivier Crepin-LeBlond: Yes.

Chuck Gomes: So in the case of PTI with the exception of new items that would come up like research and development and special projects it's a quite stable operation. Now in recent years in the recent year I guess there's been a lot of new gTLD adds but they staffed up for that in advance and so forth.

So I think it's a little bit different case with regard to the IANA services because they're not like a typical business where there are huge variabilities.

And of course there would still be the opportunity to request increases after a budgets approved. But the other perspective we need to look at here is the ICANN budget approval process.

They are now starting in like January in fact they really start working before January and improving and developing a draft budget that they can start getting feedback from the community. Well that's six months in advance.

So they will need at that point at least by that point to have the IANA information. And I have worked that before they get to that point.

And keep in mind now we're asking ICANN to approve the PTI budget three months in advance of that. So they need to approve that by April 1.

If we want to stick with our recommendation for stability purposes remember we said we want it approved earlier than the regular ICANN budget.

So yes nine months before the year happens but it's really only six months before approval of the PTI budget would be needed. Did that make sense? Now let me let you talk.

Olivier Crepin-LeBlond: Thanks very much Chuck, Olivier speaking. Yes it certainly does make sense yes. And yes that's certainly allays my fears or concerns rather. Thank you.

Chuck Gomes: Now if we found that nine months was just impossible to do I'm not expecting that but if we did we'd probably have to let slip a little bit the three months in advance approval, you know, but we can - that can be dealt with right now. So you're okay with that?

Olivier Crepin-LeBlond: I'm fine with that. Thank you.

Chuck Gomes: Okay. Good fortunately I've been through the budget process with ICANN a lot of years. So I'm pretty familiar with that.

And it's getting better. It's getting - they're going to - they're starting now to get information to the community much earlier so detailed information. So that's very good.

Anything else? Okay thanks for your patience and for the great contributions and discussion. I'm sorry some of you couldn't participate in the audio but thanks for doing a lot of typing.

And thanks for the comment Mary. And Olivier you can't see it but you said I think the stability we were looking for in the recommendation is now embedded in the escrow and investment funds.

So I think this is pretty good. And last question oh Cheryl please - oh that's clapping. Thank you. Everybody can take a bow. Olivier go ahead. Your hands up. Wow I can see it.

Olivier Crepin-LeBlond: Thanks Chuck. Yes and I just put it up about two seconds ago. So that was a good...

Chuck Gomes: That was fast.

Olivier Crepin-LeBlond: ...(unintelligible).

Now just with regards to the escrow account I'm happy with. The investment the earmarked open to low risk investment we might still need to put something on this in that ICANN is...

Chuck Gomes: Do you have a suggestion?

Olivier Crepin-LeBlond: ...well see that - I'm just concerned that at the end of the day this is emergency fund.

These are funds which are there in case things really do go wrong. And when you earmark something, you know, what - how strong is that earmarking?

When it's under an escrow account -- and that's a totally different kettle of fish -- it's outside the organization altogether.

When you earmark it it's more inside. And we might need to think of the right term to have it in there.

I do know that what fund was it? Wasn't there of fund the ICANN had put money in and that they would - they said they would not actually touch it? They pledged that they would not touch it unless something happened. It might be the application fees.

Chuck Gomes: Well they - of course they reserve that - well they've done that with the - here's a good - even better example I think because they've now used the application fees.

And that is the last resort auction funds. That's in the...

Olivier Crepin-LeBlond: Yes.

Chuck Gomes: ...that's a really good example.

Olivier Crepin-LeBlond: Okay. Then that works for me then. All right thanks.

Chuck Gomes: Okay. All right everyone thank you. And Grace you're comfortable?

Grace Abuhamad: Yes thanks Chuck. I'm all set. I'll have these to the group in the next five, ten minutes.

Chuck Gomes: And your help has been invaluable. Thank you very much. Okay the recording can be stopped.

END