

Memo: Budget/Strat Plan Veto Sub-team
Saturday, October 19, 2015

The team discussed a number of the issues surrounding the proposed community veto power and there was a good deal of consensus on many aspects. Those areas included the need to memorialize, in some way, the new procedures for community engagement in budget development, the veto of the 5 year Strategic Plan and Budget and the need for a veto power over the IANA portions of the budget. The area of greatest concern to the Board and other commenters was the veto of the annual budget so that was where we spent most of our time.

The team discussed the purpose of the community proposed veto power and it was, in fact, to influence the expression of the proposed operating plan. As it eventually came down to semantics it became clear that it was really a proposal to veto the combined annual operational plan and the corresponding budget.

A number of the concerns had to do with the mismatch inherent in a continuing resolution of the prior year's budget. In the case of a revenue shortfall it would be too high and in every case it would not map well to the current year budget and would create uncertainty about where money should be spent.

Consequently, the notions of a "line item veto" or some more abstract "targeted veto" were both discussed but both again suffered deficiencies. In the case where the issues raised by the community involved proportional allocation of funds, a targeted veto might miss the mark.

Where the group landed was on the notion of a "caretaker budget," the budget necessary for ICANN to perform its essential functions, meet its contractual obligations and pay its staff. It was agreed the CFO could, based on a framework developed now, determine what would fall in and outside of this caretaker budget. The current CFO has agreed to take an initial pass on such a framework over the next two weeks.

An additional concern was the impact a veto would have on quarterly reporting but it was again agreed that the CFO would endeavor to design an interim report format to provide quarterly budget reporting under the regime of a caretaker budget.

Finally, the issue of timing was raised that would allow sufficient time for the veto process to take place while minimizing the operational impact on the organization. This could mean a limit on round trips but might more likely be a length of time after which the caretaker budget would become the budget for the year.

Finally it was determined that the board needs to retain the ability to authorize non-budgeted expenses mid cycle and this process would be ineffective to hold the board to account in those cases. Therefore, the community would rely on an IRP to object to a mid cycle expenditure.

The team believe we can reach consensus and construct relevant language in the very near term.

What follows is a table of issues raised, the agreement reached and the consensus status.

| Issue | Resolution | Next Step | Status |
|---------------------------------------|-------------------------------|---------------------|--------|
| 5-year Strat Plan/Budget Veto | Agreed | Draft language | |
| Enshrine community engagement process | Agreed | Draft language | |
| Veto PTI Budget | Agreed | Draft language | |
| Trivial Objections | High Bar fixes | Community Mechanism | |
| Deadlock | Freeze only non-discretionary | CFO Draft Framework | |
| Misaligned Continuing Resolution | Freeze only non-discretionary | CFO Draft Framework | |
| AC/SO Isolation | High bar fixes | Community Mechanism | |
| Quarterly Reporting | Interim Report | CFO Draft Framework | |
| Mid-year expenditures | Agreed | IRP Framework | |

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