

**ICANN**  
**Moderator: Chantelle Doerksen**  
**May 8, 2017**  
**3:30 pm CT**

Chantelle Doerksen: Good morning, good afternoon and good evening. Welcome to the FY '18 Operating Plan and Budget Meeting for the BC, IPC and ISPCP constituencies on Monday, May 8, 2017. I'd like to thank everyone for joining. And I'm going to turn it now over to Jessica Castillo to begin the call. Jessica, over to you.

Jessica Castillo: Hello. My name is Jessica Castillo; I'm the Operations and Project Coordinator with the Finance Department at ICANN. First, I'd like to thank you for your comments on the draft FY'18 planning documents. This session is intended to enhance our understanding of the comments that you submitted on these documents and to improve the quality of our responses.

We won't be providing official responses at this time but rather we'll be asking some questions and allowing opportunity for the community to provide additional context to their written comments.

For reference, this process was implemented to address the ATRT 2 Recommendations Number 12.1 and 12.5. This call, as you just heard, is being recorded and the recording will be published on the ICANN Community wiki shortly thereafter.

With that, we'll start by asking the questions that you see up in the Adobe room and then if staff have additional questions please raise your hand in the Adobe room or you can type them in the chat and we'll ask them aloud as well.

So I'd like the ICANN staff here in the room with me to identify themselves please starting with Becky.

Becky Nash: Hello, everybody. This is Becky Nash, VP of Finance at ICANN Org. And you know, we're very happy to be here today and the rest of the team is going to go ahead and introduce themselves.

Taryn Presley: Hi, this is Taryn Presley. I'm Senior Manager of Financial Planning and Analysis.

Leo Vegoda: I'm Leo Vegoda, I'm the Director of Organizational Assessment and Improvement, and I helped put together the operating plan so that's why I'm here.

Victoria Yang: Hi, this is Victoria Yang. I'm Organizational Assessment and Improvement Specialist. I'm here because I participated in the planning as well. Thank you.

Jessica Castillo: And also on the phone we have Benedetta Rossi, Charla Shambley and I believe that's all.

Jessica Castillo: Oh and Emily...

Leo Vegoda: Emily Crane Pimentel.

Jessica Castillo: ...Crane Pimentel. Thank you. So with that, Becky, would you like to start the first question?

Becky Nash: Sure. For the record, this is Becky Nash. And we have listed some questions on the Adobe room. We're going to go through those questions and then we

will also ask if there are any other questions from participants or staff on the call.

And the first question that we had was submitted by the IPC. In the document that was submitted, there is a question and comment on Page 2, Section D as it relates to the caretaker budget. In that statement we had some questions, just to clarify what was meant about doing a comparison from the caretaker budget using the fy'18 draft operating plan and budget versus using the FY'17 current approved budget as the baseline. That is the context for our question.

In part, because we wanted to know if the operating plan that's being proposed is significantly different from the previous year's operating plan, does this recommendation still stand to use the prior year's budget or quantification of the prior year operating plan as a baseline should there be a budget veto?

So I'm not sure if there's someone on the line that wants to elaborate just a little bit to give us context on that?

Lori Schulman: Yes, this is Lori Schulman for the record. My hand is raised. I am the Treasurer for the IPC and the primary drafter of the comments.

Jessica Castillo: Go ahead.

Lori Schulman: So I'm happy to answer. And I want to say this is the first time I'm seeing these questions, if you sent them earlier, my apologies, I've been preparing for my organization's annual meeting, which is in less than 10 days. So you'll bear with me.

But looking at the question, I will explain the context of the comment, perhaps that would help. So our understanding of the caretaker budget is if a budget were to be vetoed there would be some sort of interim measure or budget taken to make sure that ICANN keeps working and operating, which makes perfect sense. However, in the caretaker plan, the presumption is that the budget would proceed with all of the elements of the budget but for whatever was the basis of the veto.

And I have some concerns about that because this - or I should say, not I but the IPC have some concerns about this because in that caretaker budget proposal there are some qualifications about where cuts would come: staff positions would be frozen, which would certainly make sense if we're not clear about what parts of the budget will be implemented. There's a 10% reduction in travel but it doesn't say specifically what types of travel, it just says "travel" and professional services. And then there's a third category that I cannot recall off the top of my head.

So my - the IPC's thinking is that if the community can't come to an agreement on a budget then perhaps we stick to the same budget we're currently operating on because there's some fundamental flaw in the plan. So to say that you would go ahead with the plan absent whatever the major objection was and we don't know what the major objection could be, maybe it's an objection based on the entire basis on how the budget was built, maybe it's an objection to a particular program.

So I don't think as a matter of prudence to say well, you know, we will just implement the budget as we planned it absent whatever the issue is. Let's say, hypothetically the budget would be vetoed because there isn't a reserve plan in place, that could happen. The community might decide until there's an affirmative way forward to fund our reserves that we don't want any increase

in spending or we don't want any new programs in place. Again, hypothetically saying this.

So my - the thought is why assume that the fiscal '18 ops plan would then also be in effect if you can't get the budget through?

Becky Nash: Lori, this is Becky. Thank you very much for your comments. And I did just want to address one thing that we didn't actually publish the questions for these calls in advance, we actually just did it prior to the meeting. And more so just to guide us all as a team, you know, in order to be able to fit on the agenda.

Due to the timeline of the operating plan and budget process, we don't have very much time to actually prepare written comments for these calls. And we do have other participants on the line that were not required to submit their questions and they may have questions just verbally on the call.

So I think in short sentence, you didn't miss anything because we didn't like distribute it although we acknowledged there was a comment that it would be great to get these in advance. Part of it is just the timing.

So thank you for your detailed explanation. And it helps us understand a little bit more the context and the intent of indicating that as presented in the draft operating plan and budget, we used the fy'18 operating plan and budget draft and then made adjustments for any new incremental expenses like new positions, the professional fees, growth and the travel growth that would have been associated with those new positions.

And again, our question was just relating to the fact that there were known changes in the operating plan and the draft budget from the prior year one, we

were just wondering why the recommendation was to use the new, I mean, sorry, the former approved amount. And I think you explained that well-meaning that should there be a budget veto, there was not maybe enough information about what exactly was being vetoed is how I heard that.

Lori Schulman: Correct. This is Lori - yes, Becky, thank you, this is Lori for the transcript. Yes, that is the context. If the community goes as far to veto a budget, I would suspect that the desire of the community would have spending to remain flat rather than increased, I mean, I can't speak for the whole community but speaking logically looking at the numbers.

I think there's also this sense that when you talk about 10% travel cuts given the size of ICANN's budget, that's a large cut. And it looks almost like a punishment for those who depend on constituency travel to make it to face to face meetings. And perhaps one of those face to face meetings is actually meeting to discuss how to fix the budget. I mean, I don't know.

But it seemed to the IPC that special prudence was to at least leave things flat and certainly not impose a cut that could actually affect the ability of the community to negotiate face to face with the Board on whatever the issue is that triggered the budget veto.

Becky Nash: Okay great. Thank you for that comment. And it helps us better understand again the rationale so that we can improve our responses.

Lori Schulman: Thank you, Becky.

Jessica Castillo: If we'd like to go to the next question, Leo?

Leo Vegoda: Sure, so this question relates to the section dealing with the top 15 funded projects on Page 3, Section F specifically the sections dealing with compliance. So the comment states the IPC requests clarification as to actual proposed expenditures on this mission critical function. And what we would like to get clarification on is what beyond the spending categories identified in the draft budget, and of course the descriptive text for the projects and portfolios that were published in the operating plan and the detailed project breakdown, is that the IPC is requesting here.

Lori Schulman: Yes, this is Lori Schulman. I'll be answering for the IPC again. Thank you for - I'm actually going to tackle this question with the next question. It would appear that a disproportionate amount of funding will be spent on review rather than to employ resources for contract interpretation and enforcement. If you combine these two questions, since they go over the same project, I think it might be a little easier and may help from a time perspective.

The concerns that the IPC had with the description of the project and the actual budget number associated with the project, which I believe was over \$2 million, \$2.4 million or \$2.5 million, if I remember correctly, is that we couldn't figure out what was actually happening. Was this the review of how processes work or was this actually more staff, more resources to evaluate compliance complaints, to make sure they go through more quickly, to improve systems?

We're very perplexed, I guess, is the word, because if you look at the overall compliance budget and you look at the special funded project budget, it looks like this project may be taking up half unless we didn't read the budget correctly. And we would certainly welcome that clarification if that's the case.

But from our view, the way these projects are written, it looks like more funding will be put toward review of how you're doing rather than doing what you're supposed to be doing, which is enforcing contracts.

Leo Vegoda: Thank you very much. I can see that there are some hands raised. Denise has raised her hand.

Denise Michel: Thanks I'm happy to wait for a response and then - and then speak. Would you be able to address Loris' comments at this point

Leo Vegoda: I can't address them directly. I don't have deep insight into the contractual compliance function. But now that we've heard the concerns I can work with people in contractual compliance, Jamie and Maguy, to make sure that our response is going to provide some sort of a meaningful explanation of what is planned. And hopefully provide the detail that is requested.

Denise Michel: Okay. So Facebook - and this is Denise Michel with Facebook. Facebook is a member of the Business Constituency. I just wanted to reinforce that this is - in addition to the IPC, the BC has consistently raised support for additional funds for compliance and mitigation related efforts at ICANN, staffing resources.

This is pretty much been an annual request. So I just wanted to underscore that there are many organizations within ICANN that support much more detailed information on compliance activities and compliance expenditures, staffing. And I want to reiterate our support for that and note that the response from ICANN organization to these ongoing requests have not met our expectations and we'd like them much more detailed response from Compliance and we'd like a clear understanding of what ICANN organization



intends to do to modify the FY'18 operating plan and budget proposal to bring it in line with our request. Thank you.

Jessica Castillo: Thank you. We also had a comment or a question from Greg Shatan. Go ahead.

Greg Shatan: Thanks. This is Greg Shatan and just following up on the dialogue that Lori Schulman took place - part it. And just we're not looking, I think, so much for a sense of the expenditures of contract compliance, although that's obviously critical, but the comment really had more to do or the question had more to do with the priorities and why expenditures on reviews were so hefty compared to expenditures on compliance.

And I think it's unfortunate that this document that we're looking at in the adobe is so - I'm not sure if we phrased it this way or somebody else, but it just - there's actually no way to understand what the questions or the - what the comments or the questions are about especially this one. We say this mission critical function - this is under, you know, top 15 funded projects.

Without knowing what mission critical function is being referred to, you know, this is, you know, not really a document that provides guidance, it just makes it seem like we're, you know, completely confused. So I hope it's clear that the issue is not per se the compliance budget, although the compliance budget may be inadequate, but the expenditures on compliance and on the rationale for the amount of spending on reviews versus the amount of spending on compliance.

And it may be that there is no rationale just that the reviews that are called for by the bylaws and, you know, previously the AOC, are what they are and the budget to do them is what it is. But that still kind of makes it seem like we're

spending more money or, you know, a good deal of money relatively speaking on navel gazing and less on actual compliance. Hope that helps. Thanks.

Leo Vegoda: Greg, just to clarify, when you talk about reviews, are you talking about both the specific reviews and the organizational reviews? Or are you talking about a different kind of review?

Greg Shatan: I'm talking about the reviews that were referred to in our previous - in our comment.

Jessica Castillo: Lori has also typed in a comment that she's referring to the mission critical function and complaints in general. But they need details for rationale for reviews rather than compliance, per se, percentage of the budget for review is nearly 50%.

Leo Vegoda: Okay.

Jessica Castillo: Okay? Shall we move on to the next question, Becky, would you like to address the next question?

Becky Nash: Sure. And so this is Becky Nash. Just to respond to the comments that Greg made, the questions that we have on the screen on this point are in no way to supplement the actual document that was submitted. And we do have those available to display and we can scroll down and show the entire comment as it was submitted. Because we have three different documents, we were just referring to each of them separately on this list of questions.

So the next question that we do have also was submitted by the IPC and it is referencing Question E on Page 3 of the document submitted where there are comments as it relates to the assumptions about growth and specifically one of

the themes earlier was about reserves for the organization. And here this comment further on talks about revenue or funding growth versus expense growth. And there is a specific comment at the bottom that indicates the IPC supports budget assumptions that account for a greater margin between projected revenue and expenses or funding and expenses which would result in higher net assets that could be contributed to the reserve.

And we just had a question about what kind of growth assumptions, can you clarify, when you refer to a greater margin? Is there something that you had in mind, you know, as a reference point or it just helps us understand what again the intent behind the question is.

Becky Nash: I see a hand up from Denise Michel, I'm not sure if that's a - from a previous comment or if you'd like to go ahead.

Denise Michel: Sorry, that's an old hand.

Becky Nash: Oh okay. Lori, did you also want to comment?

Lori Schulman: Can you hear me?

Becky Nash: Now we can, yes.

Lori Schulman: Can you hear me?

Becky Nash: Yes.

Lori Schulman: Okay, I'm sorry, it took a minute for the unmute to unmute. Okay, so this goes specifically comments that were made at the Copenhagen meeting, which I believe we included in footnotes where Xavier was very open and transparent

about how the budget was built. And one of the things that Xavier explained to the group was that if ICANN plans for 5% growth, then ICANN plans a 5% growth in the budget. Like in other words, if 5% more funding comes in or revenue comes in, then you'll build your budget that to 5% target.

And in that meeting at the time, I had questioned that assumption because it may make more sense if you plan for a certain percentage amount of growth and you know you have a gaping deficit - and I'm going to go back to the reserves because again, and I have been talking about this now for a year fairly consistently, that the - one of the benchmarks for good governance for nonprofit organizations, in the United States and probably outside as well if we do some research, is that reserve funds are funded to 90% to 110% of an annual operating budget for an organization.

If there's a down year, you have enough in the reserves to make up for those deficits. No understanding that the transition brought a lot of unanticipated expenses very quickly, and the Board felt in its wisdom that it was a good idea to use the reserves for transition expenses, particularly legal expenses. There is no plan, to my knowledge yet, to replenish these reserves and the reserves now I believe are somewhere in the 30% to 40% range, which are shockingly low for an organization as large as ICANN with the responsibilities that ICANN has globally.

So I would hope that the seriousness of this problem is being looked at and unless the Board's planning to vote to release all of the auction funds, and put them back into ICANN's operating budget, which I don't think they're going to do, then the reserve funds, we have an issue here.

So the comment goes to that. If you build your budget and you say hey, we think we're going to have 5% more revenue coming in, let's build a 5% bigger

budget, well maybe you don't do that, maybe you build a budget to the 3% and use the 2% margin to refund the reserves. So you could argue, well, we're going to build 5% to 5% but 2% of that 5% will be back in reserves and the budget will balance no matter what you build. But I think this idea is that you spend what comes in based on an assumption of growth without considering payback to what you've already borrowed from ICANN is a big financial mistake.

Jessica Castillo: Lori, thank you for your explanation there. And thank you for providing the background. And we do see in the documents the emphasis here on building the reserves and we really do thank you for your comments very much.

Becky Nash: Thank you, so we'll go ahead and move on to - actually, do I have any staff members who are in the adobe room who had a question for IPC at all? If so, raise your hand and we can address your questions. Okay, I don't see any so we'll - oh, Lori, did you want to...

Lori Schulman: Hi, I'm not a staff member but I do have a follow up question. It was mentioned in the last budget call I believe, or somewhere in one of the meetings recently that the Board has dedicated a committee to looking at this replenishment issue on the reserves. Do you have an ETA, a specific date, where that plan will be due to the cm? And I'm going to editorialize by saying I think it would be extremely helpful to have that plan before the vote on the budget.

Becky Nash: Hi, Lori, this is Becky. I think again following up on the conversation in Copenhagen, I know you were at the budget working group and then some of the other presentations, I believe, or discussions that we had. And as Xavier Calvez, our CFO, had said that yes, the topic about the replenishment of the reserve fund is being addressed. I don't have a specific ETA on a plan being

presented. Of course, a plan would be presented for the cm to, you know, comment on as well.

And just to highlight the reserve fund KPI is also one of our KPIs on our dashboard, which does talk about the fact that we do have the target of the 12 month of operating expense and that we are under that target at this time. But, again, a priority discussion is related to replenishment of the reserve fund. So I will make note that you asked specifically about this and I will try to get more information on the plan, as you've indicated in the chat.

Jessica Castillo: Okay. Thank you, Lori. So moving on we'll - we only have one or two questions for ISPCP but we'll go ahead and start with that. Which I think Tony addressed it in the chat. Oh, there was a comment from Tony in the chat. If you can find it, can you? Do you want...

Becky Nash: Oh yes, sure. Hi, this is Becky. And I'm just reading the comment that Tony Holmes, you have written in the chat. So our question that we had was just related to the comment on headcount in the submitted documents where it reads the ISPCP questions whether that gross of headcount is sustainable and proposes that ICANN should look to produce and share a long-term vision for the structure of the organization before additional positions are created. This was on the submitted document under the general heading meaning general comments.

We asked, just for clarifying purposes of the intent, how far forward would an organization plan for headcount should be looked at. And then are we referring to the new positions of FY'18 or even further past FY'18 like future positions that are not yet known for FY'19 and beyond?

And in the chat, I'm sorry, so actually tony is referring to the ISPs, would like to see a vision for headcount that maps to the five-year strategic plan with special focus on year 1 and 2, meaning the more near-term year of the five year strategic plan. And we would like to see the fit of any increase in FY'18 and FY'19 within that broader vision. At the moment, headcount appears to grow in a totally uncontrolled fashion with no longer term consideration or set goals.

Jessica Castillo: So I'm not sure if there's anyone else on the line that would like to address this topic at all before we move on?

Becky Nash: Yes, Wolf, go ahead.

Wolf-Ulrich Knoben: Yes, Wolf-Ulrich Knoben speaking from the ISPs now. Well, I fully agree to what tony commented here. But to make clear where the question comes from, you know, if you look to the budget plan FY'18 budget plan compared with the last one, so there is an increase of roughly 15% in the headcount. And that raises questions, you know, where the question comes because that is not usual.

We understand that well, the organization went through the IANA transition and also the accountability, but, you know, we would like, well, to know what does it mean especially also in - when you look to what I remember from the last ICANN meeting at the Board - the Board priorities which were presented there had let me say headlined the consolidation of the organization. So and so I question - I ask what it means in - with regards to the development of the headcount here. So that is where the question comes from and where the request comes from then that in a medium and long-term we should have figures, well, justifying such a development. Thanks.

Jessica Castillo: Well thank you very much for your comment and we do see the context now, it will help us better respond to the question. So I'm not sure if there's anyone else on the line that had questions for the ISPCP related to the document that they submitted?

Becky Nash: I don't see any other questions at - well go ahead.

Wolf-Ulrich Knoben: Yes, okay, coming back, Wolf-Ulrich speaking again. Well, this question is - I didn't see it on your paper here, it's related to the document, document system. I saw that also this question was raised by others so in the - during the public comment phase. And because we didn't see that the document or the system is - which was kind of a trial in the last cycle, is not in the plan of the '18 budget. So we would like to ask, well, really and we had - we have had very good experience with that document system, and the support of that. So we would like really and to see that it will be funded as well in the plan of '18. Thanks.

Jessica Castillo: Thank you, Wolf. If there are no other questions from staff at this time for ISPCP, then we will go onto the questions that we had for the - if you do come up with a question feel free to type it in the chat. So the next section we had on questions for the BC, and please, again, these are the comments that were submitted, so we didn't write out the entire comment on this document that you're seeing, but this is in reference to the Executive Summary that was requested or suggested by the BC on Page 1 of the document that you submitted. Becky, would you like to ask those questions?

Becky Nash: Sure. Thank you, again, for the questions. In the document submitted, there is a comment on page 1 indicating that the BC will appreciate a one to two-page executive summary that gives a summary of the preceding year budget performance with respect to the future projections or the draft FY'18



operating plan and budget. The executive summary will serve to provide high level overview of the content of the proposal which may be embellished with a few analytical grasps that reflect trends over a three to five year period.

We just had a question to confirm in the executive summary what type of information that's not already produced is something that would be recommended that we present in the executive summary? And the second part of that is, is this an executive summary addressing both the operating plan and the budget or just the budget?

Jimson Olufuye: Thank you. This is Jimson for the BC. Yes, the request is basically within one to two pages, executive to get a grasp of what is in the 64 or 65 page document. And we're looking at high level information like what was the budget last year or the preceding year, was the performance this year, maybe you can say, okay, this on the analysis that's already in the document, we could have some feedback to say, okay, we had a 99% performance, we had 85% performance like that.

And then - that could be a trend like that over preceding two years in long-hand form. And then we can then project for the upcoming year that this is the amount to be spent or is projected for this coming year and we are expecting to do better with performance if that 100% preceding year then also we say okay, we expect too much, that record of performance in the upcoming year. So that is with respect to the main ICANN budget.

Also include the PTI budget in the summary, also go this is the (other) paragraph, this is the budget outlay for the preceding year. We have (not started and) don't have any record for PTI year because going forward we could begin to look in that direction and then the second page could then be just grasp what has been mentioned. So it will give this executive a quick snap

review of what is ahead and what has been done before. So that is just about the executive summary.

And of course include some variables, some (major things) that could be happening in the future that could make the budget to be overtly higher because from the discussion we've had so far, there is need for us to really increase our (reserves). So and if there is going to be projected increase in income, that could be just present to say okay, we want to stay flat from the expenditure and (so on). So this kind of variable agreement there is going to be some agreement changes that could affect the budget we also have the snap deal of that in the executive summary.

Okay, that is on that. I don't know if that is clear enough? So basically about the budget, not the plan, the plan is quite clear, the community agreed on that but basically on the budget.

Becky Nash: Thank you, Jimson. This is Becky. Okay, that is clarified then as it relates to the budget and then an executive summary both on the ICANN consolidated and also the PTI specifically this comment addresses a request for trends against the FY'17 forecast which I understand.

Okay, one other question as it relates to the document submitted by the BC, of which there are many, many questions within the document. We are only asking about specific ones that we feel that we needed more clarification or background. And this next one is related to the open data initiative and specifically at the bottom of Page 1, there is a comment related to the fact that this is a major priority of the BC is to make the collection and publication of data a priority. And then you've attached the link to the letter that was sent to the ICANN Board, the CEO and the Chairman of the Board.

One of the questions within this paragraph asks about, at the top of the next Page 2, is a comment to list this as a budget line item and we had a question as to whether or not if you were referring to listed as a project as based on the listing of projects that we produce on - as part of the draft. There is a project ID listed for that initiative. Just wanted to ask for some clarification as to what this was referring to.

Jimson Olufuye: Thank you, Becky. This is Jimson again. Yes, I'm really sorry if I missed it, but we didn't - we couldn't see that budget line and the budgeted amounts; we couldn't see that budget line at all. So if you could direct us to that the way it is exactly that'd be great. Thank you.

Leo Vegoda: Just for the record, it was approximately \$400,000 and I will pop the project number into the chat window in a moment. It was published in the breakdown by project.

Jimson Olufuye: Oh okay, this Jimson. Yes, I saw that but, you know, it was kind of the compound amount. So I saw that but we are looking for to something specific because that was not - we're not sure. So just - just a kind of (super set) so we are looking for something broken specifically, you know, for that. Yes, I saw that \$400,000, but it didn't fit clearly for this particular project.

Becky Nash: Hi, Jimson. This is Becky. Okay, noted. We've noted that question. And we now understand what you intended when writing this so that we will take that as a question then as part of our responses.

Jessica Castillo: Okay thank you. If there are any other questions, again, from staff who are on the line please indicate you have a question now either by raising your hand or typing it in the chat. Staff in the room, did you have any other questions for the community groups online?

So we're just going to let everyone type in the chat if they have any further questions. If there's anybody else on the line that wanted to offer any additional comments to the comments submitted, we're happy to take those at this time.

Jessica Castillo: I don't see any other hands up, but I do see Benedetta is typing so if we just - just see. So Benedetta has a question for Wolf. She asks, "Regarding your comment for the document production pilot program, the additional budget request process will enable a second phase to be conducted for a five-month period in FY'18." Sorry about that, lost my place.

"Once this phase is concluded, it will allow ICANN Org to determine if a more established core program is practicable from a budget and management standpoint," is the response, apologies, not a question. Thank you, Benedetta.

Okay with that it's - I believe staff has all the information they need to adequately and appropriately respond to your comments that you all submitted. Thank you for taking the time to be with us today. Thank you, Chantelle, for setting up this call. And with that, we'll go ahead and end the recording and this call. Thank you again.

Jessica Castillo: Thank you.

Leo Vegoda: Thank you.

Chantelle Doerksen: Thank you, everyone. Operator, you may stop the recording. Please remember to disconnect all remaining lines and enjoy the rest of your day.

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