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BEIJING – ICANN Finance Open Session  
Wednesday, April 10, 2013 – 11:00 to 12:30  
ICANN – Beijing, People’s Republic of China

XAVIER CALVEZ: Thank you. Good morning, good afternoon, good night to those of us who are remote participation. This is Xavier Calez, and we’re are going to start the ICANN finance update for the Beijing meeting. Welcome everyone. Welcome everyone. Hi [Ralof 0:01:11].

There is a lot of room around the table, so feel free to use it. Can you please list the people who are on the remote participation so that we know who they are? Welcome Marilyn. There is a lot of room...

WOMAN: Sorry. I was looking for my...

XAVIER CALVEZ: I won’t...

CAROLE CORNELL: Good morning. The 11 people on remote are [Abba, Azzai, Chris Chaplo, ? 0:01:52], I can’t say his last name. [fa-too-ma-naga 0:02:01]. Oh well, sorry. Glenn McKnight. The interpreters, Karen Pressley, Tom Chard, [? 0:02:13].

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*Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.*

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XAVIER CALVEZ: Thank you. So some of the people that Carol just mentioned are part of the finance team.

CAROLE CORNELL: And one more is Fatima.

XAVIER CALVEZ: And Fatima, thank you. Are part of the finance team based in LA. So thank you for staying a bit late to those of you who are on remote participation. Are we good to go Janice? Thank you.

So the presentation today I think is going to be... We had a relatively short materials and I'm hoping that this will give us the opportunity for, and pull time for question and answers. So I suggest as opposed to the usual rule that we try to apply Janice, with your blessing if you may, that we let people ask questions when they would like.

Because I think we have time today. So that we have maybe a bit of a more interactive presentation and interaction, that would be great. Feel free to ask questions when they pop up. We normally don't do that because we usually have a lot of materials to go through, but it's a bit less this time so we can do that.

We're going to talk about the budget process largely. There is a new element, a number of new elements in our process and we are going to look at those. One of which being the draft revenue budget that I wanted, we get a chance to share as early as we can with the community, and we'll talk about it when we get there.

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Next slide. So a reminder of where we are and where we're going in the budget process quickly. As I'm sure all of you know and feel by now, we are in quite a transition year on a number of aspects. As it relates to the overall planning process, we as you know, we have taken an approach on this strategic planning that leads to keep or maintain these strategy plan, 2012 to 2015, and not go through an extensive update of it during this process this year.

And I think that has been a consensus that the organizations along with our CEO and the staff has reached while we were in Toronto. So stability of our strategic plan. We also have affected the budget process with the implementation of the management plan, sorry the management portfolio that Fadi has mentioned several times now, presented in October in Toronto, as well as represented again on Monday morning during the opening ceremony.

And has provided a live view of, those of you that are in the distribution list of the budget working group, we have sent it to these people two days before that an overview the management system. The reason why I'm mentioning it, and we will talk more about it, is because we are going to use it extensively this year and obviously in a more extensive fashion in the next year for the purpose of the budget process.

And I would say more generally for the purpose of the planning process overall. And the implementation of this management system has been happening over the past few weeks and months, and has impacted the timing and the structure of our budget process. So today we are at a point where, sorry, we have completed a first pass at the...

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We have taken a first completed pass... [PERSONS SPEAKING WITHOUT MIC 0:07:45] Right. Okay. Okay. So do we need to present, to mention something...? Okay. So we seem to have some conflict in the calendar in this room with another meeting so we're trying to get it fixed. Thank you.

So, now I lost where I was. On the management system, we have completed a first pass at the management system. Just as a reminder, the management system includes for every staff of the ICANN entity, for every member of the staff, every activity and every project that we all participate to on a daily basis. It's a management tool, it's a working tool for us to use.

And it's a tool that we want to be able to use to provide visibility to the community on what's happening in the organization, and what are the projects that are being carried out, what are the activities that are being carried out, and a number of information relative to those projects and activities, of which the financial impact of them.

Ultimately, and I say ultimately because right now we're still ramping it up, but ultimately the purpose is to have a comprehensive, detailed, documentation of the activities that the staff carries out with the community. So that you can have a live understanding, an up to date understanding, of the status of those activities, the costs of those activities.

And of course, we're therefore going to use this tool for the purpose of the budget as well. And this tool should also help us be able to close the loop of the planning cycle. So strategic planning, we're going to use this tool for strategic planning. When we move from this strategic

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planning to the development of the operating plan, we are also going to use this structure of the tool and the information that this tool will provide.

When we get to the point of actually going through the fiscal year, and producing financial information on how the actual spend and end revenues are, then we will also be using the format and the structure of this tool to help us report on it, so that we have a comprehensive and consist format of communication relative to financial information.

So we have the first pass of a complete management portfolio. Carol Cornell who is here with us, is the person from the staff who has been managing the implementation of the system that we call At Task, which is the name of this management system, and will help us go through the materials that we're going to look at a little bit later.

And has done a tremendous amount of work with the staff to be able to get to where we are today. So you have seen the presentation, a number of you I'm sure have seen the presentation from Fadi on Monday, there are four goals, six, sorry, four objectives, 16 goals, there is 116 programs, those are even broken out into 486, unless I'm mistaken, projects and activities.

What we have shared late last week is that we are going to look at a bit further in this presentation, is the list of the 116 programs that are carried out by the organization, with a certain amount of information associated to each of those, which we will look at. What we don't yet have in this picture is the financial information associated with each of these programs.

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And that's what we are, staff now, working on producing. We have received the input from all of the departments from the ICANN staff earlier this month, sorry we're in April, so earlier last month. We have constantly dated that information and we're working through finalizing it, and we have collected this information as per the same format than the management plan that we are going to look at.

So that we you see a program in that list of programs that we're going to look at in a few minutes, we will associate an amount of expenses budgeted for fiscal year 14 to it. And therefore the information that we will share as part of the budget presentation early May, will include the split of the expenses as per this list of programs, which is a first as we know.

And I expect will increase the transparency, the understanding, the granularity of the information that's provided from a financial standpoint as part of the budget. So the timing is that we are finalizing this information for the purpose of putting together a comprehensive budget presentation that will be submitted to public comment early May.

The current target day is the 8<sup>th</sup> of May, for public process, sorry, public comment process intended to last approximately 45 days. Next slide. And again, I'm expecting that anyone who has questions or comments would raise their hand. Chris.

CHRIS:

Thank you. Chris [? 0:15:01]. Although it indicates on the slide there, program, project, activities, community review and feedback, I don't

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really feel that we're in a community review feedback. Am I right? We've got certain information, I'm not focusing on preparing feedback on that at the moment.

XAVIER CALVEZ:

No. I think you're correct Chris. [Rolof 0:15:31] and I were having this conversation a bit earlier this week. At this stage, I guess what I'm expecting is that us having shared the PDF document that we have, is only allowing you guys to get acquainted, right, with the new format of this information.

To start going through the list and I guess preparing yourself to the next stage which will come with numbers in front of those lines, and start maybe identifying those projects or activities that you have questions on, or will have questions on. So I view this phase of this week, next week, in the following until the publication of the budget presentation as a preparatory phase for you to become acquainted with the format and the content of that information, so that hopefully the public comment time will be, and the start of the work, will be able to easier for all of you to carry out.

Because you will have been acquainted with the format and the content of the information when arriving at that point. So your correct, it's not meant to be yet a period of thorough review and the resulting and producing community comments before the deadline of early May 2013. Chuck.

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CHUCK HOLMES:

Chuck Holmes from the Registry Stakeholder Group. Thanks Xavier. Two questions, somewhat related I think to what Chris was getting at there. And let me preface it first of all, we already understand that this round of the new process was going to be pretty limited because of the transition to the new system.

I think those of us that have been involved in this group have accepted that. I'm assuming now, and this is my first question, that we're really not going to get very much detail in a timely manner in this round. And I understand why, you don't have to explain that to me again. It's transitioned to a big system and so forth.

So that's my first question, is my assumption correct? My second question, maybe it's the more important one, is whether we're going to be in a situation like we were in previous years, where when the draft budget is, it comes out in May. Again, there won't be time for submitting...

Let me rephrase that. We won't be able to impact any significant change to the budget because there is just not time, keeping in mind, maybe for those that haven't been involved in this process, that we were told last year that any comments we submitted to the draft budget, you can make some little tweaks but bottom line the Board has to approve the next year's budget the end of June, and I think it's the 28<sup>th</sup> of June this time around.

And so, regardless of your input, there probably won't be any significant changes to the budget. Now again, I understand the whys of all of this, I just want to make sure that my assumptions are correct.

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XAVIER CALVEZ:

So based on the process that we're at, and with the understanding of what it is now, my expectation is that the timing is effectively similar to the past years, and the only meaningful, in my view, change is providing a bit earlier than last year, a granular information on the list of activities. But I recognize it's not figures, it's not detailed figures yet.

So you are correct in your first assumption that the level of granularity of the information that you're going to get early May, within the same timing than last year, will be similar to last year. But in my view, it's a more valuable information because it is, it will be financial information that is associated at the granular level to each of the activities that we carry out, which we didn't do in the past because we didn't have the management system.

Or we didn't do to the same extent. We had a number of projects that we associated costs with, but not all the list of activities and projects. So that's the first point. The second point is that it has always been possible, and I think this year is also the case, that the approval by the Board is either delayed or conditioned to a number of restrictions that can be formulated on the basis of public comment, that would lead to identifying either issues or things that are not sufficiently clear, or things that are not present in the budget, or things that are present and shouldn't be.

And that in a reasonably short time frame, the staff could work out after conditional approval by the Board. So to be a bit more precise, public comment could come in on the 25<sup>th</sup> of June that says, "This entire activity should not happen." Completely, comprehensive, and consistent comment from the community.

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The Board is submitted the budget for approval with the understanding of that public comment. And those members of the Board Finance Committee that are here, it's nearly complete we could nearly have a BFC here, that are here can attest that they do pay a lot of attention to what are the comments that have come from the community as part of the comment process. Should that be the case, should there be significant feedback from the community on potential changes on the budget that's being submitted to public comment.

I believe it is technically possible and has happened in the past, unless I'm mistaken, that the Board provides an approval of the budget with a condition on a specific aspect of this budget that either needs to be changed, or needs to be provided with further explanation, or more detailed information.

So I think this is technically possible. I recognize it's a little bit more of an exception type of process than a rule type of process. And as a reminder for everyone, the context of your question, unless I'm mistaken, was that during the budget process improvement working groups that we had between July and October last year, we had identified the need for an earlier and more detailed communication of financial data as part of the budget process than in the past, to enable the community to have an effective work at the sufficiently detailed level, on the budget, in order to be able to provide a meaningful comments that can be taken into account by the staff prior to the finalization of the document.

So that was the intent. We had, as you remember, we had designed a budget process that was allowing for that step to be happening earlier,

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and the implementation of the management system has affected that plan. I think for the better, but certainly for the better in the future, right?

We are now ramping through a process that where we are building the foundation to be able to do that in the next fiscal year, where we will have revamped up the system, we will have lived with it, and we will have worked out the level of detailed information and the timing of communication of that information, that then enables those phases earlier in the year, basically, to happen.

With the overall intent, to conclude on that, with the overall intent that the public comment becomes really nearly the fine tuning of reviews and possible changes to the budget, that may have already been communicated as part of an earlier reaction with the community on the budget.

CHUCK HOLMES:

Chuck Holmes again. Just to follow up, Xavier, thank you. And so my assumptions were correct, and that doesn't surprise me considering where we're at. But it sounds to me then that there is an opportunity for some of the public comment on the draft budget in May having some maybe delayed impact if it's important enough.

But it sounds to me like that comment process maybe just as valuable for determining whether the level of detail we get in that draft budget is what we're going to see earlier in the next cycle. In my mind, that's going to be probably as an important thing, certainly if there is some big

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issue that jumps out the budget that we like to see changed, we can still do that.

But just as importantly, we'll have an opportunity to comment, to see if this is the level of detail all of us were looking for that will help us when we get that earlier in the next cycle.

XAVIER CALVEZ: Correct. Thank you. We have to Jenny and then I think Chris. Sorry, and [Furan 0:26:29] as well.

MAN: I want to echo the remark of Chris, and [? 0:26:34] that we change the wording of this box, telling community informant, rather than community review and feedback, because...

XAVIER CALVEZ: Correct.

MAN: And we much interrupt, and we didn't interrupt anyone at all.

XAVIER CALVEZ: Understood and agreed. Chris.

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CHRIS: I just dropped mine, might be quite a one word answer. Just to clarify then, so the 116 programs on the chart there, are the number of lines or rows on the PDF...

XAVIER CALVEZ: Yes. Yes.

CHRIS: And it's also, if we drilled down into the project managed on the project system in My ICANN...

XAVIER CALVEZ: Yes.

CHRIS: ...and we stripped it all out, it's the same.

XAVIER CALVEZ: I was going to make that comment that Carol reminded me, I didn't yet. That the... What we sent to you last week by email as a PDF format, for those of you who have received it, it is now available on My ICANN as per Fadi's demonstration on Monday morning.

Correct. Kieren.

KIEREN MCCARTHY: Kieren McCarthy. So I'm far less interested in this process and more with what will actually come out of it? So I have a lot of questions

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which I hope you'll be able to answer. What are the categories that you are talking about? How are you going to break out what ICANN spends?

So, for example, will you break out travel? Will you then break out travel by, yes I see where you break out travel by accommodation, and food, and flights. What will you actually provide so that we can see it? Will you break out by programming of the...

Up until now, there has been very vague terms, like we've spent this on security which could be anything at all. How are you going to figure out, and how much of that are you going to make available to the community? And then how is it going to be provided?

So, I mean, if you were given PDFs as the CFO for working through figures, you'd go completely mad. I mean, I'm assuming you get it in Excel spreadsheet or online databases. Are you going to be opening that out so rather than the community waiting for a PDF report of this is what we spent our money on, will you be provided an online database or an Excel spreadsheet that people can then walk through and do their own analysis on?

Is that something you've considered? Are you going to provide figures over the course of the year? Or is it going to be at the end of the year you give us a report? Or will you, I'm assuming, that you break out your budgets monthly and you figure out what you're spending. And are we over budget, under budget?

I'm assuming that's what you do because well, that's what I do. Are you going to make that available during the course of the year? Can we see

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what the spending is come in? Is this something that you think you should make available?

And then I have a question about the gTLD fund, which is there is an obviously amount of money there. How much money is there? Are you going to let us know? Are you going to let us know how much is in there over time? Are you going to let us know how much is coming out and what you've spent it on?

These are just sort of the questions just if all of that was available, I would think, "Wow, ICANN is accountable and transparent, and I can dig in and see what's happening." So do you think you should provide that information? Is that the format? Or am I just inventing a sort of fancy land of provision or what?

XAVIER CALVEZ:

So I think I've captured about between 21 and 22 questions in your statement, and I'm hoping that I have managed to memorize sufficiently them, but you'll help me if I haven't. So I will start first with the format of the information that we intend to provide in the next weeks for this budget process, because that, I think, was the beginning of your series of question.

So the format will be including two sets of information. So the list of programs, the way it's described in this document, and that's now in My ICANN and we can provide to you the PDF document if it's helpful, in addition to the access to My ICANN. Will be associated, that list of line items, the 116 of them, will be associated with an amount corresponding to the costs submitted in the budget, for that activity.

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That amount has a breakdown between personnel costs, travel and meeting costs, professional fees, and administrative costs. That's the categorization that we gather the information, the financial information for those costs as per the budget process.

So we will have that information. We have not setup to, sorry I'm trying to get to the second question. We have not setup the format of the information, and the level of granularity of the information to be able to split flights versus hotel versus incidentals, when providing the travel costs for example, as per the format that we intend to provide.

So, when you sought an example, and I'm taking it again, we will not have that level of detailed information in three weeks from now. Then I think you asked information about, or you asked our position on the level of granularity of the information that is going to be associated and also in terms of the format. So of course, that PDF is in Excel spreadsheet, and there is much more detail behind the budget than a PDF file.

And no I don't work with PDF files to consolidate information manually. We don't currently have, as I'm sure you already know, a budgeting tool in the organization. So there is no centralized database where the granular bottom up detailed information exists in a consolidated manner today in the organization.

I'll come back to that. So that's on the format and the process of the information. Regarding the... Moving on to what I'm hoping is the next question that you asked, regarding the ability to provide ongoing actual information compared to budget. We do, I do consider that it's relevant

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information and that it's an information that we should produce and share publically.

We have, the Board members that are here can attest that we have been developing plans and formats and processes to be able to do so. And we are carrying out that preparation, I would say. We are basically trying to finalize the format of the information, it's currently at a good completion stage in my view.

We are working through with the BCS, the process of analysis and the type of information that comes out of this exercise. As you may know, when you start comparing actual data with budget data, and explaining variances, there is, just like for the budget, completely different approaches in terms of level of granularity that you can retain.

So we are trying to walk step by step and get to an overall view first, and then be able down the road to refine the level of information that we provide. But we have a format that we are finalizing now. And we will communicate actual financial information during the fiscal year, compared to budget with high level variance analysis on a regular basis during the fiscal year.

We expect to do it on a quarterly basis. And to start to publish the first set of information most likely for the first quarter year of fiscal year 14. That's the intended timing. As it relates to another question that I think you asked, regarding basically sharing or putting online the detailed budget information, and you'll correct my understanding of your question.

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I don't expect that we would share the most granular data that we use to produce the budget, for very simple practical reasons, it's not about transparency, it's about there is a certain amount of [? 0:36:40] of information we don't publish personnel salaries for example, or we publish mine but not everyone's.

There is also, as you must know I suppose, as part of a budget process, you get that input from operations, majority speaking. What that is, is fairly granular, is by projects, by nature of costs with people's needs, and people's names, and so on.

That's not where the budget ends, it's the beginning of it. So when I get a submission from a budget holder, I look at it, I analyze it, we revise it several times possibly. So between the beginning and the end of the budget process, there are levels of reviews and changes that are not necessarily always completed at the most granular level, or formalized at the most granular level.

So a certain level of granularity, may add up to a different amount that then aggregate actually is budgeted for, because there are adjustments being made to the most granular level at a high level. So I don't mean to be too technical, but the bottom line is there are a number of practical obstacles to sharing very detailed information, even the information that we use for the budget purpose.

And I don't think it is actually at all helpful to the community to provide that level of detail. I'm not saying that a number of community members would not be interested to spend a lot of time on it, but I don't think it's necessarily helpful for the entire community to have that amount of information.

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Now, we have been talking, and this is a lot more speculative at this stage, we have been talking thanks to some of our Board members about open data, and we are going to try to go down the path of more transparency, and more information on an ongoing basis. In my view, the most imminent and significant information that we don't provide today, that we should provide, and that we need to provide, is a regular information on our spend, on actual spend compared to budget.

Today you guys see a budget with certain amount of information in it that I think, generally speaking, not sufficient. But we never, in the past, have really talked about, how did we do against this budget? And we need to do that. And that's what I commented earlier we are planning to do.

Did I address most of your questions?

KIEREN MCCARTHY:

The last question was about the gTLD...

XAVIER CALVEZ:

Oh yes, thank you. So the gTLD program, we are like for the rest of the organization, we're tracking the expenses on a regular basis. We will produce, as part of the budget, a document as we did last year, a detailed overview of the program's costs and revenues.

We will do that for fiscal year 14, but we also present the rest of the years as we've done last year, so that we have the comprehensive multi-year view of the program. Especially because single annual views

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are not always helpful because there is a lot of timing impacts between the years on the program.

But we will provide both the annual view and the total view across the years of the program, and provide comparison to the budget as well. So to be precise, we will provide an understanding of what the figures are for fiscal 13, once the year will be completed compared to budget. In the budget presentation that we will produce, we will compare also of course the forecast of the fiscal year 13, the figures of the forecast for fiscal year 13 to the budget for next year.

Because fiscal 13 is the basis to look at next year as well, so we'll provide those analysis. Is that answering your question?

KIEREN MCCARTHY:

Well I don't want to chew up too much of the time, there is a lot of people here, but one question I have specifically with the money that, with gTLD application fees, that there is... The talk has started about there is almost a significant expectation that there will be money left over once this program has run its course.

And the rules around what that money is allowed to be used for, both now and when it reaches the end are very unknown and unclear, and so I would be interested to know how that works. How much money there is in there? And what's been spent on it, or what you think you should spend on it? And where it has been spent?

And then I think that will help leading to the inevitable conversation in about a year's time, which is what should the money that is left be

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spent on? So I was just asking what are your thoughts? And what's the level of information and transparency around that money?

XAVIER CALVEZ:

Just to make sure that I have understood. You said that you would like to know how that money has been spent. So are you referring to the money of the program that is being spent? Or are you referring to a potential surplus and how that would be spent? Or both?

KIEREN MCCARTHY:

Both. My understanding is that that money was put in its own semi-secured account. That was my understanding. I don't, maybe I'm wrong. I mean, I'm not running ICANN's finances, but my understanding was that application money was put into an account that was kept separate from usual every day finances.

And I'm trying to understand what level of information you will provide about what money there is there, and what goes in and what comes out. And therefore, how much is left?

XAVIER CALVEZ:

Okay. So what we will provide is... As you are saying, and you are correct, we have segregated accounts both accounting system accounts. We have segregated ledger for the program. From the ledger, accounting ledger, of the ICANN operations, we then aggregate those two ledgers together to produce the financial statement of ICANN, as the cooperation.

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So we have the split between the two on a permanent basis. We have as granular information on an ongoing basis, a natural basis, for the program as we have for the ICANN operations. What we will provide as part of the budgeting information will be a forecast of a financial statement, if you wish, profit and loss statement or a statement of operations.

Statement of positions, cash flow statements, for the program just like we do for the ICANN operations. So this same level of granularity and as per the same accounting standards will be provided for the program. I don't know if you looked at our audited financial statement note three, but in that note three there is the break out of the entire financial statements of ICANN between ICANN operations and the program.

I'm referring to the audited financial statement produced on the 30<sup>th</sup> of September 2012 for the fiscal year ending June 30<sup>th</sup>, 2012. So that information exists there, that gives you an idea of the format of the information that I'm referring to.

On an ongoing basis, we will also as part of the intended quarterly information that we intend to provide, we will have a view of the spend on the program as well. As it relates to any potential surplus, I can't speculate on it. The planning information that we will share will reflect the position of revenues and expenses to date for the project, will reflect also the updated budget or forecast across the entire program for the new gTLD program.

So this information will be available. As it relates to defining the mechanisms of the usage of the potential excess, if there would be any,

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these will not be a part of the budget presentation. That... Okay. [?  
0:46:05]

MAN:

I think Kieren's question out of all very pertinent and excellent. This organization has to move into a transparent information about our accounting, cash, our expenses, our budget. Everything has to be much more transparent, and it has to be much more regular throughout the year.

So we need to move like a normal organization, as everybody said, this was in its infancy for a number of years. Now we're reaching a point where we need a proper balance sheet, PNL budget, reports on a quarterly basis, so everyone see and clearly understand what was going on.

Regarding the gTLD money, I fully support what Xavier said, what you guys want. Everybody has to see what's happened. So last year in the budget, for example, in 2013 there was a page, I think, I have it in front of me, 62, sorry, clearly showing the total amount of fees coming in, the expenses, surplus of 27 million at the time written, and how year by year this is shaping up.

What we need to do is actually keep on updating this, keep on reporting it to you, so that you all see the visibility. And quite rightly, a discussion has to take place, not now, maybe a year from now, how you will dispose of it, how you will spend it on, what do you do with this access, and so on and so forth.

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But we have to. I mean this is an objective... This year, the focus was entirely on the process, getting the systems right. Next year our focus has to be in producing these quarter reports to the community on a regular basis. There is no doubt about that. That's a focus.

Okay? And as Xavier said, hopefully we don't want to tie our hands into a specific date, but the intention will be starting with the first quarter of FY 14. So everybody starting that stuff.

XAVIER CALVEZ: All right. Are there any other questions on the various topics that we've already covered up to now? [? 0:48:34] have a, little game which is to know by heart of the pages of the budget presentation and it's 61. I'm stubborn [laughs].

MAN: You gave me the wrong version of the budget then.

XAVIER CALVEZ: [Laughs] Okay. Next slide. Sorry. Sebastian.

SEBASTIAN: We don't try to compete with them please.

XAVIER CALVEZ: No. Next slide. Yes. Okay. So as everyone can read every word on this left screen, I'll skip to the next slide. No. So this is a PDF document that is now on My ICANN. So everyone who can... And I have failed to put

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here the link to My ICANN. Can you give it to us Carol in a few seconds the link to My ICANN where this information is?

My only intention in this presentation was to describe the format of the information, not to go into the details of it, but to describe the format of the information so as to enable everyone to understand what we will provide as part of the budget process, as part of the budget presentation already made.

And also to elaborate a little bit on what the structure of the data is the At Task system which contains our management portfolio information. So while we're doing that, you remember we had... Actually, would you mind, Janice to put back on the slide where we see the four, 16, and 116?

Sorry. To put that back on the right screen here if you wouldn't mind. Yes this one, the number three. Thank you. So you can see, if you can, the blue lines on this document describe objectives. The objectives are four as per the slide here on my right. And those are the same, of course, that you will find on this document, and you'll find each of the programs listed under the heading of an objective.

Right below the objective, in yellow on this document, you see then the goal, one of 16, or one of the four that pertains to each objective. Right below, you have the portfolio, it doesn't necessarily appear here and we can have put it, but right... If we go down in the granular or two of the information, then we have the portfolios.

Unless I'm mistaken, we have 50 and something of them, 56. This is a numbers game. So those are the portfolio. This is the gray line. Within

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a portfolio, you then have a number of programs. And the programs are those lines that you see on this screen between each portfolio line.

So we have in this will read, in the one that we are looking at here, this portfolio administrative services, has an owner indicated in front of it. This is Diane [Shroder 0:52:19], Diane is in charge of the administrative services. She has listed a number of programs that her organization works on, on a daily basis, in the system.

Administrative services, travel management, archiving history of ICANN, management of ICANN offices, and this is a slightly duplicate, we need to refine this wording. This is also saying ICANN administration. But basically these five programs, five programs cover the entire activity of the administration department of Diane [Shroder].

Within these five programs, there are activities, day to day activities carried out on a daily basis, and there are projects that have a beginning and an end and a very specific deliverable at the end of the project, in a timely defined timeframe.

The activities are, again, permanent, carried out every day, with no specific beginning or end. The tool is best designed to capture project information than it is to capture activity information. But nonetheless, we wanted to make sure that we have in this tool everything that the staff does day in and day out.

We update this system, and use it for our own organization planning on a daily basis. That was the structure of the lines. Can we have a zoom out a little bit so that we, at least I can describe the columns? And we have the columns all together on the screen.

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CAROLE CORNELL:                   Xavier?

XAVIER CALVEZ:                   Yes?

CAROLE CORNELL:                   This is Carol. I just wanted to point out that an ongoing activity would be bucketed in a project and would have an end date of the fiscal year, and then reopen the following year. So you will see ongoing activities close out and then reopen for the next year.

So we're bucketing the work for ongoing as though it's a project within it to capture the cost and the resources.

XAVIER CALVEZ:                   And this is intended so that we use the capabilities of the system, and the structure of the system, to help us flag potential delays or issues. So we have these activities that have a daily deliverable are described. There are metrics associated with these activities.

And part of the update done by the staff is to say whether we are on time or late on delivering those daily services or activities. And the feature that Carol just mentioned allows us to be able to flag whether an activity is late or not.

And I'll tell you, [Sadhi 0:55:23] looks at this, [I-Crome 0:55:24] looks at this, I look at it for our status. I do it on a weekly basis to see are we on time? That includes paying invoices. That includes processing payroll.

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That includes revenue invoicing. That includes, as it relates to the finance activities, all the activities of the finance department.

So the columns of this document, which again, as you can find on My ICANN, describes starting from the left: the name of the program; its description, I can't even read it from here, more comprehensive description of it in a few words; the program metrics, how do we measure completion and/or success?

The program dependencies, what does the program depend on in terms of resources to be carried out completed? So who is involved in it? And what are the parameters that affect it? The program stakeholders, is this a program that affects a portion of the staff? All the staff? The staff and the Board? The staff, the Board, the community and which stakeholders in the community?

So that helps understanding who is impacted by this program. The topics is going to formulated in deliverables. Carol can you help here?

CAROLE CORNELL:

The topics were used so that when you are in my ICANN, if you wanted to know something about ATRT, it would flag it and sort it that way.

XAVIER CALVEZ:

So it, yeah, so tagging in My ICANN basically. And the program timeline is the program timeline. So it's really providing basically the intended completion period for that activity, or that project. So as Carol indicated, you will see sometimes a lot of fiscal year 13 T3.

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T3 means trimester three. And trimester three is the last of the three trimesters within an usual fiscal year, which means the end of the fiscal year. So that means that the program is expected to carry out until the end of the fiscal year. That will be what you will see for any ongoing activity. Yes Carol.

CAROLE CORNELL:

I just think that it's important to know that this is a new tool that we have just started. So we are going through internally doing an education and a cleanup and a review, and it's going to take us several months to really hone in on this material.

So it's really meaningful. It is our intent to keep putting it out there, so if you go on it and you notice that something might not be quite aligned to the way you're thinking, just would like to share that it's a learning curve also within the company to get better at sharing and refining that data.

So we will be doing that, and you will see that in my ICANN on a monthly basis as we evolve the data.

XAVIER CALVEZ:

Thank you. Let me stop there. Any questions on the structure of the data or the tool? Yes.

MALE:

Xavier, it's [? 0:58:58] from Registry Stakeholder Group. Perhaps I'm getting ahead of your presentation, but I want to make sure... Chuck had asked me to ask this question. This is all wonderful. This is a

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dramatic improvement over past years in terms of visibility, transparency, operational excellences, ensuring – knowing that it’s such a priority.

But help me understand as we look towards the May draft budget presentation, the level of detail when it comes to dollars that will be spent on the initiatives. How do we in the community tie to which level will dollars be attached?

XAVIER CALVEZ: To that level.

MAN: To the grays.

XAVIER CALVEZ: Yes.

MAN: So the actual programs, we will see...

XAVIER CALVEZ: Yes.

MAN: Okay.

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XAVIER CLAVEZ: Yes. Thank you. Kieren.

KIEREN MCCARTHY: Could I just put in a request that you look at providing this in a way other than PDFs? Or, because PDFs...

XAVIER CALVEZ: Yes.

KIEREN MCCARTHY: I mean, we're having an issue even reading the wording which is one that many...

XAVIER CALVEZ: Absolutely. Absolutely. So yes, I will make sure that we provide ideally an Excel spreadsheet, right? That would be containing the same information in the PDF, but that's much more useable, right? I am assuming that's what you have in mind, yeah.

CAROLE CORNELL: Just so you know, if you went to My ICANN and you clicked all programs in the top of the right hand corner, it currently gives a list of all of the programs and you could sort from that.

XAVIER CALVEZ: And not withstanding anything that you just said Carol, I think Kieren's point was about when we get the data with the financial information in it, to allow sorting out and manipulating the information, which I think

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is best done in an Excel spreadsheet, for those who want to do that.  
Okay? Any other questions? Yes [Rolof].

MAN: Xavier, you said questions only relative to what you just said? Or general about budget expenses, accounting? Or you want to save those for later maybe?

XAVIER CALVEZ: Sorry. About the Excel spreadsheet?

MAN: Are you taking on any subject related to budget and expenses now? Or is it only related to your presentation of the spreadsheet? And you want to take the other ones later.

XAVIER CALVEZ: My question just now was on the presentation. But if you have another question on the budget process or content overall, please feel free.

MAN: Okay.

XAVIER CALVEZ: Sorry. We'll just try to contain it in terms of time so that we can move on to the rest of the presentation.

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MAN: My question will not be so long.

XAVIER CALVEZ: Okay.

MAN: So if you want to contain time, then do that from the answering side. Early in your presentation, you said that we're going to be provided much higher level of detail, and in addition you said that up until now the community has not really looked to the expense in a way comparing it to the original budget.

And this was going to change. Do you remember that? You said, we have only been talking about budgets, we have never really done the exercise of at the end of the fiscal year looking at...

XAVIER CALVEZ: Right.

MAN: Okay. How do we do as compared to the...

XAVIER CALVEZ: Correct.

MAN: I assume that meant that the financial reporting that we were going to get would have the same level of detail as the budget, otherwise the

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comparison is rather useless. But in your answer to Kieren’s question about the new gTLD program, you referred him to the financial statements, and those have no level of detail at all.

There are only four lines of expenses, and every expense category is over 10 million, so there is not much you can do with that if you want to compare it to the budget. So was I wrong with my assumption that in the future, the financial information in retrospect, so the statements, will have the same level of detail as the budgets will have using this tool?

Do you get my question?

XAVIER CALVEZ: I think so. I will test it with my response.

CAROLE CORNELL: And I just want to make sure [Rolof’s] name gets on the record for the transcript.

MAN: Okay. My name is [Rolof] Myer, I am the CO of SIDN the registry for [dot N L 1:03:30].

XAVIER CALVEZ: And for the record, there was not only one question [Rolof]. [Laughter]

MAN: Well then just do the last one.

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XAVIER CALVEZ:

So yeah, yeah, and I understand. I think I understand. So we will provide, when we report on actual expenses, actual and budget information that are consistent together. I know that's not exactly the question that you asked, but I want to make sure that we precise this.

Certainly not at first, will we provide actual information compared to budget information as per the quarterly reporting that we discussed earlier with [Shareen 1:04:12], we will not provide the same level of information as we provide for the building of the budget, at first.

My intent, which is, has not yet been tested by moving down the path of actually trying to do it, would be that once we are comfortable with the accuracy and the precision of this information, the structure of it, and that we have managed to associate figures with it, on an actual basis, recurrently, I would expect then to share it at the same level as well.

But we are far from it today from the perspective that we just [lounded 1:04:59] this. So associating numbers to it will be done for the first time for the purpose of this budget. And honestly, I know it's going to be challenging to provide you in three weeks with information, financially, associated to each of those programs.

It is not going to be easy. So then the next steps will be, we will have the numbers, budget, for those activities. As you understand of course, we also need to make sure that we produce that information by line and by month. So that we can then down the road, to the point of your question, do a quarterly reporting for example, at that level of detail.

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So we're not there yet and this is not what we are going to start by doing, but if and when we are ready to have sufficiently accurate information, and have worked out the processes to be able to analyze and comment on that information, that's what I would like to do.

Is that answering your question?

MAN:

I was contemplating if, that is what I would like to do is some kind of commitment or just a statement. Because I can understand if you say, "We're putting in the financial information. So we're putting in a budget. We're putting in the actuals, but we are not sure that we have the right level of accuracy yet. And we're going to test it first, and then when we see if it works, then we will provide the information to the community."

In my opinion, there is not much point in putting in the budget information now, if you're not putting actuals in it at the same time, because you said, "I'm going to look at how we're doing every week." If there is only budget, and there is actual expenses, then at least the financial part, the financial reason for looking at it, so from your role, there is no point there, because you only have the budget, and that is going to be in there until the end of the year.

XAVIER CALVEZ:

So just a reminder, I'll get to your point. Just a reminder, this is not a system that's been implemented for finance. Right? This is for Fadi, and for the management to manage progress. There could not be any

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financial data in it at all, it would still be a system that has its purpose from a managerial standpoint of project management.

Now of course we want to associate financial management to it so that we have a comprehensive view of the elements contributing to those programs and activities. I didn't say that we were producing, on an ongoing basis right now, the actual information at the same level that we are producing the budget as per this plan.

We currently produce the actual information as per the format of our accounting system, which has not yet been structured in order to allow this reporting. Which was why I was quoting the path before we get there.

So, yes to your point, it is not getting us very far to have just the budget information as per this format. But I'm working with what I can produce right now. When I'm able to produce the actual information as per this format next year, and I don't have produced the budget, then I will have a lot of tools either.

So we're at the budget time, so I'm trying to produce the information for the budget, and then we'll have it available when we are able to produce the actuals. Producing the actuals as per this format, without a major overhaul of the structure of the system, is absolutely impossible.

Well yes, it's possible with 20 people doing that all day long in finance. And that will take time, a lot more time than hopefully implementing a system. So this is not going to be easy, but you get my point. Thank you.

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Let's move on. Next slide. Next... So recognize this as a lot of figures. What I wanted... We can share the high level today, and that information has been sent as well over the past, or two days ago I think, to the budget working group.

Is the draft revenues that we're working on right now for the organization. And the... It is compared. So, in terms of format, this is a breakdown of the revenues of the organization, the same breakdown that we publish our financial statements on an annual basis.

On the left of it, you have the description of the revenue categories, the next column of figures, the left most one, which is currently in blue, is the draft budget that we are working on right now. The next column to it is the fiscal year 13 forecasted information.

Can we go back? The third column from the left is the actual information, meaning the past actual information for the fiscal year ending of June 30<sup>th</sup>, 2012. So this past fiscal year that was closed in June. And then we have the variances.

In terms of structure of the data, we have the historical revenue at this level, historical meaning basically the revenues of ICANN from the traditional stream of revenues, registrars, registries, ccTLD contributions, sponsorship.

Excluding, because they are just below, excluding the impact of revenues expected from those new gTLDs, when they have become registries after the application process is closed for each of them. Then the next line down here, is the total of those two parts of the revenues.

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Right below we have the new gTLD application fees, revenues, corresponding to the part of these application fees that are recognized on a regular basis, and the two added together represent the total revenues of the organization. Any questions at this stage? Yes.

SALANIETA TAMANIKAIWAIMARO: Salanieta Tamanikaiwaimaro for the transcript record. I just have one question in relation to that table. I was just looking at the 12, 2012, 2013, 2014, the IND CCTLD categories, could you just explain what the zero is for and why it was forecasted for 2013, 2014 as opposed to the 2012 figure?

XAVIER CALVEZ: So just to recap your question. Your question is about the evolution of the revenues for the IDN CCTLDs between fiscal 2012, where it is \$52,000 to the forecast for fiscal year 13, which is at zero as well as the fiscal year 14 budget, which is also at zero. Thank you for that question. I'm glad that one of the board members that we reviewed this with asked me the same question five days ago, four days ago.

So what we have presented in this line, is the implementation fee or let me rephrase, the implementation contribution that a country code that has been implemented in IDN, can pay. When I say can it is because it is a voluntary contribution, and that if you know or remember, this board member is now here, Chris can you answer the question please? Thank you.

So you can, that's great. So the \$52,000 that appears here in 2012 corresponds to two IDN CCs that were granted in the fiscal year 2012 for

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which those CCs did pay the voluntary contribution of \$26,000. Sorry. Yes, yes. And because we don't...

CAROLE CORNELL: Can I just say for the record, if we can always speak on the mic, because folks, everybody else can't hear what you contribute.

XAVIER CALVEZ: And because we don't have any indications today of any voluntary contribution that can come in for that purpose, we have reflected at zero, the fiscal 13 and the fiscal year 14. It's very difficult to predict voluntary financial contributions.

So again, this line is designed to include only the implementation fee possible contribution of those CCs. Did I answer that correctly Chris? Thank you Chris. Chris another, Chris [Chaplow 1:15:50].

CHRIS: Chris [Chaplow]. This is just the income so the \$12 million question is about cost. Now FY 12 cost expenditure was about 62 million if I remember, with about 10 million going to reserves, and the FY 13 budget was 74, which would be three million to reserves.

Now for FY 14, the income is 92. So what is the cost prediction? Will we have to wait to the 8<sup>th</sup> of May for that one? Or are we going to see 30 million into reserves? Or...

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XAVIER CALVEZ:

I love Chris when you ask and answer your own question at the same time. Yes. What I wanted to provide you with is the revenues being, because the expenses we're working on the breakdown of them, right? And as we speak, we are working on it.

What I wanted to give to share is the revenues because obviously this is the maximum limit for us, right? We don't want to spend any more than that, as a general rule, right. So I thought it was helpful to give as early as possible an overview of where we think we are landing in terms of revenues for the upcoming year.

This is a draft, it will probably be revised, we have a bit more time until May 8<sup>th</sup> to revise possibly this information. But at this stage, this is what we're looking at, we shared this with the BSC, all the members of the BSC are here now. We shared this with them so that they can understand where we're going. We provided this analysis and again, it's about as live as its been produced and reviewed in the interest of transparency and time limits of communicating information.

I can also provide that in an Excel spreadsheet.

CAROLE CORNELL:

And Xavier, I do need to give you a time check. We have 10 minutes and you still want to take about the SOAC requests.

XAVIER CALVEZ:

That's because [Rolof's] question was so long.

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CAROLE CORNELL: That’s exactly what it was, yeah.

XAVIER CALVEZ: Unless there are questions on this, yes Kieren.

KIEREN MCCARTHY: I’m sorry to chew up more time. I have more a philosophical question for you, and that is, there is [laughs] I’m not [? 1:18:26]. There is an inherent...

MAN: In French please Kieren [laughter].

XAVIER CALVEZ: And you only have one question if I...

KIEREN MCCARTHY: Sure. There is an inherent assumption in this that the fees are set at certain amounts, you are expecting an X number of registrars and registries, and therefore this is the amount of money that you are making.

XAVIER CALVEZ: Correct.

KIEREN MCCARTHY: And ICANN has had a lot of criticism in the past that everything ICANN earns, it finds a way of spending, to the extent that the organization

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gets bigger, and bigger, and bigger. Is there a philosophical approach to how ICANN is going to approach what it spends and what it should spend money on?

Or as this gets bigger, are you simply going to find ways of spending the money, or put the money in a reserve? What's the approach that's going on.

XAVIER CALVEZ:

So before the approach, the reason why the revenue increase is because there is more customers, more parties. There are more parties because we expect hundreds of new registries. I think it is a fairly simple statement to say that there is an increasing amount of activity that's required to just go through this, and then down the road manage them.

So the fact that the revenues increase, we will see most likely, just for the rampart operationally of managing a lot more new TLDs, we will see an increase in expenses as well. That I can say.

Philosophically, if we're talking about philosophy and presuming that what I am going to say is philosophical, as per your vocabulary, to me the multi-stakeholder process and model, model and process, is where we try to approach the ability to ensure that we spend only what we should in the organization.

And I think certainly my job, and I think it has been reminded today with the various questions that we've discussed, is to ensure that we have sufficient transparency on the information relative to what we spend, before we spend it as part of the budget process. From a strategy

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planning process, perspective, from a budgeting standpoint, at a most granular level possible of understanding so that the multi-stakeholder model allows the community members to challenge what we spend, or what we don't spend.

And so, I'll stop there the philosophy because I'm not necessarily very good at it, but I'm hoping I'm addressing part of your question at least. Thank you. Sorry there is another question, yes.

**SALANIETA TAMANIKAIWAIMARO:** Salanieta Tamanikaiwaimaro for the transcript. Aside from your traditional expenses, I'm noting that you mentioned that it's helpful to have the revenues there so that we know that we don't surpass that.

The quick question I have is, in relation to existing anti-trust lawsuits against ICANN, would that have been also forecasted affected into the budget, or is that something that insurance is going to cover?

**XAVIER CALVEZ:** Sorry, I didn't catch what you said, can I ask you to...

**SALANIETA TAMANIKAIWAIMARO:** My apologies. Noting that the revenue... Noting that you put the figures there, as a sort of a feeling that the community is not going to surpass that in terms of stability. The question I have is, a part from the traditional expenses, traditional forecasted expenses, with reference to some of the existing anti-trust matters against ICANN, has that already been affected into the current budget?

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Was it something that is going to be largely left to some insurance that ICANN has to mitigate those potential risks? I'm just asking from a security...

XAVIER CALVEZ: Sorry. It looks like there is....

MAN: You will answer, but one of the reasons is because its, we recognize as an expense, or we recognize as a revenue when they occur. And for this, it's still... The money is not in the budget, but it's, the money we get from the new gTLD applications. And we have no insurance for that, we have the money in the bucket of the new gTLD, but it's not on the budget because it's not yet an expense.

And it's like here on the line of new gTLD application fees. Of course, I can get the money this year, but at the level of the budget, it's recognized when it will be spend, or when it will be worked out.

XAVIER CALVEZ: Is that helpful? Okay. Thank you. Understood. So you'll formulate your question and I will try to take more time to answer. Thank you. Yes.

JANICE: This is Janice for the record. You have four minutes.

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XAVIER CALVEZ:

Yes. Next slide. We all know who is the boss. I do. So quick status on the NCSE special budget, or special, we should set additional budget request process. We are today, we have created as a reminder, a fast track process that allows the community to present requests for funding for the fiscal year 14 specific to actions that are carried out in the first four months of the year.

So that we can review those requests earlier, and be able to present a recommendation to the Board earlier, and have the Board approving those specific requests earlier than the normal timing of June. So that if those requests are funded and approved, then the staff and the organizations that made those requests can have sufficient time to work through the implementation of the actions that these requests fund.

So we have created this fast track process, the deadline to submit requests was the 22<sup>nd</sup> of March, we have received 31 requests that add up to \$589,000. We have given a guidance of across all the organizations of the community that in total we were trying to look at something that doesn't exceed 200K, \$200,000.

So we are far above that, at the level of the requests. A panel of reviewer has been put together that represents policy, the policy department, the stakeholder engagement department, and the finance department. So Sally and Janice are in the stakeholder engagement department, David is in the policy department, and [Abba 1:26:34] and I are in the finance department.

And we collectively looked at those requests and formulated a recommendation to the Board Finance Committee who itself, has

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looked at these requests and has recommended these requests that are elected for approval by the Board.

So the Board is going to vote on approving those suggested requests. A sub set of those 31 requests. And we will publish on Monday the list of requests, the comprehensive list of requests with an indication of which ones have been approved for funding. And we will provide a rationale for the funding and for the decision to not fund the other requests all at the same time on Monday.

And for those requests that have been approved, we will then have a staff member who will coordinate the implementation of the actions relative to those requests. As a reminder, we didn't put it in the slide but this is just the fast track process.

So there is more requests can be formulated, can be presented sorry, by from memory, April 19<sup>th</sup> for funding in the fiscal year 2014. And those requests can pertain to the entire fiscal year, noting that if there would be requests for the first four months of the year, what we had requested the community to do is provide them by the 22<sup>nd</sup> of March.

Any questions? Yes. George and then to Jenny.

GEORGE:

I would like to confirm your comment about the Board Finance Committee looking at the special budget request fairly closely. Both with respect to costs and with respect to programmatic implications.

XAVIER CALVEZ:

Thank you George, this is helpful. To [Jenny 1:29:00]

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MALE: Xavier, what about if you don't receive other requests? Or very few requests? Should you augment the amount of the dollars that you already dedicated to the fast track?

XAVIER CALVEZ: That's a scenario that I had not considered yet, but if we would have a little amount of requests down the road, I think we should review the list again. Without going into details, I doubt they would significantly change the position that we have retained on the recommendation.

The reason why I'm saying that is that it's not an absolute number, but there, a lot of the requests that were not granted, were not granted less as a result of not sufficient funds, but more as a result of what we consider being the ineligibility of the requests for a variety of reasons.

So it's not the lack of money, it's more the rationale of the requests and the rationale of not granting them.

MAN: And did you use the same metrics that last year for the evaluation of the requests?

XAVIER CALVEZ: Yes, mainly, yes. With the few changes that had been suggested as a result of the process, yes.

CAROLE CORNELL: And with that, we do need to hand it back over to At-Large third session. I just want to say that if anyone would like to follow on the

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community Wiki, you can go to the tab for projects and for finance, as long as you're a registered user of the confluence Wiki, than you're in and you can take a look at finance, what's happening, any postings, the templates for the special requests, etcetera.

And we also have a finance mailing list. So if anyone is not registered or on the mailing list or Wiki, you can please go to Controller at ICANN dot org, and we will get you onto either or both.

XAVIER CALVEZ:

Thank you to everyone. Have a good rest of the meeting and a good night if you're not here. Thank you. [Applause]