

XAVIER CALVEZ:

I think we're going to start. Thank you, everyone, for coming. I see that everybody's as spread out as possible in the room, which is the laws of physics, I guess. So I will be walking around then to be able to speak about the presentation. A very quick few words.

I'm Xavier Calvez. I am the new CFO of ICANN. I have arrived about six weeks ago in the organization.

I'll say a few words about my past experience. I have external audit experience for 8 or 9 years. I have worked in a large international corporation for another 10 years in various finance management positions. That corporation does not operate in the Internet industry. So I do not have Internet experience, other than being a user, which, in itself, is an experience, I guess.

I have a certain amount of experience with reporting, processes, systems implementation. I'll leave it at that. I will be very happy to take some time, either through this presentation or later, to take questions on views that you may have or questions that you may have on my background separately.

I would also like that this interaction -- this session is very interactive, so that the size of the room is not necessarily helpful to that. But, please, feel free to raise your hand and ask any questions. And there's no bad time to do that. So we will interrupt ourselves with pleasure to be able to do that.

Is everyone understanding me correctly? Am I speaking too fast, slow, too strong an accent? I forgot to say I'm French as well. It's not my fault, but that's how it is. Sorry? I forgot Sebastien was here. I shouldn't have said that.

Quick overview of the table of contents. So this session is really to just give you all an overview of what we're going to go through throughout the fiscal year, the budget process.

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.

There is a certain amount of information here. There's more details that will follow throughout the process. But this is aimed at -- is giving you an understanding of what the process will contain at a high level so that you can react. We'll start with a short introduction.

We'll spend a certain amount of time on the steps of the process and the planning. Because I think that that will allow us to have an interactive session about that timing and some of the changes of the timing versus last year. We'll talk also about the budget structure in the sense of the different dimensions under which the information, financial information produced as part of the budget process will be formulated.

We will also -- okay. So when we will have the presentation -- yeah, okay.

Coming back. Any questions at this stage?

Yeah, we started slightly late. I want to allow for questions and answers at the end of the presentation. And I was aiming to make this presentation -- go through this presentation within about 25-30 minutes so that we have 10-15 minutes of questions and answers. If we spend longer on the presentation because we are taking questions during the presentation, that's completely fine as well. I just want to make sure that we do have the opportunity to take input and questions.

And that's the third point. So we've addressed that.

Mission of the budget process. We'll go very quickly over that. The whole point here of the budget process is to plan for the distribution of resources among competing demands.

That sentence was put there especially for Marilyn to have. This is the budget process. We need to plan for how we're allocating the resources among the functions and demands of the organization. And, when I say, "organization," I don't mean ICANN's corporation. I mean the ICANN community.

Which is why we're saying here that we're going to communicate to the community the components of the budget. This is the start of that

process today, providing view on the projects and the project prioritization and obtaining the support of the overall community throughout this interactive process. Let's move on.

An overview of the milestones. And for this specific slide, Juan will jump in to present this. He will also use the subsequent slide that gives a slightly different overview of the budget milestones. And we will together answer any questions you have during the presentation of those two slides.

JUAN OJEDA:

Thank you, Xavier. Just for the record, my name is Juan Ojeda. I'm controller for ICANN.

So with the revised timeline and milestone delivery schedule that we have for fiscal year '13, you'll notice that the two major postings that we'll be handling for fiscal year '13 will be significantly sooner than we've done in prior years. And this is primarily two-fold. First, this is in response to community feedback specifically from prior year where certain community members felt that not enough time was given from when the window for public comments closed to when the actual draft budget was presented for adoption. So that's the primary driver for the earlier scheduling. The second is also to accommodate a change in the window of time for public comments from 30 to 45 days now for both postings of the budget documents.

So right now, in the beginning of the phase, we were having this initial consultation with the community. At the conclusion of this meeting, we will begin opening the window for submission of the budget, the additional budget requests from all the SOs, AC, and stakeholder group, which the initial window will close on the 9th of December, allowing us enough time to be able to consolidate that information and post it in conjunction with the budget framework, which will now be posted on the 17th of January, which is a full month ahead of schedule from last year.

This takes us to a 45-day window of public comments through the end of February allowing staff to summarize the inputs and responses to those inputs for further discussions during the San Jose ICANN meeting in Costa Rica in March leading up to the draft budget, which will now be posted the 1st of May. Again, this is done to accommodate the 45-day time for public comments, which will close on the 15th of June, allowing staff enough time to summarize those comments and consult for any changes that need to be made to the draft budget in response to community feedback for inclusion into the draft budget to be presented, ultimately, to the board for adoption during the Prague meeting in June.

XAVIER CALVEZ:

Yes, Sebastien.

SEBASTIEN BACHOLLET:

Thank you. Just a question about the process. Because we're on the way to change the comment period with one comment period then the second to answer the first comments. Is it taken into account, or are you just for the moment taking into account the 45 days for the first comment period?

It seems to be not clear. We're in a process to change the way of the comment period it's organized with first period to make comments and the second period to have answer to the comments or to make comments on the comments. And that's happened to be longer, obviously. Then is the 45 days is just for one period comments? And that's okay. But next year we will have to change the process? Or is it already included that changes in the comment period?

XAVIER CALVEZ:

It is what we do intend to do is use the fact that this period is longer than it used to be by 15 days to first allow a longer period of time for the community to be provided, but also allow us to start addressing and interacting during that period of 45 days with the community on the comments that have been made so that then we can have a head start

in processing them, understanding them, and be able to respond to them, which we're expecting to be able to do also past the end of the 45-day period. If we have a head start, we can go a little bit faster about it.

Marilyn Cade.

MARILYN CADE:

I'd like to ask for a clarification of what "respond" means. Because I think right now there's a strong feeling on my part that may be shared by others that "respond" often means acknowledge, not necessarily incorporate or explain why it's not incorporated.

XAVIER CALVEZ:

Understood. And, not having the full background of last year, what I -- what we will do with the team is work on a process and a clarification of the process that specifies exactly that. Because I can imagine that certain requests are simple enough to answer quickly. Others can be more complex. I can imagine -- and I'm just speculating -- that a request made by one constituency for that constituency's perspective may be actually completely irrelevant to everybody else. And I can imagine that there's a little bit of an iterative way there that needs to find -- to apply in order to validate the request.

So understood. And I think that, at the minimum, we need to be able to acknowledge the request and suggest what we think the next steps should be. And if we -- so that's the minimum, right? And, if we can answer the question immediately, then we should. But I will make sure with Juan that we clarify the creation of a consultation or input period and make sure that we have a defined feedback on these requests. Understood. Thank you for that. Yes.

CHRIS CHAPLOW:

Yes. Chris Chaplow, vice chair of the BC. Thanks for showing us that slide and the time scale. It's a lot better than last year. And I think the 45 days will be a big help to us, particularly those in the constituencies

that have got to go back to our members. It's still a bit tight at the far end, isn't it? Because we've got 45 days after May the 1st. Takes us to the middle of June. So then that's what? 8, 10 days before the meeting. Better than the two hours we had last year. And, of course, the start date starting much earlier, I guess that's partly because of the advantage of the Dakar meeting being in October as opposed to the Cartagena that was in December.

We were told last year one of the three big improvements would be that the strategic planning completion would be tied to the first ICANN meeting of the fiscal year. The strategic plan comments aren't due until the 15th or 16th of November. So we've just got to hope there's not going to be any radical changes to the strategic plan from the community feedback in that. But, at the end of the day, you're not magicians and you can't work -- you know, pull the string. It's got to fit in somehow. But I think that's fine.

My -- those are comments, really. It's not really a question.

My question would be for the SO/AC budget requests, between those requests going in and sort of the feedback on those, I think that -- we'll have to have some sort of interaction, some sort of confidence that we - - there's an understanding of what these requests are. They can be quite complex. And it's not just something that we submit, wait with bated breath and then get a result. I think we do -- we would need some interaction in that period, if that's understandable.

XAVIER CALVEZ:

So your point is about having a more defined process of interaction during the period from December 9th to January 17th on the budget requests from the SO and ACs?

CHRIS CHAPLOW:

Whether it's defined or not, it's needed.

JANICE LANGE:

If I could give you one question, please, from the remote chatroom? This is from Steve Metalitz. He asked, if comments on the budget are open until June 15th and the Prague meeting closes June 24th, is there enough time to summarize comments for consideration by the board finance committee prior to the Prague meeting? Including acknowledging the request and recommending what next step should be as just stated.

XAVIER CALVEZ:

Okay. So two different answers to the questions that are complementary to each other.

The concern that is expressed there is what we are trying to take into account by having a staggered process of the budget where we have a first phase of the project -- of the process or the budget with the framework that starts to define the direction of the budget and receives input from the community in order to identify the questions, concerns, additions, amendments, whatever needs to be taken into account for the finalization of the budget.

By the time the May 1st deadline is reached, there's already been two periods of community input to provide comments on issues and requests and changes. So we're expecting that this helps sorting out the 80 or 90% issues or questions that the budget could raise in that the period going from May 1st to June 15th, approximately, is only there to further fine tune, finalize comments. And we should not have big surprises at that time. Of course, unless there are major events happening right then that we should take into account. But, otherwise, it should be -- it should not be any more a period where big news happened about what the budget should include or not include.

So, having said that, the second part of my answer is that I think this question raises the same concern that Marilyn was raising earlier. And I would give the same answer. That we'll try to clarify within that period of 45 day -- 45 days -- sorry -- consultation and input in the period of processing this input and responding to it.

PATRIK FALTSTROM:

Patrik Faltstrom, chair of SSAC. One of the things we've been working on almost a year of is to ensure that all the sort of extraordinary costs that have been so far has been moved in as, actually, line items in the budget. So that's the first thing I would like to say, which I think is a good thing. It makes it more comfortable for me to be a chair.

The second thing that I would like to also say is I think this timeline looks good. But either for this year or to the next year, we also have to discuss what happens when we go over from one fiscal year to another one. Because, specifically, this year, that specific date was a little unfortunate, if we look at the planning process for the ICANN meetings, when you have changes in the budget that might have impact on, for example, travel and other things planning for the ICANN meetings themselves. Specifically, this year we had to start to plan for a meeting in fiscal year '12 before the budget was actually approved, which meant that there was a little bit uncertainty on, actually, various different kinds of costs you have to, decide quite a lot before the end of the fiscal year what to do the next year. That process this year, which is the first year I did this as a chair, I felt that was a little bit too much ad hoc. And that is something that we all can improve a little bit to the next year.

XAVIER CALVEZ:

So I think we're going to have an opportunity to answer at least partially your question on the next slide, which speaks about the framework format. But I will do a check with you, if you don't mind, to make sure we've covered both of your questions or points by the end of this slide.

So this slide is just to provide an overview of when we say "format," we really mean more content of what the framework should or will include.

Nothing very surprising there. There's, obviously, an addition, I think, versus last year's process relative to a 3-year outlook, which is inserted here at the top of the slide, to be able to provide to all of us an overview of three years ahead. The first year of that three-year period being the next year's budget in order to give ourselves the opportunity to plan for,

as an example, multi-year projects which we do have in our list of projects. And, as a result, we should be able to formulate those projects over a 3-year period. Few of them last more than three years, unless I'm mistaken. So three years is a pretty good time frame.

It allows us as well to be able to take into account requests or needs that may not necessarily be possible to schedule within the coming budget year but that should be layered on the overall plan for the year two or year three. That gives also that opportunity.

And it just helps having a perspective, when you plan the next year, to just look ahead a little bit, to give yourself a little bit of a point in the future that's a little bit further away so that you can see where you're going when you build that budget. And I think it will allow us to raise questions that we should find a way to give answers to. Because, when you start planning, this is when you start raising questions.

So I answered part of your question, I think. Okay, thank you.

JANICE LANGE:

If I suggest could we go ahead through the slide set and then take questions at the end. With 25 minutes remaining, I think we want to get to the meat of the material. And then, certainly, we probably have time in this room with no one behind us to take the questions.

XAVIER CALVEZ:

Yes. Next one is you.

So the budget structure and this is meant to present more precisely the type of information, the categorization of information that will come as an output of the budget. Views of expenses by what we call the natural view, which is just compensation, travel, the nature of costs, the way they come as quite naturally from the accounting system. So that's something relatively standard.

The functional view that I'm assuming most of you know as well, that provides a view of the costs by those functions, and Juan will elaborate

further and give a view so it will be more specific when we go on that slide.

The EAG view and we will also speak on it when it comes.

And the composite view that those of you who looked at this process last year have seen already of trying to split the budget from a different perspective of core activities, project, and what's called here major activities. But this is strategic projects, core, and special requests from the community. Because those elements have a different nature and follow different processes.

Juan.

JUAN OJEDA:

Thank you, Xavier. So in the natural view is the traditional view that most companies present their financials, and in fact are audited financial statements which were posted a couple of weeks ago on our Web site.

This is how it's presented. Basically, it focuses on the expenditure category of each account. So, for example -- and we have added a little more granularity than in the past. So personnel we break out between compensation, employee benefits as well as other personnel costs, travel and meetings, how much we spend on airfare, lodging and meals as well as other travel costs. Professional services and lastly admin which we added granularity breaking it out by facilities, how much we spend on facilities as well as other admin costs.

So this is what most of you are probably used to seeing financials presented in.

Again, functional view, this is nothing new from prior years. This focuses on how does ICANN use their resources from an organizational activity perspective. How much in resources is ICANN spending on IDN programs, for example, on policy development support, core meeting logistics, what have you. And again, this is nothing new, and this view was formulated in prior years based on community input and feedback.

And the expense area group or EAG, again this was developed in prior years based on community consultation on how does ICANN allocate the resources by stakeholders and other community members based on to understand the overall impact to the ICANN financials.

This view attempts to represent the resource required to support each stakeholder group's respective activities.

XAVIER CALVEZ:

And the composite view here, as we were saying earlier, describes this - the block of core operations, the strategic projects and splits also the community special requests. All three blocks should not necessarily be viewed as there's day-to-day and then there's other things. All three blocks are included in the day-to-day activities of the staff that supports these activities. I think this view really looks at these blocks differently from the perspective of how to plan for them, how to come up with the rationale for these items and how to come up with the financial information relative to those budgets.

Let's move on.

So the core -- we're trying to give a little bit of more detailed understanding on the core operations budget. In the interest of time, I will just give you a few seconds to look at it and let you ask any questions that you may have. And if you do, please do so. Otherwise, I will move on.

CHUCK GOMES:

Thanks, Xavier. On the community basic support, that's an awfully broad category. And --

(Off microphone)

CHUCK GOMES:

Yeah. And obviously that's probably where it really hits home for a lot of us in terms of the budget.

And unfortunately, we never really had enough detail there to really analyze that closely. Plus, when we're providing input to the process, which I appreciate is important, if we don't have information on the existing year budget and how much is allocated to our various functions in the existing year -- I mean, a typical process in a budget, you look at how you budgeted the previous year and how that's going, but we've never had that information to help us.

Is that a realistic thing to have in the future?

XAVIER CALVEZ: To have basically both the current year and the next year's budget information together in order to be able to relate one to the other?

CHUCK GOMES: At a detail-enough level that it's useful.

XAVIER CALVEZ: Right.

CHUCK GOMES: We haven't had that kind of detail. Like, for example, previously we had the GNSO category. That's made up of four stakeholder groups. And even some of those stakeholder groups are broken down a little bit further. For example, I represent the registries.

So at a really high level, it doesn't help me very much to look at that information unless I can break it down further.

Now, to date, we haven't been able to do that.

Is that a realistic goal in the not-too-distant future?

XAVIER CALVEZ: So I have also heard the exact opposite argument, that we had sometimes too much detail which made it look like it was too baked and

too finalized because we were having a lot of details. But I understand, nonetheless, your point about having enough details to be able to formulate an opinion.

So I think that the framework, obviously, is a less detailed format of information. The final draft of the budget is a more detailed format of information. Just to precise your question, when you look at those two different sets of information, was one not detailed enough and the other too detailed or both didn't have the amount of detail that you wanted?

CHUCK GOMES:

Well, we haven't had the detail we wanted ever. So I think it's a general question. We haven't had enough detail. But if we, for example, in the Registry Stakeholder Group in the GNSO are trying to provide input into the budget early, you need it early and I understand that, we need enough information to -- enough detail to provide legitimate input. We can provide you some broad things that we want, but that's not a very effective way to provide meaningful input.

XAVIER CALVEZ:

Understood.

So I think there's a paradigm there that we need to be able to address as part of iterations in the process. And I don't want to be too general in my answer, but the -- an issue that I have seen in many instances in budget processes in the past is that, especially when they are spread out in time, is that you are too early to have all the information that you need to produce a detailed budget; however, you do need an overall view to move forward.

And so it's a little bit of you can't have everything at one time, both having something early and having something very detailed because the detail doesn't yet exist because it's a high-level view. And we need to then be able to, at the next step, come up with the detail that is the bottom-up process.

So I hear you. I think that we need to make sure that when we provide the framework, internally we have developed or we are ready to develop the level of detail that supports the information that ultimately will go in the budget. I think we can share a certain amount of that information, either in terms of format, so that you know what level of detail you will get ultimately to be able to provide your input.

I just want to be careful of, at the very first stage, we will not have a huge amount of detail, nor should we, in my views.

CHUCK GOMES:

And I understand that, and respect that for the next year's budget and future-year budgets.

If we could have it for the current year in terms of where we're going, I would hope that, not-too-distant future, we will be able to have that relative to our particular area of need so that we can use that, then, to make better input for the future year.

XAVIER CALVEZ:

Okay. Understood.

So I think I understand what you are suggesting.

What I will want to do is go back to our structure, information, and process to be able to take that comment into account. We will do a follow-up of the comments that have come through this process to make sure that we address them and respond one way or the other.

Yeah.

JANICE LANGE:

Again, I will ask if you want to take these two questions in the queue, I would like to give Steve Metalitz question at this time, because he was in line tiers when we went a little off plan. Fine with me, I think we have the time, if you will allow me one second to ask Steve's question.

XAVIER CALVEZ: So you are suggesting to ask Steve's question now?

JANICE LANGE: We kind of went pack to asking questions within, so I would like to go back to Steve's now, if that's okay.

XAVIER CALVEZ: Yes.

JANICE LANGE: So he was addressing, I believe, Chuck's question on the framework, which was will the framework document posted for public comment in January be more detailed than the budget framework posted last year?

So I believe that that's -- that discussion has been had. I just wanted to say that out loud for the record for Steve.

His other question in line prior to that was, for budget submissions due December 9th, should these only address what our constituency believes should be spent on our activities directly or would request for budget levels on, for example, contractual compliance be in order at that time?

So from a constituency standpoint, do we -- does he, on December 9th, only think about himself from a budget standpoint or are we looking at the larger picture?

JUAN OJEDA: Thank you, Janice. I will take that one.

So in response to the additional budget request that should be submitted by December 9th, this is consistent with priority. This should be for requests for a particular stakeholder group or a constituency group for any special project, activity, extraordinary item that they want support for fiscal year '13.

The vehicle for input from the community or stakeholder groups for things cross-constituency such as compliance and what have you, that should be as part of the -- whichever 45-day comment window that the community wants to use, either the framework or in response to the framework or to the draft.

So I know in last year for development of the fiscal year '12 budget, there was some confusion with that so we want to be as clear as possible to have the communities focus on those specific budget requests for their groups.

XAVIER CALVEZ:

Thank you. Let's move on.

Yes.

CHRIS CHAPLOW:

Can you hear me? Chris Chaplow from the B.C. I just want to come back to the detail, bringing up the point that Chuck brought up because it is quite important.

What I am seeing on these slides is the headings, while I am hearing the words "a little bit more detail." So I'm just wondering -- I'm not wanting us to go through a whole other year and there for there to be some misunderstanding.

In the past, the reason we haven't had the detail is because the systems weren't in place. We now, as I understand from the last board budget committee meetings, the Microsoft Dynamic GP system is now well in place.

So that leads me to the question, who is going to be responsible for the decision on the detail? Will it be yourself or will it be the board?

XAVIER CALVEZ:

Sorry, for the decision on the details that is provided?

CHRIS CHAPLOW: That's provided, yes. Are you going to make that decision or will the board give you guidance on that? I need to know because in June we will be asking again, I'm not sure. So I would like to know now.

XAVIER CALVEZ: I'll ask help from Akram to see his views on that, but mine would be that I would want to have an opinion and formulate a recommendation as to the level of detail that we provide, taking into account a number of criteria to make that definition, workability, bandwidth, just volume of information to deal with. What exists from the perspective of the stage of the budget process that we will be at at that time.

Another criteria should be what information has already been made public and validated with the management, the board and so on.

Another aspect would be confidentiality. It is fairly obvious that there is a certain amount of detailed information that we are not, whether we like it or not, allowed to even provide.

So having said that, and taking into account those criteria, I would want to make recommendations at the minimum on what level of detail we should interact with so as to have a productive discussion.

Akram, I don't know if you have a view as to whether the board should -
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AKRAM ATALLAH: So it's not about do we want to publish or not publish the detail. It's really about the detail.

Now, we have the system in place. What that means is we have the capability of entering on a line item what is that expense; right? So we can actually put it in there.

Now, the biggest problem for us is that the finance team does not -- cannot take a hundred thousand different line, you know, expenses and

assign them to where they should be. So we have to count on every account -- every expense manager to code the expense for the right category. So the quality of the data is important.

We have the system now, we put it in place. Now we are reviewing to get the data coded in the right way. And with time, as we train the employees to actually code everything, because as they showed you earlier, there are four or five different categories for each expense. So you have to fill that information so we can extract the data and put it in a presentable way.

So as the data comes out this year, hopefully towards the end of the year, the actual end of the year. Remember, we are only -- what? Four months into the year now? So as we get closer, we will have more data that we can actually present.

So our hope is as we get the year end, we can get more views of the expenses and more detail. Other than employee compensation, which is confidential information, I have no problem showing you anything you want to see. So it's not that. It's just having the data that we can actually stand behind and make sure it's correct and it's not, you know, present.

GLENN RICART:

I am Glenn Ricart and I am with U.S. Ignite and even though it astounds even me, I am ex-PWC.

My question is about the views that you talked about. We are going to get to see what the organization spends internally. That's great. We are going to see what the support is for the community base. That's great.

Will we also, here is the question, have a view on what we are spending for outreach evangelism?

Outreach evangelism, liaison with other groups. So we have talked about our internal operations, we have talked about supporting our internal communities. Will we get to see how much money we're

spending to make sure others know about what we're doing and why we're doing it?

XAVIER CALVEZ:

Okay. So there's a number of initiatives right now to develop a model for outreach that it's in progress but that will be finished and completed, and this is in progress of community input.

I think we'll have a better view of what type of support for outreach will be determined by that working group, and I think then from an accounting and financial statement, we will have the ability to identify fairly directly what these expenses are, either through their nature or through their purpose in the accounting system.

And I would say that -- I don't want to offer up too often or too far that information, but if we have a request for providing that type of view, we can always formulate a template or report, and we have a system that is more capable today than it was in the past to help us answer direct questions.

So if we need to perform an analysis on a slightly more ad hoc basis, then we have more capabilities to do it as well.

GLENN RICART:

I encourage you to think about it when you do the chart of accounts.

XAVIER CALVEZ:

Yes.

JUAN OJEDA:

If I may -- I'm sorry, I didn't catch his name. The gentleman.

XAVIER CALVEZ:

Sorry, we didn't catch your name.

Glenn Ricart.

JUAN OJEDA: Again, this is Juan Ojeda, controller for ICANN.

Under the functional view, there is an organizational activity called global engagement and increasing international participation.

Does that fall in line with the -- And just to be clear, I just want to make sure we're not creating something that already exists in a different format.

GLENN RICART: I can't tell from that description whether it is or isn't. But you understand I am sort of about internal support and external. And whether what you described is that, I can't tell from the description.

JUAN OJEDA: Yeah, yeah. I think that's -- that view within the functional framework of the budget and financial reporting I believe will address your question. And when we get to that stage, and we definitely open it up to community input, please advise us if that does not meet what you are looking for.

Thank you.

XAVIER CALVEZ: Thank you.

I don't think we have much more slides, any more than this, after that. If you can scroll down, Janice, please.

Don't want to spend too much time on this.

This is just a visual representation of an exercise that is part of the budget to look at the list of projects. We -- To ensure we capture correctly the projects from a given year that we are in right now. We are working together on projects, and we're capturing the cost on those projects.

We want to make sure we have a correct process as part of the budget to review that list, ensure that we take into account correctly new projects; that we have a correct understanding of which projects are finished, done, completed. And also that we track correctly to my point earlier about the three-year view the projects that are multi-year. And that allows us to have a budgeted or -- budget list of projects for the new budget year.

So this is what -- this is just aiming at representing so that you understand that we are, as part of the budget process, looking at projects pretty closely in order to be able to have a good tracking of projects throughout the budget process and the actual delivery of those projects during the year.

JUAN OJEDA:

Thank you, Xavier.

So on this slide it gives further detail of the budget component within the composite view of what makes up community special requests.

The top three columns are the SO, AC and SG requests, which again will be processed through the additional budget request templates where the initial period submission will close on the 9th of December.

So of those requests, those that will be included in the budget will comprise those items.

And a special request will be those projects that ICANN staff is taking on which are more cross-constituency based, and are above and beyond the basic set of services that the community groups are being provided in support of their services and their projects.

Just to recap, these are the various sources of revenue and resources for ICANN. The financial resources primarily come from registries and registrars, and they are based on individual contracts with other registries and registrars, and some are fixed-fee based, others are transaction-fee based and some are a hybrid of both.

We also have resources from contributions from the RIRs, the amounts have been steady for the past couple of years. We also have contributions from all the ccTLDs. And lastly, we also have sponsorship revenues specifically related to the three ICANN meetings.

XAVIER CALVEZ:

Okay. This slide is just a recap of the main elements that we have gone over, so we should just pass on it and let anyone bring up more questions from the online -- Okay. So we don't have any more questions right now from online participants.

Normally one more minute, but we can take maybe a few more minutes for a little bit more questions.

JOHN CURRAN:

John Curran, CEO, ARIN.

I want to pick up on what Glenn Ricart said earlier. And this is in some ways I am throwing rocks from a glass house because I have just gone through this with ARIN as well and it's very difficult to do. But something to think about strategically is we all know when costs get accrued, we all know what department we are in. You know what department the person works for, you know where his travel costs go by functional area, and every area system knows how to roll that up. What you don't know is the mission.

So like I travel. Sometimes I travel for Internet governance. Sometimes I travel for ARIN's function of keeping the business running.

So recently, we went through and we broke down all of our cost areas by mission. What does it actually do? What's the deliverable to the community? Okay?

So I have to now realize when I am traveling, because I am going to a board meeting, that's overhead board meeting versus I am traveling to do outreach versus I am traveling to do Internet governance.

And I guess something to think about, not this year, not next year, but long term, ideally, you would be able to show us on a mission scale at the top level of ICANN, here is our major areas of deliverables, not projects but the mission of the organization, and here is where the funding is spent.

And it does mean people have to know, the training department has to know am I doing training for internal people, for core operations? Or am I doing training as part of a strategic program? Or am I doing training for outreach? And it's three different codings.

But when you get to that point, you can eventually let the people in the room see here is how we're spending your money against the deliverable list as opposed to the functional budget list.

Not an easy thing to do. Very hard long term, and an aspirational direction I ask you to think about.

XAVIER CALVEZ:

Thank you for this comment.

I think you are touching a point of complexity in the way the information is, well, both captured in the financials and processed and rendered in an output.

I think one element that we're going to need to address, and I agree with you, it's a reasonably long process, but the first steps of that process, in my view, is to be able to have a cost accounting system that has correctly defined the various perspectives that you want to be able to look at the cost and revenues by. And there is the functional view, there is the departmental view, there is the mission or the purpose or the -- whichever word we put that represents the rationale as to why that's been spent and what we have been doing with it.

So I think that we already have in our existing system structure the premise or portion of what helps doing that. Which is why I was saying a little bit earlier to Chris, I think, that we will have a little bit of help

already with the existing system to start having a more analytical view as to how costs have been spent, and for what purpose.

I don't think it's necessarily a perfect answer to the ideal picture that you have shown, but it's going in that direction, and I think our -- what we still have to define as part of the implementation of the system is more detailed cost accounting model, and I think that's also the process to, at the minimum, partially address your concern.

JOHN CURRAN: Agree. That's all I ask. Thank you.

JUAN OJEDA: If I may also add to the gentleman -- I'm sorry. I didn't catch your name.

We, in response to similar comments in the past, that's what's led to the two additional views being the functional view as well as the EAG. The functional trying to answer the question of -- as you were mentioning earlier, the deliverable in this case, are you spending money on -- in pursuit of the IDN programs? Are we spending money on community support and what have you? And the EAG is attempting to address who is the beneficiary of that? Is it a specific stakeholder group? Is it the IETF? Is it GAC, and what have you? So, at a later date, if maybe offline or during the public comment period -- there is a white paper that was posted online trying to explain these two views. And, if, in your mind, you feel you still need more clarification or a different view, we can certainly address at that point. But, if you haven't had a chance to, there is a white paper online, which I would invite to you read at your leisure.

JOHN CURRAN: I will. Thank you.

JUAN OJEDA: Thank you.

XAVIER CALVEZ: Any further question at this stage. We're past the time. Olivier?

OLIVIER CREPIN-LEBLOND: Thank you, Xavier. Olivier Crepin-Leblond. I wonder if we can go back to the community's support page. Is that possible, please? Okay. Community requests. The one after that. This one. Thank you. So we have AC request, SO request, and SG requests. All of these are treated, I guess, as silos. Each SO and AC would make its requests.

Are there any arrangements or potential arrangements for cross AC and SO requests for those projects that will actually benefit more than one AC or SO?

XAVIER CALVEZ: Your question is in terms of the process?

OLIVIER CREPIN-LEBLOND: Yes, that's correct.

XAVIER CALVEZ: We've presented this slide with a picture of how the requests come to us or have come to us in the past.

We have a blocked transversal log there that special project that could potentially capture the idea of what you're describing. Unless I'm mistaken -- and, please, correct me, if I'm wrong -- but I think the requests are posted -- the requests of one constituency are posted so that everyone can see them. So that allows at least to -- for others to react and react in order to say, well, we're also interested in this or we don't actually agree with that.

So that's a portion of the process. I don't think it necessarily captures entirely your point about transversal or -- sorry -- requests that can benefit or that concern all constituencies or a subset of constituencies.

So that's something that we're going to need to think about in terms of how to do that. I think we have staff members in the organization that have a cross-constituency perspective. And we're going to need probably to think about how to capture input from these people who have a direct line in the constituencies to try to have a view of that.

We may come across already identified requests. But I think it's worth thinking further about it. Okay. Thank you.

OLIVIER CREPIN-LEBLOND: Thank you.

XAVIER CALVEZ: And Akram makes a point that's simple as well. The requests that can be made by one constituency can be requests that can apply to everybody.

JUAN OJEDA: To add to Xavier's point, the budget submission process is a vehicle for those cross constituency group requests that are not part of the basic set of support services, if that makes sense.

XAVIER CALVEZ: And I don't know how much it happens or not. But I would think that it's also a good practice that, during the consultation process and the input process, the various constituencies speak to each other as well so as to exchange on -- you know. And we're happy to try to help that process. But I think it's at the core of the constituencies communication and work on their comments, questions, or generation of new project ideas to also try to reach to each other in -- and, certainly, the staff who is there to support that can help. Yes, Marilyn.

MARILYN CADE: Xavier, I'm going to go back to the issue of detail, but in a slightly different way.

XAVIER CALVEZ: Yes.

MARILYN CADE: It is, you know -- in the past there have been a number of ideas that have emerged that have gone out for public comment. And in some cases there's been fairly strong disappointment and disagreement in the comments that have been received about a proposal coming from staff or the executive leadership about how to do something.

There's -- the description we get of the project is headline news. A fair amount of money and resources, including hiring staff, go toward initiating a project. One might call it the DNS cert, as an example. And then the community -- and money is spent. There's not enough detail in the budget for us to have identified that, even though there has been objection to a proposal and the community is strongly opposing, a fair amount of money has already been spent on a project.

The way we describe the projects that are -- I mean, the level of detail is not just the financial amount. But it is also -- it's a fairly complex environment we're asking you to improve. And I think we're going to have to -- and some of these things are going to be called strategic projects.

So, in the level of detail, I guess we're -- we probably are going to have to be clear with the board ourselves that it isn't -- you know -- because in the past we were told, well, we didn't want to tell the community about it because it wasn't approved. But, when you look at the amount of money that got invested and spent before the project got changed -- so the second example I'm going to give you is the project, that project which the community objects to is back in the plan.

XAVIER CALVEZ: Sorry. Is back in?

MARILYN CADE: Back in the plan.

XAVIER CALVEZ: Okay.

MARILYN CADE: So this is going to be another question for us is, if the community's consistent feedback is no about something and it keeps coming in to the budget and in to the strategic plan, that is also an area of tension for us, I think, in terms of how we address it.

XAVIER CALVEZ: Okay. I can imagine a -- it sounds to me that at least part of the general answer to your -- what was aimed at, I think, as being a general question but taking specific examples is that we need to be able to have probably a more consistent and effective communication process. I'm not yet able to know the amount of feedback that we can give from board discussions and so on. But what I'm hearing from you, which sounds reasonable to me, is that, when there has been a project that's been raised as a request, whether denied or --

(Speaker off microphone)

MARILYN CADE: A project is initiated at executive level. Fair amount of money gets spent on it. The community objects to the project. We don't have the detail to -- as a community, to provide advice early enough to prevent the spending, which then the project has to be scrapped. And I'm not even saying it's a large amount of money. But it's just something we're going to have to keep our eye on so we don't waste money because we're asking you to put more money into strategic projects that support the constituencies or the SGs, et cetera.

And I'm -- I don't have an answer. I'm just saying we need to look at, when we describe -- the description of the strategic projects. Strategic plan is kind of headline news. Right? By nature.

XAVIER CALVEZ:

Right, yeah. Understood, okay.

I think we will have to try to clarify. And maybe you were taking examples. I think it will be useful that we sit down together on looking at examples and try to draw out of that operating rules and communication rules that maybe can help at mitigating the issue. I'm not sure everything can be mitigated. What I mean by that is, if there is a disagreement on an executive decision that's been made and engaged and in progress, the disagreement may just stay a disagreement. And it doesn't mean that you should not have information about it. But what I can imagine is that sometimes it's just too late to change gears, which is not necessarily a good answer. But we should be able to at least communicate on this is what's been happening. If there's no -- not an agreement at the point of trigger of the project or the process, sometimes after that it's just too late. And I think this is what you want to avoid is the point. Thank you.

Okay. We're 15 minutes late in finishing this meeting. Thanks to your input and our interactive discussion. I think this is great.

JULIE HEDLUND:

We just had one more note from Steve Metalitz that we might want to clarify for the record.

XAVIER CALVEZ:

Okay.

JULIE HEDLUND:

Steve said, "Doesn't Akram's comment contradict what Xavier said earlier that requests of cost cutting activities are not appropriate by the December 9th deadline?" So we just wanted to clarify that Steve heard

that correctly, that a comment from Akram contradicted yours. And we just want to clarify that.

XAVIER CALVEZ:

I don't think we were contradicting each other on that point, no. So the answer to the question is no.

It shouldn't necessarily stop there. If you think back about the project or look back at the slides later, we are reachable. We're happy to make sure that you can provide further feedback by e-mail, phone, or whichever. We are reachable. Don't feel that it's now or never. So thank you for your input. It was helpful. We have notes. And we will make sure we follow up on the questions that have been asked and not necessarily entirely or fully answered at the level of detail they should. And we're looking forward to your participation in the next steps of the process, because we're only at point zero right now. And it was a helpful process to go through today. Thank you very much

[Applause]

JUAN OJEDA:

Thank you, everyone.

XAVIER CALVEZ:

They are red, white, and blue? I actually did not build that specific slide. Otherwise, it would be black and white, actually.

[End of audio]