SAN JUAN – ccNSO Strategic & Operational Planning Standing Committee
Sunday, March 11, 2018 – 15:15 to 16:45 AST
ICANN61 | San Juan, Puerto Rico

UNIDENTIFIED MALE: ccNSO Strategic and Operational Planning Standing Committee, Sunday, March 11, 2018, 15:15-16:45, Room 209-A.

GIOVANNI SEPPIA: Okay, good afternoon, everybody. Let's start on time according to the traditions. Welcome to the first ccNSO Strategic and Operational Planning Standing Committee because we have become adult and we have been promoted to the status of Standing Committee. After how many years of infancy? 12? 10? But we made it. So thanks, everybody.

As there are some new faces because we had a call for volunteers, let's have a tour de table, starting from my left. Bart, please. Tour de table to introduce each other. Thank you.

BART BOSWINKEL: Bart Boswinkel, ccNSO Secretariat.

ROSALIA MORALES: Rosalia Morales, .cr, Costa Rica.

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.

DEBBIE MONAHAN: Debbie Monahan, .nz.

KIMBERLEY CARLSON: Kim Carlson, ICANN org.

GIOVANNI SEPPIA: Giovanni Seppia, .eu, EURid.

XAVIER CALVEZ: Xavier Calvez, CFO of ICANN org.

BECKY NASH: Becky Nash, VP Finance, ICANN org.

NATHALIE VERGNOLLE: Nathalie Vergnolle, ICANN org, MSSI. I'm here representing Theresa Swinehart.

JOKE BRAEKEN: Joke Braeken, ccNSO Secretariat.

BARBARA POVSE: Barbara Povse, .si registry, a newcomer here.

ANDREAS MUSIELAK: Andreas Musielak, .de.

IRINA DANELIA: Irina Danelia, .ru, Russia.

RUSSELL HAWORTH: Good afternoon. Russell Haworth, .uk.

SOULEYMANE OUMTANAGA: Souleymane, .ci, West Africa.

BARRACK OTIENO: Barrack Otieno, AfTLD.

GIOVANNI SEPPIA: Thank you. May I ask Stephen and Liz to introduce yourselves
                           please too?

LIZ WILLIAMS: Liz Williams, .au.

STEPHEN DEERHAKE: Stephen Deerhake, .as, American Samoa.

GIOVANNI SEPPIA: Thanks a lot. In the past weeks, I circulated an agenda with currently five points, which you can see in the slide. Thank you, Kim. The first point is the ccNSO SOPC feedback to the ICANN reserve fund – at that time we were WG, but it's okay – and the reaction of ICANN and the next steps. We have put forward this feedback in November last year.

There were some key points that we raised, but the main point was that the small group out of the ccNSO SOP working group was in favor of having a reserve fund corresponding to between 12 and 17 months of the operating expenses. There were also several comments regarding the quality of the document we were looking at and also of the way ICANN could have replenished the reserve fund, considering that there were some resources taken from the reserve fund to cope with certain kind of expenses.

In the meanwhile, ICANN has produced a [report to] the comments received on the reserve fund, and also ICANN has recently published a proposal for the replenishment of the reserve fund. That follows an approval of the ICANN board of an action plan how to replenish the reserve fund. This board decision was at the beginning of February, if I'm not mistaken.

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Then there is this public comment currently open on the replenishment of the reserve fund with a plan that is stretching in the next five years.

Is there any other element you would like to bring up before I leave the floor to Xavier who may like to spend some words on this ICANN reserve fund part of the agenda? Speak up. Don't be shy. Okay, Xavier, they want you to speak. Thank you, Xavier.

XAVIER CALVEZ: Thank you, Giovanni. You've covered a lot of what I was going to say as well and reminded of what has occurred over the past few weeks and months.

As Giovanni indicated, there was a first public comment period on the first document that happened between the end of October and early December, and the ccNSO SOP working group at the time commented. We received a lot of other comments as well – very constructive, very useful.

That specific public comment was on two questions: offering an updated rationale for the reserve fund and offering an updated target level analysis, so what should that reserve fund be in terms of amount. It didn't ask yet questions on replenishment, but there were a number of comments submitted relative to replenishment.

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Following that public comment and the report that Giovanni mentioned earlier, the board looked at that report and determined to adopt the suggested expanded rationale for the reserve fund and adopt the recommendation that was made in this paper to confirm the reserve fund target level because since its inception, the reserve fund has been set at 12 months of operating expenses minimum – a minimum of 12 months of operating expenses. So the analysis that was offered for public comment and the public comments received led the board to conclude that confirming that target was appropriate, and that's what was done.

Giovanni indicated that early February during its board workshop, the board basically took a decision to amend the rationale for the reserve fund in the investment policy where it's currently stated to reflect what was offered in that analysis and also took a resolution to confirm the target level.

After that step, then we are now in the second step, which was already explained before, which is now that we have a target level, what do we do about replenishing the reserve fund, which currently is about at 50% of that target level? If you think about it in terms of number of months, it's about 6 months of operating expenses currently using the budget of FY19 as a measurement versus the 12 months of operating expenses. If you talk in terms of dollars, it's about at $70 million currently,

and 12 months of operating expenses would be approximately $138 million of the FY19 budget, which is how you can see it's about 6 months out of the 12.

So replenishment is the question. There is now a new public comment open since last Tuesday offering for public comment the strategy for replenishment. I try to summarize a lot of that paper in the slide that you have here. There was also a webinar about a week ago – I'm losing track of time – Thursday last week to explain that paper, that public comment, and we got some good comments during that session.

The strategy at a very high level so that we can talk about it here suggests first that the replenishment occurs over a five-year period. Any parts of the community who have a different view than that, it would be helpful that it is being commented upon because it's creating obviously on purpose a constraint to try to replenish over that period of time.

We felt that shorter was challenging to achieve. I think the board also felt that longer was impairing the financial sustainability of the organization. Therefore, it felt that five years was an adequate period. So that's one thing.

Then how to replenish. The first approach is to have the ICANN organization generate savings. It's described here as saving, but basically produces and excess on an annual basis so that excess

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is then allocated to the reserve, which is basically straightforward, common sense. You put a little bit of money aside every year to replenish the reserve fund.

Second, use an amount of $36 million of the existing auction proceeds that corresponds to why $36 million is because this is the amount of money that was depleted from the reserve fund to pay for the IANA stewardship transition expenses. So use auction proceeds up to that amount to replenish the reserve fund.

If you use the numbers that we've laid out here, there's a remainder shortfall of $17 million, and the paper offers without specifying but offers for consideration three possibilities:

Further operational savings from the organization, which would of course [be] in addition to the $15 million that's in the first bullet point.

Or additional auction proceeds in addition to the $36 million.

Or – and I should have corrected that, there's another point here than the one that is here – there is new gTLD program currently remaining fees. The question is – many have raised that question – the question is if there would be any leftover from those fees, should those fees, that remaining set of funds,

should they be used for replenishment of the reserve fund? So that's the other option.

Let me stop there to see if there's any reaction or question or thoughts.

GIOVANNI SEPPIA: Thank you, Xavier. Roelof?

ROELOF MEIJER: Xavier, two questions. The first one, that last line with the additional funds from fees on contracted parties, you don't mean that you want to increase the fee per domain name or fee per transaction for gTLDs but you mean leftover money from the new gTLD program? Maybe if you show this presentation somewhere else, maybe it's better to rephrase this bit then. It might cause some consternation in the room, I think. Not among us but….

XAVIER CALVEZ: In the paper under public comment correctly states new gTLD program leftover fees if there would be any.

ROELOF MEIJER: Okay. My second question is, I take it that you start with the easy bit when you start replenishing the reserve fund. So the last step

will be the $15 million plus maybe some additionals that you will get from the positive outcome of every financial year of ICANN, but the rest you will already transfer since it will be changed from one bank account to the other, I think. So in total, you lack $68 million. Of that $68 million, there's more than half which you can just transfer.

XAVIER CALVEZ: You're referring to the auction proceeds.

ROELOF MEIJER: Exactly.

XAVIER CALVEZ: Technically, yes, it's a bank transfer. I think it takes a bit more than that to be able to make it happen, but yes.

ROELOF MEIJER: That's what I thought. Okay, I understand but I assume that this will be your first step. Because if it's your last step, then it will take you a long time to go from around 50% to 100%, but if it's your first step, you'll be at 75% the next day, lowering your risk.

XAVIER CALVEZ: Can I try to answer that specific question? I think there are two different things. There is the mechanisms on how to make that happen and then the process for getting this approved, which obviously auction proceeds is something that we need to discuss with the community on whether or not people agree or not that this is the right thing to do. So there is a process of decision making which upon it being completed and if the answer is yes, then, yes, it's going to take us five days to make that transfer happen. I agree. But I think the process of decision making is something that needs to happen to its full completion in order to get there. But upon it happening, yes, then it's very immediate to do that replenishment for the fraction of the auction proceeds.

ROELOF MEIJER: So is there already an idea of that process of getting? Because you said approval, or is it just you're asking for advice?

XAVIER CALVEZ: The first step is this public comment process that is going on now. We are hoping to get additional and substantive comments from the entire community about whether or not this is a good idea. There has been – and you know because this group did offer such comment – in the first public comment period even

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though it was not one of the questions asked, many provided input on replenishment options.

If I numerically use the comments submitted, there's a bit more organizations who find that it's a possibility to replenish the reserve fund and there's a couple organizations that do not. So I'm hoping to get more feedback on that question, which is why we wanted to also try to provide a very clear strategy so that people can really point out to everyone.

GIOVANNI SEPPIA: Thank you, Xavier. We have a comment from a remote participant.

JOKE BRAEKEN: I'm reading [it] out loud. It's a question by Leonid Todorov. He asks if downsizing as the most realistic option is not considered at all.

XAVIER CALVEZ: I think the question from Leonid is about downsizing in the organization to create savings to be able to replenish the reserve fund. I think that's what he's talking about.

ROELOF MEIJER: I don't think so.

XAVIER CALVEZ: Oh.

ROELOF MEIJER: I think he means downsizing the reserve fund. Or at least it's the other option, and that's probably an easier one.

XAVIER CALVEZ: Sorry. I didn't understand that.

GIOVANNI SEPPIA: Let's have Irina's question first and then we'll come back to Leonid because he's typing to clarify the question. Irina, thank you.

IRINA DANELIA: These $15 million which are supposed to come might come from operational savings, will see that already in the next year operational plan and budget? Because currently there is no such line there as far as I remember.

XAVIER CALVEZ: Thank you. Because of that point, this is why we have formulated the approach in this fashion which is $15 million over the five years. Because then we will need to plan and

budget for that $15 million to be generated, which is also why it's a little bit labeled here as "savings" because, as you are pointing out, currently we are like this. We have as many expenses as we have funding. So to generate an excess, we need to find "savings" over that period of time up to at least $15 million.

The question on timing I think is going to be dependent on how can we plan, what are those savings, where do we find them, and how quickly can we deliver them to amount to the $15 million? I think that $1, $2, $3 million is easier. When you get to $10 or $15 million, it becomes fairly impactful.

You have the numbers here. So $138 million is the annual budget for ICANN suggested for FY19. So $2 or $3 million is 2% or 3% really at the end of the day, a bit less than that. But I can tell you that with everything that the organization does to date, it already feels challenging to find that $2 or $3 million, but this is what we should be doing, I think.

So that's what is offered. The timing is not yet set. The $15 million is $3 million per year over five years. If we wouldn't do $3 million the first year, which would be basically FY19, then we have more pressure on the last four years of the period. This is something that we need to plan for.

It's also one of the reasons why it makes complete sense to have the community having input on this because if we're going with this, we're going to need to find the savings. And it needs to be done, of course, in a collaborative fashion with the community.

GIOVANNI SEPPIA: Thank you, Xavier. Russell? And then we have the clarification from Leonid. Thank you, Russell.

RUSSELL HAWORTH: Thank you. I'm just caveating what I'm about to say because I'm quite new to this committee. So pardon the ignorance.

The question I have is one of, obviously, choices. You have $36 million on a bank account, a balance sheet. What is the intended use of the $36 million if it was not going to be appropriated to this? Are there other draws and needs of the $36 million?

XAVIER CALVEZ: How much time do we have? I don't have the answer to that question. There's a community group that is working on developing a mechanism to determine the usage of the auction proceeds. That working group has started early last year. It will have a public session at this meeting tonight to talk about the status of their work.

I believe the stated purpose in a general fashion was to contribute to – let me rephrase. I will not try to quote, but it was a generic charitable purpose for the Internet. So what can these funds be used to help the Internet security, stability, and resiliency? Because, of course, it's ICANN's funds legally, so they we need to use them only for the purpose of the mission of ICANN. So that defines the limitation of what the purposes of that can be. But then it will be open on the basis of applications and from applicants for those funds and specifying what they want to do with it, and there will be an evaluation process.

RUSSELL HAWORTH: Yeah, sorry, just to finalize my point on that, because it strikes me that the question you've put to the committee as to whether this gets replenished over five years versus a shorter period of time is not necessarily whether it comes from one bank account to the other. It should be relatively around why do you need to replenish the money sooner than later. If that's a need and simultaneously it would be very difficult I would have thought to invest that money in lots of social benefit impacts if you're leaving the organization with only six months of reserves if that's the priority of the board has chosen.

So clearly I guess what I'm struggling with is it's very hard to answer whether it's the right thing to do to take money from

operational savings to replenish that gap if we don't know what the need is for the money in the first place to accumulate that reserve and whether you'd be better off to actually take that $36 million, put it to the resiliency for want of a better word at ICANN and then not pursue the public benefit initiatives.

I think it almost feels like an impossible choice to make at the moment because we don't know what the risk is of building up those reserves over five years.

XAVIER CALVEZ: Thank you. I think that the first document on the reserve fund that was providing a rationale for the reserve fund and why 12 months helps at least evaluating the degree of prioritization of replenishing the reserve fund versus the benefits of what the auction proceeds could be used for.

My point being, do we think it's more important to replenish the reserve fund and to do it quickly versus spending the auction proceeds on benefits for the public generally speaking?

By the way, both are in the public interest. I'll speak with my hat of officer of the organization. I feel that ensuring the financial sustainability of the organization is something that should be achieved as much as possible, as fast as possible. It's not just because I'm the CFO, but it's also because this is for the public. If

we want ICANN to be able to carry out its mission, it needs to survive. It needs to be there. It needs to not be exposed to risks that then impair its ability to carry out the mission.

So it feels fairly natural to me that this is a fairly important priority, but this is what we're asking input on.

GIOVANNI SEPPIA: Okay, first we have the clarification from Leonid. Thank you, Joke, for reading it.

JOKE BRAEKEN: You're welcome. Leonid clarifies what he meant with the downsizing. He says that Roelof is kidding and that he meant exactly what Xavier said.

XAVIER CALVEZ: I knew what Leonid meant to say.

ROELOF MEIJER: I'm sorry. I shouldn't have interfered and just let you carry on. Apologies for the confusion.

XAVIER CALVEZ: It is not the first conversation that I've had with Leonid on that topic so that's why.

ROELOF MEIJER: And it's probably not the first time I caused a confusion.

XAVIER CALVEZ: And it's not the last time on either side.

ROELOF MEIJER: Okay.

XAVIER CALVEZ: So the downsizing of the organization you could argue is another word for savings. So, yes, we will need to downsize the activity of the organization to be able to generate savings, though there's a condition in what I just said. If funding of the organization would increase and we keep the expenses flat, then there is then potentially an excess.

So that, I think, Leonid is pointing to a different scenario than funding increase/flat expenses. He's pointing out the scenario of, why don't you reduce the organization and its activities so that then you create an excess even if the funding doesn't increase? That's, I think, Leonid's point.

I think the first point that is here, the $15 million, and then in order to address the $17 million that's left, this is one of the options: to also generate savings from the organization. It would

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require some kind of "downsizing" or "saving," whichever word we want to use, it would be a reduction of the activities of the organization so that it can generate the amount of savings required to replenish the reserve fund.

GIOVANNI SEPPIA: Okay, I have Andreas and Roelof, and I need to close this topic of the agenda. How many hours we have? Three? Four? Kim?

[BART BOSWINKEL]: Until tomorrow.

GIOVANNI SEPPIA: Until tomorrow? Wow. [inaudible]? Until 5:00? So because we are a committee now we gain 50 minutes? Okay, that's good. I didn't know that.

ANDREAS MUSIELAK: I have two questions. The first question is I'm wondering why this point auction proceeds is on the slide. If you say from your point of view it's important, how much is the focus on the rest of the ICANN executives to say this is the important part? So why is it really on this slide? Because this is very clear because you say, "This is a very good option to come close to get" – it's my first question.

GIOVANNI SEPPIA: Can I just say something? I understand the question. Just say that this is a proposal that is open for public comment and it's based on a board decision at the beginning of February. So it's a proposal. This committee has not decided yet if we would like to submit some feedback to ICANN against this proposal. As we did for the reserve fund in November, we may decide to also start to work and submit input against this public comment on the replenishment of the reserve fund. But just to say that this is a proposal, so you're free to ask Xavier's point of view, but it's just a proposal.

XAVIER CALVEZ: Thank you, Giovanni, because I was going to start going there a little bit, Andreas, and that's also why I answered Leonid's question the way I did by referring to the actual current proposal. Because now that we are under public comment, I want to maintain the integrity of that public comment process and let the potential submitters of comment be able to do so on the basis of the same amount of information which is what is public. So if I'm giving you more information than others, I'm making the process unfair.

Having said that, I do want to make sure the everyone understands what is under public comment, and that's what I'm

trying to do here. So I think that the auction proceeds, as we've said earlier, is an available amount of money. It is the subject of a process to define what it's used for. Legally, it is ICANN's money. Legally speaking, it is ICANN's money, but there is also a community expectation that these funds would be used for a number of purposes that are in the process of being defined.

Put it differently, if we would not be in a multi-stakeholder situation, you have a hole here, you have an amount of money here that you don't know what to do with. It doesn't take long to decide what you're going to do with it.

GIOVANNI SEPPIA: Second question?

ANDREAS MUSIELAK: Second question. This refers to the question of Leonid because I know due to the very optimistic forecast for the new gTLD program you already downsized. So now you are saying there is potential for more savings. Do you really see – and don't go into the detail of it because I understand – but you see really potential for additional savings?

XAVIER CALVEZ: In short, it's a matter of planning and budgeting and it won't be easy.

GIOVANNI SEPPIA: Thank you, Xavier. Roelof?

ROELOF MEIJER: Just tell me if it's overdue, but I wanted to react to the discussion between Russell and Xavier on how important it is to replenish the reserve fund or not. I think that once you decide how big it should be and if it's not full and if there's not a particular occasion that you see in the future for which you want to use it, then there's a possibility that you need it tomorrow.

So I would say then you have something like six months to replenish it to 100% because the first six months you already have and the rest of the six months is still there to come. So once you agree on the size and [inaudible] to have it, then every day that it's not full theoretically is a risk because you have calculated that you need this [here]. There's no particular event that you see in the future, so it can happen tomorrow. I think that's the idea. But the good thing, of course, is that the money from the auction proceeds is there. It's just in another bank account, but it's still there.

GIOVANNI SEPPIA: Thank you, Roelof. Would you like to react to this? No?

XAVIER CALVEZ: I generally agree with what Roelof just said.

GIOVANNI SEPPIA: Thank you. Yes, it's okay. He said it is okay. Irina, please.

IRINA DANELIA: Actually, I'd like to refer to Leonid's comment. While we saw first paper on the reserve fund, it was not clear how this exact amount was calculated. From my perspective, it's still not clear and convincing. Because returning to Leonid's point, why cannot be decided that reserve fund should be $100 million or $110 million or $120 million? In case you use it to fund ICANN activities during the year, it [probably is a reason or a] possibility to finance the most important activity but not all we see in this year's budget. So the connection between actual yearly operation expenses and the size of reserve fund is not clear and convincing from my point of view at the moment. Hopefully, that will be [inaudible] but not at the moment.

XAVIER CALVEZ: Thank you. I think that we need to distinguish two things. The metric of month of operating expenses is simply an

approximation or a simple way to try to measure a reserve fund. I think what's more important is to go back to why do we have it and what is it supposed to try to do.

It's not supposed to be used for covering the expenses of the organization for 1, 2, 3, 12 months as if nothing happens. That's not what it would be used for. The point is that the rationale for the reserve fund is to let the organization have funds available when there is a large issue happening that requires funds to be used in a fairly short timeframe.

So it's not about continuing the operations like if nothing happens. It's about having an amount of money that then can let the organization be able to face issues: talk about cybersecurity, talk about an earthquake where the office is destroyed. This is the type of crisis or emergencies.

Let's assume for a second – and I will not speculate on the reason – but let's assume for a second that ICANN needs to find a savings of $60-70 million of its budget because maybe let's say funding decreases by that much. Let's use that scenario. I'm sure everyone in this room will understand that we're not going to say, "You know what? Let's just use the reserve fund. Let's continue to live as is, have the same amount of offices, and we're just going to use the reserve fund to pay for everything and continue having our expenses at the former level."

Of course, we're going to cut everything we can as fast as we can. But that amount of reduction, of course, is very substantial. It's [structural] to an organization. So the costs of being able to reduce the organization's size to half of what it is, as you know I'm sure, is very significant.

First of all, it takes time. You are going to have contract penalties. You are going to have rent to pay. You are going to have severances and so no. You know the drill. So it would take time and it would cost a lot of money. So that's what the reserve fund would be used for in the event that I'm talking about.

So it's not about keeping the same amount of meetings, the same amount of travel, and then ignoring the fact that there's an earthquake happening with the organization and it needs to get [health back up].

IRINA DANELIA: Then it probably makes sense just to say that target level for the reserve fund is $138 million, which is approximately one year expenses.

XAVIER CALVEZ: Sorry, just to conclude on that, in the first public comment document which now is reflected in the investment policy of ICANN where the reserve fund is defined we focus on why the

reserve fund is what it is and, therefore, that it should be approximately $138 million or 12 months of expenses.

The issue is that because we put it in a policy and the budget of ICANN changes all the time, we would need to change the policy all the time if we would leave a number rather than the 12 months of operating expenses. You see what I'm saying? Next year when the budget of ICANN changes, I would need to go back and change the policy again because the amount may be different for the budget.

The other thing is the larger an organization is, the more it costs or it is exposed to those risks and those risks cost money. So the downsizing of ICANN by half will cost more if ICANN is $140 million or if ICANN is a $70 million organization, which is why there's a little bit of an accepted practice to use the number of months of operating expenses as a measurement for the reserve fund. It's not accurate. It's not precise. It's not a requirement. It's just a convenience, if you see what I'm saying.

And I take your point. An amount of dollars may be easier or better to use. It's just a practical way to do it to use the months of operating expenses, and it's common in nonprofits.

GIOVANNI SEPPIA: Thank you, Xavier, and thanks to those who have requested clarification against this proposal. Again, we'll discuss if to submit an official comment of this committee in the next days as the public comment period closes about the third week of April. When is it the closing? I think the third week of April, something like that.

BECKY NASH: Thank you, Giovanni. Yes, the ICANN org report on public comments will be published on 12 April.

GIOVANNI SEPPIA: Okay, thanks. So we do not have much time if we like to officially submit a comment on behalf of this committee. So we'll discuss it.

Let's move to the next point which is – yes?

XAVIER CALVEZ: Sorry. I apologize. We confused the question and the answer. The reserve fund public comment that's currently open closes on 24 April. It's about 49 days of public comment because we have a public meeting during the period, so we're taking that out. It's going to be about 45 days in total excluding the ICANN meeting.

GIOVANNI SEPPIA: Thank you, Xavier. So we have a few more days.

Let's move to the next topic, which is about the ICANN operating plan and budget for FY19. This working group submitted some days ago the official comment input against the draft operating plan and budget.

We noticed that there are some points – and I know that you have prepared some slides, so thanks a lot for that. There are some points that this working group was very happy to read in the preamble of the different documents. One of them is sort of an acknowledgement of a comment that this working group has put forward since several years which is that it is an acknowledgement that ICANN needs better long-term financial planning. But at the same time, there is also a comment that says that it's up now to the community to decide what we want as priorities.

As sort of a side comment that you may address when you speak about it, we would like to also understand if in light of this sort of communication from the [COO] and from the chair of the ICANN board if there's going to be a change in the way ICANN presents and submits the planning to the community to allow the community to have some time to think about priorities in terms of the work that is expected from ICANN.

As other generic comments are relating to the funding of ICANN and, again, this working group has put forward advice to ICANN to be more prudent when it comes to the growth of the gTLDs like we have done in the past. There is a need to have a better understanding of the rationale between the budget constraints and the continuous growth in terms of [inaudible]. That is another of the key comments that this working group felt it was worth to highlight.

And also, there is the need for having a better understanding of certain cuts that ICANN is planning in some areas, certain budget cuts. If those cuts are cuts that are following some assessment of the added value of certain activities or they're just cuts decided by the departments.

As a generic comment now, we have noticed that what it was until the FY18 one document has been now spread across five documents, which indeed provide the community – six documents, I was missing one – which they provide the community with more details which is very good but also requires the community more time to go through the different documents because certain kind of information is spread around the documents. So it needs more time for this working group as well as other possible stakeholders to comment on the work plan.

Those are the key points we wanted to address, but there are also specific points against specific areas of the fiscal year draft operating plan and budget. I don't know if any of you who participated in the work to produce the comment that we have submitted to ICANN would like to add something that is you feel particularly relevant at this stage or you like to leave it at a later stage when we have this exchange with Xavier.

There is also the comment which is a recurring comment about consistency of the language and of the content. And I know that we have been saying this since our infancy. One point is that we understood some years ago because this is the feedback we got from you and your department, Xavier, that against the content, the text, you're just collecting from the different departments and different teams something that at some point is merged into one document.

But it's clear that the six documents may benefit from throughout consistency reading and proofreading because at some point there are also some even for a U.K. mother tongue or an English Sicilian like I am or English American or English New Zealander, some language issues in understanding the meaning of certain sentences. So it would be good to have this sort of language sanity check.

Again, if there's any extra element that the participants and he members of the committee would like to add, or we leave the floor to Xavier to address first reaction to our comments and then we will continue the dialogue. Okay, so thank you, Xavier.

XAVIER CALVEZ: Thank you, Giovanni. The first comment is a preliminary one. As you know from everything you've done and Giovanni explained, now the public comment is closed. It was closed this past Thursday. We are therefore in the process of collecting the comments, reading through the comments, and we will start the process of responding to the comments immediately after ICANN 61.

In the same fashion as to respect the integrity of the public comment process, I cannot yet answer directly the comments the way they were formulated. But we can provide our initial reactions, and I would also look at questions that help better understand your comments so that we can then better respond to them in the public report that we will produce.

And just so that you know, we have several engagement sessions at ICANN 61 with different organizations and we will, of course, make the same comment to everyone. We're not going to respond to the comments now, but we are trying to make sure we do understand them well so that then we can respond in

writing to them in the public report as well and as fully as possible.

I think that our first reading, and I'll let Becky add her thoughts as well, our first reading of the comments is relatively clear in my views. I don't see a lot of issues or questions. I have not gone fully in the details on your comments on document number four which is the operating plan which has the most detailed level of comments. And we will ensure we respond to them in the public report.

Giovanni was pointing out the fact that this group pointed in the past to the disparity in the information provided throughout the documents which, as Giovanni indicated, is resulting from the fact that it's not written by all one person. It's written by the managers of ICANN that manage their own functions because they're, of course, the better placed people to be able to provide that information.

So we, Becky's team is sending out instructions, receiving a lot of information back, and then compiling that information into the six documents that we are talking about.

What we have tried to do is this year we've enhanced a bit these actions to try to harmonize the language, language purely in the sense of vocabulary and grammar. And we have used the services of an editor who doesn't have any specific skill in

planning or budgeting but simply is a person who reviews documents. She has helped us format the documents so that they're consistent together. She has read the language without any technical knowledge and helped reformulate and clarify by having a better English, more understandable English because there's a bit of Franco-English in there as well.

GIOVANNI SEPPIA: We are for diversity. This was qualified in the previous meeting.

XAVIER CALVEZ: So we've done that. We are also using a software that scans the entire document and tries to also harmonize. It does a little bit the same things but in an automated fashion and tries to harmonize the wording – Acrolinx it's called if anyone of you know it – to try to help harmonize that.

I don't know if that was effective, so I don't know if you felt that it was slightly better or more harmonized than it may have been in the past. But that feedback would be helpful so that we understand how to either continue doing the same thing or do something different.

So I think we have fairly clear comments on funding. For example, you just mentioned funding. We will respond to that. I think that you are pointing out to trends of domain name

registrations and specifically more new gTLD related. So we will make sure we share the information that we have on that.

So there's factual information part of that answer I suspect and after that I think there's also a bit of a matter of assumption. So on the basis of that information which is in the document that you commented on, what should be the position on growth of new gTLD or lack thereof.

Just as a matter of factual information, what we see right now over the past two or three quarters is a zero to 2% or 3% growth of the new gTLD related domain name registrations. The new gTLDs are relatively young still, so there are some erratic variances in the domain name registrations and also changing by region of the world. There's been a lot in China, as you know, and those are a little bit more erratic. But we will comment on that for sure and try to have a position that is at least explicit to what we've done and what we can look at to do differently.

But I think your comment is very clear. Our assumptions are either a bit or a lot optimistic, and we should consider more conservative assumptions of funding. So we'll respond to that.

Cost savings you've mentioned, and I know there are questions here. I do want to emphasize that what is a cost saving is a little bit challenging to define. Is it a savings versus what we were doing before or when? Is it in total or is it specific to specific

projects? But having said that, we tried and you will recognize that in the document to describe as much as possible savings.

You're pointing out also personnel increases, so we will also address that just so that we start that conversation with information that we've already shared. As you know, the year-on-year growth of personnel cost comes from three sources.

You have the people that you've hired in the first year who impact that year for a partial number of months but impact the next year for 12 months. So that is a mechanical variance, and that accounts for about $5.7 million I think of the $8 million of increase in personnel cost year-on-year, FY18 to FY19. So about two-thirds to three-quarters of it.

Then there is what is called, at least apparently in the U.S. often, merit increases. So it's actually salary increases of employees as well as promotions, when an employee changes jobs and potentially has a different salary. The two together is something that we budget every year in the budget. We include a factor of increase of the compensation. We have in the past used a factor of approximately 4% to cover for both salary increases without changing jobs and promotions. This budget, as you may have noticed, retains an assumption of 2%.

The other piece of information is that historically the promotions part seems to represent between half a point and

about 1% of the compensation growth, which then leaves on average between a 1% and 1.5% for salary increases. That's the second component of growth of the percent of cost year-on-year.

The third component, of course, is hiring of new staff members in the FY19 years. That component is a net increase of headcount from 420 to 425 during FY19. So it's net – and I say "net" because of course there are some departments that increase more and other departments that decrease – so the net is five FTs (full-time equivalents). It's not five positions. There are more positions than that changing. So it's about 1%, which is the slowest growth of the organization that it has encountered over the past years but logical as well.

So I think part of what you may have seen also in the document is that the headcount growth slows, and as it should, and it slows in consistency with the funding but also with the fact that some functions are mature and are reaching or have reached, sometimes with delay, but in connection to the growth of for example the number of contracted parties.

If you look at five years ago, we had 2,500 contracted parties between registries and registrars. Today we have 5,000. That's twice as many billing, collections, interaction with the contracted parties, legal. All those functions that support the

contracted parties' growth of use, we have a lot more work. We've increased the billing team from two to three over that period of time, if you care to know, and we have about 25,000 invoices a year.

So those are the components of the growth of staff. I'm giving you just factual information, not yet answering your question. Your question is about, why is the staff continuing to grow? I'm giving you the mechanical or the technical answer to the question and also to point out that growth is really a resulting of mainly the growth of headcount during FY18 or prior years.

Another piece of information which is public, the budget for FY18 that finishes in four months, three and a half, and that's the approved budget that you have seen in the past, is suggesting a headcount by that time at the end of June of 421 people and we are currently 398. By the way, we were 400 at the end of September last year. So that's an interesting trend which is that we are flat basically since the end of September with increases and decreases. There have been departures and there have been hires.

But we are also expecting to continue being under budget until the end of June, which is also helpful as we enter into the fiscal year because then we would enter the next fiscal year with a lower headcount which helps us contain our costs and gives us

opportunities to save potentially more funding. I'll stop here to see if there's any comments or reactions.

GIOVANNI SEPPIA: Thank you, Xavier, for the preliminary [reaction]. I know that Patrick would like to complement what Xavier has said.

PATRICK JONES: Patrick Jones from Global Stakeholder Engagement at ICANN. I wanted to ask a clarifying question that would help me in developing our responses to the community inputs. Some of your points address directly the Global Stakeholder Engagement team, in particular about the increase in size of the team and activities.

Just to clarify specifically the team has not increased in headcount this year. In fact, it has been reduced. We had one team member leave. Michael Yakushev left ICANN. His position was not filled. Internally, we increased a person to take over the head of Eastern Europe and Central Asia roles, so it was hiring from within. But we did not increase the number of staff within Global Stakeholder Engagement. In fact, we've reduced the number of positions that had been requested in FY17 to FY18 to FY19. So the size of the team has been, in fact, reduced and as a department we're doing more with less funds.

And that will be answered in the comments that ICANN provides on your feedback specifically, but we'll also be able to provide direct response to your input about metrics and reporting, which I think is fair. We've had a number of interactions over the prior ICANN meetings about that, but I just wanted to clarify that in terms of where the ccNSO SOP is seeing an increase in headcount does not reflect the numbers that I am aware of.

XAVIER CALVEZ: And that are published on Page 12 of Document 2.

GIOVANNI SEPPIA: Okay, thank you for that clarification. One important element that I'm picking up on what you just said is about the fact that you've just said that you've done more with less stuff. One of the comments that this working group, this committee has been putting forward for several years tried to highlight possible optimization actions. I think these kinds of elements are currently missing from what we read in the planning. So it would be good for the community to read these kinds of examples of actions that optimize resources, optimize HR. So that's a good point, and we are happy to hear what's going on. So thanks a lot for this clarification.

XAVIER CALVEZ: Can I just add something very quickly in addition to what Patrick said? The numbers he's talking about in terms of headcount go from 31 headcount at the end of FY18 to 30 at the end of FY19. When Patrick says doing more with less, it sometimes is also doing less. Let's be clear. And that's also a fair approach. Patrick can illustrate more in detail and it's a good useful feedback for us to make sure that it's visible what is being either reduced or done differently to better use the resources.

So what we are looking at, at a high level, is we need input on that and you have and others have provided input on that as well, which is what should we either not do or do differently or do less of so that then we can better optimize our resources or better use our resources which also helps us mitigating against funding shortfalls and things like that.

There's a number of reductions. I want to illustrate one at a consolidated level and something that may not be sufficiently apparent in the document. We will offer that information as part of the responses to the public comment. For example, that the staff travel is decreasing by 13% year-on-year.

Now the challenge for us is to say, "Okay, which trip is not going to be done?" This becomes complicated at that level of detail and the managers will have to make choices. But those choices inevitably will potentially have the effect of we're going to be

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more selective in the trips that we make, which is probably very good. Now there may be trips that are not done that would have been beneficial to do. Fine. Everybody deals with that. Every company lives with that reality. I think that's something we'll look at as well.

I think that there's more clarity also on the headcount growth that we will be able to provide as part of answering the comments. I have provided the board with an overview of the growth of headcount between the beginning of FY18 which is July 1 last year and the end of FY19 which is the end of the budgeted year that we're talking about. So over a 24-month period so that there's visibility on that.

I will also share that as part of the answers, and it's relevant because it explains why also we have this impact in FY19 of the people who have been hired in FY18 that then trigger an increase of costs in FY19. So the increase of costs in FY19 is not just hiring people in the future. It's because of the people who have been hired in the past. And what are these people doing? That is also an information that we'll provide. That's something that last year Roelof had asked about and that we provided, and I know it's a helpful feedback and we should actually do that on an ongoing basis.

GIOVANNI SEPPIA: Liz, please?

LIZ WILLIAMS: Xavier, thank you very much for answering the questions so comprehensively. I wonder if it would he helpful in terms of deciding the text of the document, of course it's a privilege to be able to work in my first language as opposed to my second or third. But I wonder if it's not helpful to do some graphical representations of baskets of possibility.

For example, you've described doing more with less. Option A equals this bucket of money can do this and this and this. If you choose this bucket of money, we can do that and that and that. It's just rather than a narrative, a graphical representation makes that information more digestible and it also allows people to say, "Well, if ICANN organization is cutting its budget or changing its budget or doing something differently, then we ask for different things."

For example, we'll use CENTR as an example. An ICANN Global Stakeholder Engagement person might go to one of three CENTR meetings or would go to two or APTLD meetings or whatever. You can start to put those line items of choices in a graphical representation that might give people an easier and more digestible way of making decisions about what this is, "That sounds like a fair thing. That sounds like a good savings.

That sounds like a good way of representing what we think the priorities are for the work."

XAVIER CALVEZ: Thank you. This is very useful feedback. I see two components in the suggestion that you made. There is the buckets of information of costs and to which activity they're attached, and then there is offering a choice.

To the first, it would be helpful to receive feedback from you guys on the Document 6 which provides the breakout of the entire budget of ICANN by 233 projects and breaks out for each of those projects the spend for each by personnel costs, travel, professional services, administrative costs, and associates to each the headcount that supports that specific activity.

That's currently the most granular amount of data that we can provide as per the strategy plan of ICANN. How much money are we spending against that purpose? That's what this Document 6 does. It's a lot of information, so it's a big spreadsheet. But it tries to provide that level of visibility as to how many people and how many dollars are we spending in each bucket.

What we have not done is try to then offer choices, offer options, offer alternatives. What about this versus that. I think it's possible. We've talked about with Becky in terms of how do we

make it easier for the community to engage on the budget. Reading six documents, it's 198 pages if you want to know if you don't already know.

UNIDENTIFIED MALE: We know.

XAVIER CALVEZ: But no, you missed Document 6. It's a lot of information. It's technical information. This group has been spending years working on it, and you guys are proficient at it, but look at someone who has no business experience, who has no financial experience, who has no planning experience. It's very difficult to get into that information and understand anything out of it.

So could a question of, "Do you like this better or do you like that better?" is a way maybe to address that challenge of stepping into understanding the budget of ICANN and being able to provide input. So we've been considering it. We have had our first engagement with the GAC on the budget, and we've discussed with the GAC an approach to try to help their members get into the budget because they often don't have that expertise or knowledge or experience and maybe do a survey. It's a slightly different twist to what you offered, but doing a survey on asking questions about the budget. So we may try to

do a bit more of that, but I like the suggestion that you offered and I think we'll try to retain that.

LIZ WILLIAMS: Xavier, I don't know whether this is appropriate because I was part of the meeting but I wasn't part of the group that was developing these things which are on the wall. That was a very explicit exercise which is put your blue marker against the dot which you think is "must do."

If we think those "must do" things sit within that graphical representation of the work of this particular organization, then it's logical that we would share – I hope, I think it's logical – that we'd share that information with you to say when we're coming up with alternatives, then this is the work that's being done on a very granular level within a small group. And you can see the results around the room which are relevant to what you're talking about. I don't know if that's helpful. I don't know if it's appropriate. I don't know at all, but just a suggestion about how that feed in might help you then give information back.

XAVIER CALVEZ: Thank you. It is very helpful. I think that ties a little bit also to the strategic planning process which is where the priorities of the

organization should be defined. So maybe we can move into that topic, by the way.

GIOVANNI SEPPIA: I think there's a question from Debbie or a comment.

XAVIER CALVEZ: Okay.

GIOVANNI SEPPIA: Just a second.

DEBBIE MONAHAN: Just building on from what Liz said, something that comes through is that the community wants this. We're delivering what the community wants. The community is actually quite diverse and the priorities among the different constituencies are often very diverse and different too. So there may be a big chunk of the budget that At-Large have as their highest priority and it's taking its percent, but the CCs would have very low and vice versa. So I think there's an added complicator when you're actually doing this. If you go around and ask people how do you rate and prioritize, you're going to get the different constituencies with different viewpoints.

XAVIER CALVEZ: But that's the multi-stakeholder model.

GIOVANNI SEPPIA: Thank you, Debbie. Thank you, Xavier. It's our understanding that you will produce the responses to our comments. So let's say in terms of the public comment on the draft FY19 operating plan and budget, we'll wait for the feedback on our feedback. Is there anything that the members of the committee would like to further highlight against what we have already submitted? Or is there something again that you believe should be particularly addressed by Xavier and his team? I have Rosalia and Stephen.

ROSALIA MORALES: Hello. Thank you again for the explanation. It has helped a lot and already answered many other questions I think many of us had.

I just wanted to stress the importance of metrics. I think ICANN and your team have done a great job in improving the metrics so far. But now as we've talked about, the documentation has become greatly extense and including understanding how those metrics work. Because I think we went from having very few metrics to maybe having too much now, or it's hard to digest. Maybe that's the word.

I think it's in the comments. I just wanted to stress the importance. I know we focus a lot on headcount and I think that's crucial, but metrics are important to understand.

XAVIER CALVEZ: But to me metrics are more important because at the end of the day, it doesn't really matter how you do the job. It's how good a job do you do. And that's what those metrics should be able to measure. It's effectiveness and efficiency. So thank you for that comment.

I think you never are done with producing good metrics. We came from far and we're just on the path of continuing to produce them, and we should refine them. And we should also find ways to use them more and better in helping to define what we do or what we don't do.

As part of the strategy development process, we would like to manage to associate the definition of priorities with the existing metrics, their current level, and also defining targets for those metrics where it is measurable that help to also define priorities. I think that ramping up with being able to produce metrics was the first step. Now we need to be able to really use them for planning and decision making, which is really what it's done for. So that's really the next endeavor for us from a KPI and metrics standpoint. Thank you for that comment.

GIOVANNI SEPPIA: Stephen?

STEPHEN DEERHAKE: I have an operational question. I don't know if it's appropriate at this time or not, regarding the timing going forward. If you're okay with it, Giovanni, I'll propose it now.

GIOVANNI SEPPIA: Yes.

STEPHEN DEERHAKE: Xavier, with the closing of the comment period on 8 March, it appears the staff report is due on 12 April. You've got a lot on your plate because you have over 40 comments to chew through and summarize and categorize, etc. Now some time shortly after you guys report back in almost mid-April, presumably this goes to the board, presumably the board will consider this, presumably the board will take a vote.

From an operational standpoint the SO/AC community and the Empowered Community needs to be rather nimble in the event that once the board vote occurs we go into rejection action petition period. Thus my question is, with both my this committee hat on and my ECA hat on, do you have any idea

when the board might vote? I understand they have a retreat coming up in mid-May, and I'm assuming some time around then. So that we might be able to do a little planning with regards to how the community, and not just this one but all the SO/ACs react to the final version of the budget as adopted by the board.

BECKY NASH: Thank you for your question. I just wanted to respond based on the planning and the timeline that we've been reviewing throughout this process. One of the key drivers for the FY19 operating plan and budget timeline was to ensure that the board of ICANN was presented the budget for adoption by mid-May. So our target to send the materials to the board of ICANN is approximately 15 May. Then we are expecting a board meeting at the end of May to adopt the budget. This then permits the Empowered Community process timeline to take place well in advance of the next fiscal year. So, again, it's not miles ahead, but we're trying to meet that timeline so that would be throughout the period of June and the period would elapse or continue, depending on what happens. But it would be before the beginning of the next fiscal year.

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XAVIER CALVEZ: So basically that's to allow for the 21 plus 7 days of Empowered Community consideration of their rejection.

STEPHEN DEERHAKE: Okay. I'd like to thank you guys for that timeframe because that puts us in a good position if we have to run a public forum, to run a public forum. Because there won't be that much time between the lapse of the 21-day period and coming up to the next public meeting. So that gives me what I need to know.

XAVIER CALVEZ: Yeah, I think the 28 days covers the Panama meeting if need be.

STEPHEN DEERHAKE: Let me go back and do more math.

GIOVANNI SEPPIA: We have to say bye to Xavier because he has an obligation. So thanks a lot to Xavier for coming to our meeting.

I have a question from Irina. Becky is here. She stays here and she is able to address more questions if needed.

IRINA DANELIA: Thank you, Giovanni. It's just actually a comment returning back to revenue projections. The organization might decide to be

more conservative in its revenue projections and then keep in mind that if we have extra revenue, that we're going to spend it on this and this. Or you decide to be more optimistic in your revenue projection but then you keep in mind that in case it doesn't happen you will cut this and this. But it would probably be good if you just indicate which approach you follow just to let us know.

BECKY NASH: Thank you for your comment. In general, ICANN is very conservative in looking at the funding and the sources because we examine historical trend based on the billing of the contracted parties. Your comment is well received that we do indicate in the draft operating plan and budget a best case scenario, a high, and a low, and that we tend to be conservative in the percentages that we have indicated there. Again, they're solely based on historical run rates that we are seeing. After the beginning of this fiscal year, we started to review the fact that the historical run rate had been much lower than anticipated about 12 months earlier.

IRINA DANELIA: Thank you.

GIOVANNI SEPPIA: Thanks a lot, Becky. Any further question? Again, we will look forward to receiving the feedback of the ICANN Finance department against the comments we have submitted. If not, I would say that we should move to the next topic, which is the strategic planning cycle. I understand we have some slides prepared by, again, ICANN Finance. So thanks a lot, Becky.

BECKY NASH: Thank you. At this time, I'm going to go ahead and pass the microphone to my colleague Nathalie, if that's all right.

GIOVANNI SEPPIA: Okay, you're the last one. Otherwise, there is the amplifier just [inaudible].

NATHALIE VERGNOLLE: No, I think it's fine. Thanks, everyone. To answer your question about how and when this committee is going to be involved in the strategic planning, we're seeing two phases to the strategic planning. There's, let's say, a preamble to the strategic planning which we've called the strategic outlook. It's a process that the organization that the organization started last year by which we are looking to identify trends that are impacting ICANN, whether they are internal or external trends, that somehow have an effect on ICANN.

At Abu Dhabi we offered the opportunity to SOs and ACs to run trends identification sessions, and we're going to be running a few of those here in – where are we? Puerto Rico. And we'll also be offering the opportunity to run those types of trend identification sessions in Panama.

The identification of those trends will give us an idea of what are the highest priority items that ICANN wants to focus on. We're going to use this as an input into the strategic plan.

The way that we're seeing the next iteration of the strategic plan, as you know right now we have a strategic plan that runs from FY16 to FY20. So we're going to be starting to work on producing the next iteration of this strategic plan for FY21 through FY25. The way we're looking at this is the next iteration is going to be just an update of the current framework. It took ICANN a lot of energy to put together the current plan. So we want to build upon that and just produce an update to the current plan.

It's going to have mostly the same structure. We're just looking to revise the strategic objectives and goals that are in the current plan to reflect what we're seeing changing as part of the trend exercise. So it's just going to be an update of the current framework, and it's going to look to address the top priority trends that will have been identified through the trend exercise.

The idea is that once we have collected on the inputs on the trends, the board is going to use those inputs and map those to the current plan and identify what needs to be adjusted and revised to address the issues that we're seeing emerging with those trends. That will constitute a first draft of the new plan. It will be, of course, presented for discussion with the community. Probably discussions would occur at ICANN 63 on the basis of the revisions that would have been done over the summer.

The other new element in the next iteration of the strategic plan is we want to include financials. The current strategic plan doesn't have any money associated with it. We think it is essential that we actually map our strategic objectives and goals with money. So we're going to associate dollar amounts to each of the objectives and goals.

Of course, there will also be a public comment period at some point. Once the draft has been formulated and agreed upon with the community, it will go through a public comment period. We're looking to build this plan as soon as possible because then we need to develop the five-year operating plan on top of that and then feed that into the annual operating plan and budget cycle. We need to be done relatively early for the strategic plan in order to have the time to build those additional documents on top of that.

GIOVANNI SEPPIA: Thanks a lot, Nathalie. Becky, would you like to complement or say something more about the strategic plan process?

BECKY NASH: Thank you, Giovanni. I think the most important point from the Finance team is the fact that the financials will be included, which will be something that will require a lot of collaboration in order to then be able to cascade into the annual or fiscal year operating plan and budget cycle. So we're all very happy about this upcoming framework and process, and we do really request a lot of input from the community and again with the public comment period and opportunities to participate in the sessions on the outlook trends. I think that's a very important point. Thank you.

GIOVANNI SEPPIA: Thank you, Becky, and thanks again, Nathalie. Just one quick immediate remark. It's about the approach to produce the strategic plan. One of the key comments that at that time it was a working group produced and I believe it's in your archive somewhere and it's on the ICANN site is the fact that when we looked at the current strategic plan that finishes in 2020 we noticed that there was some overlapping among different goals.

One of our recommendations was to clarify some goals and make sure that there was no overlap of different goals.

Another point that we made was that there was sort of, again, inconsistency in the way certain goals were represented. So that for us was quite difficult to comment because, again, some of the goals were presented with quite a lot of details, a sort of granularity, while others were really strategy level. They were like macro goals with not much information. So for this working group, now committee, it was quite easy to comment on certain goals' priorities while it was more difficult to comment on others. Again, it's an invitation to make sure there's consistency in the level of information contained in the plan.

I have Russell.

RUSSELL HAWORTH: Thank you. I'm going to caveat again my comments on the basis that I've not been involved in the planning process before for this strategy, but it seems to me that based on what you just said, can you clarify? Because I'm not sure I totally understood the various timelines there. But kicking the consultation off in 2018, getting input, I appreciate it's from a multi-stakeholder community so this may take a while. But it strikes me that if it's completed in 2019 and then the output of that is to inform the 2021 strategic framework and planning cycle that there's an

awful long period – two years – between when you've developed and the input into that strategy and then developing the FY21 five-year plan.

Given that we are on the Internet and a global community and things change probably pretty much dynamically, how do you manage the tension between the two-year period between getting inputs and feedback into your plan and developing a five-year plan? It just seems like an awful long period of time before you actually start to execute on that strategic cycle.

NATHALIE VERGNOLLE: Two points to that. The first is as you know things take time here to develop. Just building the annual budget takes right now about 15 months. If we want to have a five-year operational plan in place by the time we start this, we need to work on the strat plan now and then work on the five-year operational plan in order to be ready 15 months before the beginning of FY21 to work on the annual budget for that fiscal year.

One thing I did not mention which is worth mentioning and I hope it will maybe address your concern is as you know right now we have a fixed five-year strategic plan. The intent is to start rolling the strategic plan. So instead of having a fixed five-year plan that we're not going to change over the next five years, we're going to look into a more iterative approach where each

year we will run the trend exercise again and we will look to what adjustments need to be made to the strategic plan to react and not wait for another five years before we change that. We're hoping that by doing this, we're going to get a little more nimble in our strategic approach.

GIOVANNI SEPPIA: Thank you again. Any other comment or question? I guess the strategic plan that is coming ahead is a good moment for you to address the comment of the ICANN CEO which is in the preamble of the operating plan that ICANN needs better long-term financial planning. So we are looking forward to see also the financials included in the strategic plan. They're going to be financials for the five years? Okay, thank you.

NATHALIE VERGNOLLE: And if I may?

GIOVANNI SEPPIA: Please.

NATHALIE VERGNOLLE: Just one more thing. I just wanted to extend the invitation to this group if you have any time during this ICANN meeting, we are here and happy to facilitate a trend session with this group if

you would like to do so. Or if you want to schedule one for a later date, we can also do that.

GIOVANNI SEPPIA: Okay, thank you. Or eventually we can plan ahead and do something for the next meeting in Panama.

NATHALIE VERGNOLLE: Right. Yes.

GIOVANNI SEPPIA: Or the following one in Barcelona so that we have also some time to prepare.

NATHALIE VERGNOLLE: Well, not after Panama.

GIOVANNI SEPPIA: No? Not after Panama. Okay, we'll make sure that there is a session in Panama. Thanks again. Any other, again, comment, question? If not, thank you so much, Becky. Thank you, Nathalie. And thanks to all the ICANN Finance department for the courtesy of being here and clarifying the points and addressing our remarks. Thank you again.

Now we move to the very last point of today's meeting, which is the ccTLD voluntary contributions which were partially mentioned during the preparatory meeting of the council and if there is a role for this committee to have a talk about that, discuss them and see the way we can approach.

As Bart explained, they are coming for a review if I understood correctly. Because they were produced in November 2013. So now we are approaching five years.

BART BOSWINKEL: Yes. If you recall, there was a session I think at the previous ICANN meeting on the ccTLD financial contributions and the current level. The conclusion of that session was we wait. It was a preparation for effectively the Barcelona session. By then, it needs to be concluded, the review.

So my guess is it will be a major topic in Panama [and weaker] in Barcelona [because that makes sense]. As there is no finance working group right now, and maybe that should be the approach, currently the only group dealing with these matters is the SOPC. So you could argue that the SOPC might have a role. At the same time, it's not discussed yet by the ccNSO Council or by the broader community. But maybe it's a good time for the SOPC itself to think about it and whether it wants to play a role

in that respect. Because ultimately, this is one of the fora or one of the groups that's really focused on this.

GIOVANNI SEPPIA: Thank you, Bart. Good point. Roelof, would you like to say anything as you are part of the building up for the guidelines?

ROELOF MEIJER: I think I agree with Bart. I think it's something that this group could take up and follow. Since it's a group that, I assume, consists of people with a financial interest and a certain level of expertise in that area, it's probably the best selection we can make from the ccNSO. Of course, [not] speaking for myself.

GIOVANNI SEPPIA: Any other view? Shall we make sure that apart from having a dedicated session on the strategic plan in Panama, we also get some time for discussing this further? Or we can also do it via mail. Any view, anybody? Andreas?

ANDREAS MUSIELAK: It's [not] a remark to you, Roelof, but I think we should not do by e-mail. I think we need a face-to-face.

ROELOF MEIJER: Face-to-face with blood in a coliseum.

ANDREAS MUSIELAK: Exactly.

ROELOF MEIJER: Okay, I got the point.

ANDREAS MUSIELAK: I'll book the coliseum.

UNIDENTIFIED MALE: [Turn the lights down].

GIOVANNI SEPPIA: Okay, we stop there. We stop there. It was my fault to pick out the location. Bart?

BART BOSWINKEL: May I suggest just as a starting point that at least communication whether this group will take it on is done by e-mail. So you have a bit of clarity on your role and that the broader community knows the SOP is taking on this role to structure the discussions.

GIOVANNI SEPPIA: Okay, thank you, Bart. Stephen?

STEPHEN DEERHAKE: Yeah, I agree that we should probably at least initiate this, the mailing list and get perhaps to the point where we have a little homework that we can get done before the face-to-face. But I think the heavy lifting would have to be done in person.

GIOVANNI SEPPIA: Okay, so are we all in agreement that we start by mail and then we follow up face-to-face in Panama?

Another quite important – thank you, again, Russell – another quite important is to catch up on what I started the meeting with about the public comment on the replenishment of the reserve fund. Again, we have submitted a comment in November. Is this working group – if this working group would like to produce a comment on the proposal for the replenishment of the ICANN reserve fund. Any particular view? Shall we start again a process by e-mail to see if there are volunteers to produce some feedback against the proposal that ICANN has put forward? Yes? Consensus? Yes? Okay. That's another action point.

Which draws this meeting to a close if there are no other points you like to address, anybody? No? If not, surprisingly ahead of schedule but typical of an Italian, I'd like to thank Bart, Kim, and

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Joke for the secretarial support. Thanks to all the committee members for the work done so far and for the progress we made. So thank you, everybody. This session is closed.

[END OF TRANSCRIPTION]