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KOBE – ccNSO: Strategic & Operational Planning Standing Committee Meeting
Sunday, March 10, 2019 – 13:30 to 15:00 JST
ICANN64 | Kobe, Japan

UNIDENTIFIED FEMALE: March 10, 2019. ccNSO Strategic Planning Standing Committee Meeting 1:30-3:00. Diamond.

GIOVANNI SEPPIA: Okay, we are going to start in two minutes because [inaudible] and Xavier can stay only 50 minutes. So, we are under time pressure. Okay, good afternoon, everybody, and welcome to the ccNSO SOP meeting at ICANN 64 in Kobe. Thanks to all the participants, especially the ccNSO member, SOP members. Some have had quite a tough time in the past month to comment on several documents, and that was a Christmas gift from ICANN, and we are having ICANN finance representatives here in the room with us, and there is a very high-level agenda which I am going through which is, first of all, this welcome, and we have three new members from the last council meeting. The three new members are from dot-ng, dot-jp, and Nicholas Lisse, who do we have? We have, yes, Atsushi? Yes?

ATSUSHI ENDO: Atsushi Endo from JPRS. Nice to meet you all.

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.

GIOVANNI SEPPIA: Thank you for joining the SOPC. Do we have the gentleman from Nigeria?

UNIDENTIFIED MALE: [off mic].

GIOVANNI SEPPIA: Yes, hi. Sorry, I was just like—

BIYI OLADIPO: I'm Biyi Oldipo from dot-ng.

GIOVANNI SEPPIA: Thank you for joining the committee. And, Nicholas? I don't see Nicholas. Okay, he is an observer. So, this is, as I said, a very high-level agenda, and we would like to start with a sort of summary of the latest comment rounds with some opportunities and challenges. We had quite a lot of work in the past month because we had the three documents posted by ICANN and ICANN's finance department is going to make a presentation on where we stand against those three documents. For one of them, I believe the public comment period is still open, the two-year is … It's closed? Okay, so they're all closed. So, we look forward to

receiving the ICANN feedback, at some point, to all of the comments they have received.

From the SOPC members, is there anything else you'd like to add to the agenda? Okay, that does not seem to be the case. So, as I understand it, the ICANN staff, especially a certain [inaudible] senior executive has some time pressure, as soon as he finishes, to message in for, yes? No? It's not referring to you at all. So, we have Becky, Shani and Xavier. Thanks again for accepting to be in with us at this session, and we can start with your presentation, and then we'll follow up with some of our comments. Or, we just received an updated presentation. I don't know if you have addressed some of the comments in the presentation. If not, we'll make sure that you do address them before you leave the room. Thank you.

BECKY NASH: Thank you, Giovanni. Good afternoon, everyone. This is Becky Nash, from ICANN Org Finance department, and so today we are going to give an update on finance activities and specifically engage on the public comments. Our primary focus is the draft FY20 operating plan and budget, and we do have information on two other public comment periods that have also just ended. If we could just go to the next slide. I'll do it myself.

I just want to, first of all, introduce everyone on the team today. So, again, we do have Xavier Calvez, ICANN CFO, here for the first part of this meeting; myself, Becky Nash; and my colleague, Shani Quidwai, Director of Finance, from ICANN org.

For the materials today, we have an agenda that outlines some results on FY19, just a status of where we are, year to date. We also have an overview of the FY20 budget highlights, and then we have the main section which is the public comment themes and overviews for the FY20 operating plan and budget.

We also do have the strategic planning process, overall, with the two other public comment periods that have recently closed, but before we launch into the presentation, we just wanted to make sure that we highlight another session here at ICANN64. On Wednesday, the 13th of March at 9:00 AM., 9:00 to 12:00, we do have a finance public session. In that session we will also be going over all of the things as it relates to the draft FY20 operating plan and budget public comments. We will have guest speakers at that session regarding the funding and an overview of funding as presented by Cyrus Namazi and his team. We also will have Suzanna Bennett and MMSI, Natalie, discussing the five-year strategic plan and then the five-year operating plan and five-year financials.

So, I hope that we can have many of you attend that session. We do apologize in advance if there are any significant conflicts. As we all know, it's hard to schedule sessions for ICANN meetings that are not in conflict. With that, we'd like to go to the next slide and talk a little bit about FY19 and where we are on a year-to-date basis.

For FY19, our year-to-date, through December 2018 is the first six-month results for our Fiscal Year 19, and as a reminder, a Fiscal Year for ICANN is July 2018 through June 2019, which is our total Fiscal Year '19.

So, on this slide we are providing a year-to-date update for the six months from July through December. This summary provides high-level financials of total funding for FY19, for the first six months, at $68 million, as compared to the budget for FY19 for the same period at $67 million.

We are, just with rounding, right on target or just slightly above the budgeted funding, and on the expenses year-to-date FY19 actual expenses through December are $59 million, and that's compared to the estimated expenses in the budget for the same period at $65 million.

So, for the first six months of Fiscal Year '19, ICANN's expenses are well below the budgeted expected expenses by $6 million.

For FY19, since the expenses of $59 million are lower than the funding of $68 million, that results in a net excess for the first six months at $9 million, and that's compared to the budgeted $2 million, so we are ahead of target by $7 million for the first six months. Many of that will be due to timing. However, also, if there are priorities that move out, then some of these will also run favorable through the end of the 12-month period, again, which is June.

On this slide, in this table, we also have these figures as compared to the same time for the last year which is FY18. So, we can see that funding is currently at $68 million and is tracking $3 million higher than the same period last year at $65 million. And, just as a note, the expenses year-to-date for the first six months of $59 million are tracking very comparable to the same time last year at $59 million. So, hopefully, this gives a bit of a snapshot.

We'd just like to show at the bottom of this slide a breakout from these expenses, as it relates to IANA services and that represents PTI, where the FY19 year-to-date PTI expenses included in the table at the top are $3 million, as compared to the budgeted expenses for this same period of $4 million, so PTI is also showing favorability or are under the spend for the same period.

The next few slides give a breakout of expenses and revenues. So, this is the funding for FY19 year-to-date against budget. The

funding, again, of $68 million is just slightly higher than budget in total and higher than last year, and this gives a picture of the revenue or the funding by type where we have the first two sections are the registry transaction fees and registrar transaction fees. Those are the variable fees as it pertains to the subscriptions of the domains, and we can see that we are just at budget for actuals of FY19, as compared to the budget for the registry transaction fees and also for the registrar's transaction fees we are exactly at budget, and in both cases we are slightly higher than the same time last year.

The third column, the set of columns in the middle of the slide, is the registry's fixed fees. So, those are the fees paid by the registries that amount to the $25,000 per year, and those are all dependent on the number of registries, and we can see that we are right on target to budget, which is calculated based on the number of delegations and exactly comparable to last year for the first six months as well.

The next funding relates to the registrar other fees, and the registrar other fees include the annual accreditation fee, any application fees and the variable registrar fee. The funding of $7 million is at budget, and again these fees are based on the number of registrars that are accredited. Over to the right, we have our other funding, which primarily related to the ccTLD

funding, where we're tracking on a year-to-date basis at budget, and also the contributions from the RIR as well.

Slide number 7, it shows our operating and capital expenses by type, and again this is for the first six months, FY19, and we can see that personnel expenses are lower than the budget. So, we have personnel expenses of $35 million as compared to the budgeted expenses of $38 million and primarily personnel costs are lower due to the fact that we have several unfilled positions, meaning that actual headcount is lower than the budgeted headcount for the first six months, ending 2018. I know in the public comment themes later we'll talk a little bit about how there are some comments as it relates to headcount, but we would just like to highlight that headcount currently is lower than budget and we are carefully monitoring any hiring as it pertains to filling positions.

The next cost category is travel and meetings, where for the first six months of FY19 the costs of $7 million are right on target, and it's very comparable and the same as last year. Professional services were also at budget at $11 million for the first six months of FY19, and this is higher than last year of $8 million and that's based on the priorities of the work of ICANN and the timing of a variety of projects. The cost category of administration and other is slightly under budget for the first six months. This is due to timing and it is also under FY18 as well. And the last column to the

right is the capital which would be any kind of capitalizable equipment or project costs, and we are under budget there for the first six months of FY19.

So, I'll just pause here to see if there are any questions. We do welcome questions through the presentation as well.

Slide number 8, for FY18, is our funds under management as of December 31, 2018. Total funds under management represent $453 million of cash and investments. It's broken out into ICANN operations of $131 million and the new gTLD-related funds, which is the new g application fees plus the auction proceeds of $322 million. This provides a breakout for ICANN operations as compared to the last quarter. This is actually a quarter-over-quarter analysis, where for December 31st we can see that, at the end of six months, we have total funds under management for ICANN operations on the left-hand side of this slide of $131 million, and this is broken out into the operating fund of $26 million, and the reserve fund of $105 million.

You will notice that between the September period and the December period we do have an increase in the reserve fund, and the note at the bottom of the slide is just confirming that before December 31st we had the transfer based on the board-approved reserve fund strategy that was approved in November of 2018, and the funds for the reserve fund reflect an addition of the $36

million transfer from the auction proceeds funds to the ICANN reserve fund.

On the left-hand side of the slide, we have the new gTLD-related program funds, and again this is comparable to September 30th, so quarter over quarter. On the far right-hand side, we see the total funds of $322 million broken out into two funds. One is the new gTLD application fees, where we have the remainder of the first-round new gTLD application fees that were collected all up front, and they have been decreasing over the several years as it relates to the percentage of completion of the program for new g. So, these are the funds, again, collected up front as application fees, and then are used for the program expenses on an ongoing basis.

The next fund underneath that, in dark blue, is the auction proceeds, and as of December 31st we have the auction proceeds of $205 million, and again with the note denoting that there was the transfer between September and December and $36 million out of the auction proceeds and into the ICANN reserve fund – that's what the decrease is reflecting there – and that was all part of the board-approved reserve fund replenishment strategy that took place.

For this next section we're going to talk a little bit about the FY20 draft budget and highlights. For the FY20 draft budget that was

posted for public comment, this provides a trend of actuals from FY17 through FY18 and a forecast for FY19 and then the proposed draft FY20 budget as submitted for public comment. From the far right-hand side we have the funding and on the left-hand side in the light blue of $140.1 million, and the expenses of $137.1 million. The draft FY20 budget assumes a $3 million excess that is earmarked to be used to replenish the reserve fund.

So, as we look at FY20 as compared to the prior years, this is the first year that a transfer from operations net excess has been budgeted in the operating plan and budget as part of the reserve fund replenishment strategy. So, the funding of $140.1 million then has operating expenses that then are lower than total funding so that we can then ensure that there is an annual transfer budgeted to the reserve fund. And, just overall, funding and cash expenses, on this slide you can really see that funding is stabilizing. Although funding is increasing, it's increasing at a lower rate of growth than it has in the past, and the expenses are slightly increased over the FY19 forecast for comparative.

Slide number 11 provides budget highlights overview, and again as I had just said on the previous slide, funding is growing, but the growth continues to stabilize. Funding of $140 million is $2.2% above the forecast for FY19 and the slower rate of growth in funding, similar to FY19, is due to the fact that the new gTLDs are

now delegated and the transaction volumes are stabilizing year over year.

Point number 2 is operations headcount. The headcount at ICANN Org is stabilized. This provides an historical trend from FY18 through FY20 draft budget and we can see that for the forecast of June 2019, which is FY19, we are expecting an average headcount of 395 at the end of June. In the draft budget, we do have moderate 2% growth of positions, ten positions, and that would forecast then for the budget of FY20 to have headcount at 405, and this is average headcount through the period. Although there is an addition in headcount, a modest 2% can be considered as stabilization, just due to the fact that there is attrition and replacements and then any new areas of focus that were presented in the FY20 budget.

Number 3, we have the reserve fund contribution. As indicated before, the draft FY20 budget includes a $3 million contribution to the reserve fund, meaning that the funding provides for a net excess, over expenses, of $3 million that is then being budgeted to be transferred into the reserve fund. This aligns with the board's approval to contribute a total of $32 million over the next eight years from ICANN operations. So, again, the board-approved strategy had two components initially with the transfer from the auction proceeds of $36 million that was completed by December and then a strategy that, from operations, ICANN will

contribute $32 million over the next eight years, and FY 20 is the first year that this budget takes into consideration a contribution to the reserve fund.

Point number 4 is that, along with the reserve fund contribution, funding less the reserve fund contribution and ICANN operation expenses is fully balanced. We do have a balanced budget considered in this draft FY20.

Slide number 12 provides a little more detail on the draft FY20 budget as presented in the operating plan and budget documents that were presented for public comment. The draft FY20 budget here is compared to the FY19 forecast, so for the 12 months ending June 2019, and then it's also compared on the far left-hand side to the FY19 actual results for ICANN operations. This provides a good picture of how the funding is increasing, but it is growing at a much slower rate of growth, and that's what we consider the stabilization of funding, and then the total cash expenses of $137.1 million is increasing over FY19 expected forecast, but it is moderate growth as it relates primarily to cost of living increases, compensation and then in additional projects, or any kind of timing due to projects and work to be accomplished. Yes, questions?

GIOVANNI SEPPIA: Thank you, Becky. Can I ask you a clarification about professional services because in slide #7 there are some figures for Fiscal Year '18 for professional services, and that was slide number 7. So, there is Fiscal Year '18 and that is $8 million, am I right? Yes, and if I go to the last slide you presented, for professional service, there is Fiscal Year '18, 25.

BECKY NASH: Yes, just as a point of clarification, slide #7 is part of our year-to-date update which is only six months. So, it's six months, ending December 2018, compared to all the same periods. So, it's six months of actuals, six months of budget, six months of last year, just to do a comparison, and then on the slide that we were just reviewing it's 12 months. So, a full twelve months.

GIOVANNI SEPPIA: Okay, thank you.

BECKY NASH: You're welcome. Thank you. This next slide, again, is the funds under management, but now it is what is budgeted for in the draft FY20 budget. So, as we discussed several times through these slides, ICANN has budgeted for a contribution to the reserve fund, and this now provides the fact that, on FY2, we will have an estimated total funds under management of $456 million as part of the budget and it includes an ongoing contribution to the

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reserve fund, and this would be the draft FY20 (on the right-hand side) compared to the FY19 forecast. The difference there is going to be that there are some changes in the operating fund as it pertains to cash on hand for operations, but the growth in the reserve fund is reflecting the contributions to the ICANN reserve fund, and then the light blue new gTLD funds is projected to decrease because that is the cash on hand for the new gTLD program which is still underway and using operating expenses, and then the auction proceeds remain very stable at the $207 million for the projection of FY20 as compared to the end of FY19, and that would be related just to income or interest earned along those funds.

For this next section we're going to go over the public comments, the themes and community and the clarification on the comments. I'm going to just give a brief introduction and then Shani will take us through several of the comparative statistics.

On slide number 15 it's just highlighting that our objectives for today's session are to provide an overview of all of the themes of the submitted comments. So, we have several comparative charts, both in this deck and also in the appendix, to provide and overview and then we also do a comparison of the public comments that this group submitted. This allows us to do clarification on the public comments. Xavier?

XAVIER CALVEZ: I apologize. I'm going to have to leave a little bit later, but I wanted to provide a very quick overview of another public comment process that Giovanni mentioned earlier that has just closed. It's the consultation on the two-year planning process, and since I have a bit more insight on that specific process, I will provide just a few comments quickly now and let Becky and Shani go over the more substantial FY20 public comments that have been submitted.

Just in a couple of comments on the two-year planning process, this is a consultation that resulted from a number of conversations that have occurred in the past, pointing to the fact that we may not have enough time as a community to be able to have a deep engagement and conversation about what the activities of the organization are going to be for the next year, as part of the budgeting process.

So, would it be useful to have a longer amount of time to have that engagement and discussion? That was why the question that was put out in this public process on does it make sense, or not, to have a two-year planning process?

We structured it as a two-step approach, first seeking input from the community on a number of questions. The ccNSO SOPC has responded and provided input, and the second consultation is

aimed at taking, of course, advantage of that input to design an updated planning process whether or not for two years, potentially, that tries to address the points that will have been received through the first consultation.

So, the first consultation concluded on the 5th of March, after having been extended for about two weeks to allow for more input to e received. There's about five either individuals or organizations who submitted comments, including the ccNSO SOPC, and at the high level the comments are relatively evenly split between, yes, we need more time and, no, we don't need more time to plan. But what is more commonly proposed in either of those positions is what matters is more transparency and understanding. Whether that is achieved by more time, or not, is a different perspective, but what everybody is looking for is more transparency and more understanding, and what comes across notably is the organization now produces a lot of information, and that's thanks to this group, among over the past years, but more information is also more difficult to understand.

It takes time. It takes effort. It takes competence and knowledge that people don't necessarily have which is completely understandable. So, how do we enable the understanding that then allows for participation and commenting in a better fashion? So, that's what seems to be coming out of that consultation. I think that's extremely useful and with that input we will need to

think about how to improve our annual process, and whether or not to make it a two-year process is yet to be determined and we need to work on it, but certainly how do we make the information more accessible is definitely something that came across. I think the other thing that came across in the few comments that we have seen is the need for prioritization.

We've been talking about stabilizing resources, that our funding is stabilizing, that our expenses are stabilizing, but it doesn't feel like the amount of work is. So, of course, we therefore have choices to make and, historically, ICANN as an overall community has not been a place where we have necessarily made very proactive choices of prioritization. We're not very good at it. Everything is important, everything is urgent, and we work on everything, which also speaks to the overload of the community that we're hearing from many organizations that you just don't have enough time to look at everything that is going on.

So, prioritization seems to be a need. How do we prioritize and how can we plan for the community's activities ahead is something that I would like to spend more time on, in trying to find a solution for. If you think about it this way, the organization has been producing a budget that says this is what we think we're going to do. What we haven't done in the past is go around all the organizations in the community and say: what do you think you want to do over the next 18 months? If we would be able to carry

out that conversation, then we may be able to have at least a good understanding of what's on everybody's plate.

I'm not even talking about a compromise on agreeing on a common core, but if only we would have all the same visibility as to what everybody is trying to do, then at least we can start making some choices. So, that's what I'm hoping we can evolve towards that would at least allow us to make conscious decisions as opposed to not, which is really what we've done in the past.

I think the community and the organization have been very flexible to adapt themselves to priorities, if you talk about the new gTLD program, if you talk about the transition, reallocating resources to those topics, but it's a little bit out of necessity and reaction, rather than planning and anticipation. I'll stop here and see if there are any comments.

GIOVANNI SEPPIA: Thanks, Xavier, any questions from the SOPC? Can I ask you, Xavier, what would be for finance, for your team, the perfect scenario? Would you be more in favor of a two-year planning process, or to the current framework?

XAVIER CALVEZ: You're putting me on the spot, eh?

GIOVANNI SEPPIA: Yes.

XAVIER CALVEZ: Today, we spend 15 months to plan for a year, right? We start about in April every year to plan for the fiscal year that will start the following July. So, 15 months down the road. We start with the IANA functions budget and consultation. We then initiate in July or August, which is about 12 months early, the ICANN overall plan, and this finishes now towards the end of May, just one month before the fiscal year starts, right?

So, we're taking about 15 or 14 months of planning, for a year, and it's intense. I mean, ask Shani, his team and him, they don't stop, right? There's no downtime in this exercise.

So, from that perspective, more time would be useful. More time would maybe also allow for that phase of planification across the community, and that exercise of planification would take time as well. Going around many organizations, talking about what's on their plates is not something that just takes a week or to. So, that would take more time for sure.

Having said that, looking at the design of a two-year planning process, one challenge that I see is that you develop assumptions at the beginning of the process, you move down another few

months and these assumptions are already obsolete, and you are not even done with the planning. So, the longer time you take, the more opportunities there are for changes to occur. Therefore, your assumptions are already obsolete at the time you produce your budget.

So, that's a challenge, and I think that finding … What I'm hearing also from that public comment is to focus on transparency in understanding and not necessarily on time. So, I haven't yet discussed it yet, fully, with the team, the management team or the board about whether we take that leap into a two-year planning process. It's also not been done, as far as I know, by anyone before, and so I think that this would be a little bit of a new territory.

We have a new strategic plan coming up. We have a new five-year operating plan coming up. This is a lot of already new things and work ahead of us. I want to be conscious that changing our fundamental annual planning process into a two-year planning process is also another change that we need to be really careful with. So, that's my thoughts at this stage to try and answer your question.

GIOVANNI SEPPIA: Thank you, Xavier, and do you think that moving to a two-year planning process would also help the different departments of

ICANN org to have a better plan and also focus on some of the plans that this committee has been highlighting, too, for several years, like cost optimization, HR optimization, priorities, risk management? Do you think this will enable it? And just sort of a gut feeling if you believe that this would empower them to focus more on the community and not only the SOP has been highlighting for several years.

XAVIER CALVEZ: I don't know that it's the lack of time that prevents us to do that, I feel.

GIOVANNI SEPPIA: That's fine, that's all, thank you. Any other questions before Xavier leaves? No? Okay.

UNIDENTIFIED MALE: [of mic].

GIOVANNI SEPPIA: Oh, we want you in the room. Okay, no, thank you. Thanks a lot, Xavier. Thank you so much. And, Becky, please?

BECKY NASH: Thank you. Okay. So, now we're going to move into an overview of the public comments and Shani is going to present the next slide.

SHANI QUIDWAI: Thanks, Becky. So, here we have a high-level overview of the number of comments that we received on the FY20 operating plan and budget. The public comment window was open from the 17th of December and closed about a month ago in February. We're expecting to publish the report shortly after the ICANN meeting on the week of March 19th. As you can see, the number of comments remains very high and relatively in line with what we saw in some of the prior years. We are slightly down from last year. However, last year, there was a higher level of comments and in some of the following slides will go into more detail, but a lot of those comments had come from individual contributors and those were specifically related to some of the reductions that were made in the budget regarding the fellowship program.

Here, we have an overview of the groups that have submitted comments, and for this year we received comments from 16 groups, and you can see the first one on the top which is individuals. That's where we saw the biggest decline. Aside from that, the numbers were relatively consistent.

What we do when we receive the documents or letters from the various SOs and ACs is that we take those and then we break down all of the questions and we put them into themes, and you can see the 143 comments that we received this year. Three key themes dominated and were about 60% of the comments that we received. Those three, were financial management, budget development process and structure, and community support and funding. The remaining 40% is made up from those six or seven themes on the left side of the chart, with community outreach being relatively high, funding ICANN org headcount, policy development, the reserve fund and GDPR.

Here, what we have on policy development, the reserve fund and GDPR. Here, what we have on this slide, the left column displays all of the comments that we received, and then on the right we've broken out the comments that your group had provided to us and how those compare. So, you can see that you guys had submitted 36 comments. Of those 36, 20 of them related to the budget development process and document structure and that was a very large percentage of the total number of comments that we received. We received 27 on that specific theme and 20 came from this group. So, that's clearly something that was a key point for your group. In addition to that, financial management had six questions, community outreach had five and then we had one across a few different categories.

So, really what we wanted to do with this session was to drill in a little more to some of the questions and the themes that you guys had submitted and make sure we properly understand what some of the questions and concerns are so that we can incorporate that into the plans, as well as the staff report of public comments that will be published soon.

So, at this time, I'll pass it back to Becky, first.

BECKY NASH: Thank you, Shani. I do want to highlight to the group that's here today that we do have a slide at the end of the deck. It's a very busy slide, but we hope that you have the opportunity to look at it on page 26. This particular slide is a matrix of all of the public comments received. I do realize that it's very small on a slide and in Adobe room, but maybe if you have the document (which is being emailed out to the distribution list) you could blow it up, but it is a nice way to just look at, across the themes, which groups or individuals have submitted comments and then how the distribution is across the different themes.

Again, we would just like to highlight that from the ICANN org finance perspective, we receive the comments in a written format, and we do take care to use the same type of categorization, year over year, so that we can do these statistics. It's a way to help the community members and ourselves to see

what the focus is of the different comments, but if there is anything that we've misunderstood, if you find out over time, please let us know.

So, back to the section that we were just on, related to comments submitted by the ccNSO SOPC. We had an opportunity to review the comments submitted, and we do appreciate comments submitted on the operating plan and budget, along with the five-year operating plan update. We did have a few questions on some of the items submitted, or points of clarification, and I do want to ask if anyone wants to elaborate on anything that we haven't asked about, please do so.

But I'll just start off with some of the comments that were identified as part of the FY20 operating plan and budget. First of all, we really appreciate the time that community members and groups take to respond or to provide public comments. We also like to highlight that this is a responsibility of the community under the empowered community process. So, we really do like this interaction.

First of all, we appreciate some positive comments that we've received, one of which was related to the timeline and the fact that the FY20 operating plan and budget documents were submitted for public comment earlier than they have ever been submitted in the past. So, for FY20, the publication of public

comments was more than a month earlier than it had been in the FY19 process and, again, the reason for that is that ICANN org is trying to insure that there is a sufficient amount of time after the board adopts the annual operating plan and budget for the empowered community process to take place, and should there be no objections, then we would have an operating plan and budget in effect prior to the next fiscal year. So, we've had to adjust our timelines internally and, as such, we do appreciate all of the community members involvements because we do know that posting right before the year-end holiday timeframe is very difficult for all of us, and that is the reason why we post the document longer than the standard public comment period. The standard public comment period is 40 days. For FY20 we were able to publish it for 53 days, but we do realize that this process takes a lot of effort and a lot of your hours and community hours across ICANN.

The next item that I just wanted to highlight is, each year, or in the most recent years of the FY annual operating plan and budget, we have attempted to provide a comparison against a most realistic forecast for the year. So, we do appreciate some positive comments in the public comments submitted, just highlighting that we were using an FY19 forecast, which is also the data that is presented in this document, to do our comparison. And what that means, just for a little bit of insight, it means that all of the

contributors to the operating plan and budget are not only planning for the FY20 timeframe, but they are actually planning the reforecasting of the work in the current year. So, it is two sets of data that we present at that time.

Then, I did want to just highlight that there was a comment, just saying that the group was satisfied that we retained the contingency at the planned level. So, what the contingency is, is that it's a line item in the budget, and it's been averaging about $5 million each annual plan. It's a lump sum that is earmarked or put aside for unforeseen costs, meaning that because the operating plan and budget cycle is done so much earlier than the year in which it's going to be in effect, meaning FY20 is not due to start until July of 2019, there is the contingency factor just so that we are able to account for unforeseen costs. One of the unforeseen costs in FY19 has been GDPR-related costs to accomplishments in meeting GDPR.

Another point of clarification that we just wanted to highlight, I believe that it's on the second page of the submitted comments, there is a phrase here that I wanted to ask the members here about. Just reading from it, it says that we acknowledge that significant cuts are scheduled for ICANN staff, and then it goes on to talk about an element of substantial concern for the SOPC over the past year. I just wanted to highlight that our question is, in actual fact, there haven't been any cuts, meaning in the respect

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that headcount has increased, year over year. On the trends slides that we showed, although headcount may be under budget, the actual headcount levels have been increasing from FY17 on through the proposed FY20 draft operating plan and budget.

Now, under the assumptions that we have with funding stabilizing, or growing at a much slower rate, as an organization we are ensuring that costs are also growing at a much slower rate than they had in the past. And, of course, some of that work was related to the transition which was also funded by our reserve fund, but in FY20 we are expecting a net increased of 10 headcount in the budget. So, I'm not sure if that was something that was called out in the draft budget, that it looked like headcount was being cut, but I just wanted to go on record as saying, although it's growing at a much slower rate, there aren't any specific cuts.

Now, as Xavier and Shani and I have been saying, it may be due to where the headcount is allocated that the questions are, and I do acknowledge that there are several questions about functions and departments in the submitted comment, and that would all be based on prioritization. So, I'm not sure if anyone wants to address that?

GIOVANNI SEPPIA: No? Anybody from the SOPC who wrote this specific section of the comments? I think, as you pointed out, Becky, sometimes as the layout and the presentation of the plan changes, sometimes it might be difficult for the SOPC to detect if this is effective, for instance, an increase of headcount or cuts, or positions that are filled because people retired, or there are changes that are not known, or whatever, and so that's, let's say, the challenge we've had when we look at the plan.

BECKY NASH: Thank you, Giovanni. I do want to highlight that several of the public comments do speak to the fact that in some cases the documents are hard to read, and I know one comment from last year, again from this group, was let's try to keep the document structure consistent so that we could use it for comparative purposes, and we did make efforts for the FY20 to keep it very consistent in the nature of the data, even though we changed the names of the document, but we did try to keep it consistent because we do realize that community members that would like to be able to do comparisons, year over year, that it's a vast number of documents that can be hard to read.

I will just highlight that we have introduced, based on public comments, two structural changes over the last two years and, again, we really tried to keep things very consistent in FY20. One

was introducing highlights which is the first document. Many community members indicated that they would like to have a high-level executive summary or summary where we have the FY20 budget highlights along with a document that is just incorporating the key initiatives. So, a very high level on the key projects or initiatives which we did both in FY20 and in FY19. So, we hope that this comparison made it easier for some members to read.

And then we do acknowledge that the modules or the narratives based on activities that are performed by ICANN org, that is something that we've had for two years where we have a narrative explaining the work. I think, I will highlight that there is one public comment from your group here which was what is the criteria to highlight the modules. So, when those definitions are made, what is in a sense in scope or included, and not included. And just to highlight that, that is something that is developed by the organization. The executive team and the budget owners are the ones who collaborate to highlight which areas are considered modules or services, and it's mostly the outward-facing, community-supported initiatives, and they are cross-functional. So, we had the strategic initiatives, such as reviews or the bylaw-driven reviews is one area, and then there are other collaborative and what we call modules or narratives, and we do hope that this information provides a better narrative as to what the work is

that's being done, in addition to the operating plan and to the budget figures.

Just one final comment. For several years, and I know that your members here are very familiar with it, we've had the detailed Excel by project, by cost category and by strategic initiative, and that is a lot of detail. We've heard from many groups, in discussion, that there was a time when more detail was requested, but now perhaps we want to summarize some of that detail, that having a very detailed Excel spreadsheet might be a little too overwhelming for many of us, but we do offer it for those who like to get to that level.

So, I don't know if anybody has any comments on the document structure, for those that have had an opportunity to review them and talk a little bit about the consistency.

BRUCE TONKIN: Just hearing you talk, I think your challenge is that you've got such a wide set of audiences that want to see information at different levels of data, and really what you're talking about there is a data visualization problem. I don't think you actually want to start removing the level of data that you have in your underlying data, but I think what you might want to consider doing is actually looking at providing the dataset and also providing some visualization tools.

So, like Tableau is one vendor that can provide a lot of tools in that area which just allows people to manipulate the information and actually present it in the form that they want to see, rather than you trying to create this massively complicated document for 100 different audiences. I'd rather you have a high-level document, just a normal PnL that you would have in a normal company, and that's sort of what you should be aiming for, and that's your finance role, but then creating a dataset with visualization tools, where some people can look at it however they want to look at it.

BECKY NASH: Thank you, Bruce, very much, for your comment. That is definitely a very good recommendation on being able to meet the needs of a very diverse community, different levels of community members, and that is more in line with several initiatives in the marketplace as it relates to open data and letting people have more hands-on data. So, I'll definitely take a note that that's a good strategy and I think we see that more and more in the marketplace.

GIOVANNI SEPPIA: Yeah, and thanks a lot, Bruce. That's very good input, indeed, and thank you Becky for any possible follow-up from the finance team. Yeah, indeed, one of the points we have been really

stressing over the years is, not only the narrative, but also the accessibility of all of these documents, especially because the ccTLD community is one of the most diverse communities within ICANN and few members of this community, they do own the language, and this is quite important because when we approach a document it's already a very complex document. At the top, there is the language, that's also another barrier, and this is something that we have been discussing at the ccNSO level because it's part of this fatigue in finding the volunteers to comment on the different documents. And, it would be quite important for ICANN to think, when any document is produced, about how accessible is the document? Again, any kind of tools, like visual tools, like Bruce was saying, that could empower the community to get more into the document, that would be extremely helpful, I believe. Thank you.

BECKY NASH: Thank you very much for your comment. We definitely have taken note that, again with our mission and objective of being transparent and providing a good view on as much detail as possible, serving the needs of a very diverse community and often, as you said, with a language barrier, and then in general financial tables aren't always that easy for some people to read. So, I've definitely taken note of both of the last two comments.

Then, from a clarification standpoint, I did want to highlight that we did note that there were several questions, I think in three big areas, as it relates to different functions within ICANN and how they collaborate together. So, I'm highlighting that we did receive the breakdown of asking about how the GSC government stakeholder engagement team works along with the government engagement team. These are areas that we have submitted and requested the executive team leaders that manage these to provide very specific responses. I think one of the items that I'd like to highlight, that I hope it is apparent from all of our past operating plans and budgets, is that ICANN works very, very cross-functionally together. So, that is the reason why we developed the concept of using goals and objectives, and even project IDs, down to that lowest levels, so that departments could all work together on the same project and not be in silos, but I do just want to highlight that it appears that it's not clear what regions are being supported and if there's duplication or how the efforts between government engagement and the global stakeholder team works. And so, I don't know if somebody wants to elaborate on that at all for us.

GIOVANNI SEPPIA: Well, they all are a might shy today. It's really like a silence today. It's very quiet. Nobody? No, so, please?

BECKY NASH: Great, and from the document, and I'll move very quickly into the five-year operating plan update. So, it was highlighted in the submission that each year, and of course part of the annual operating plan includes a five-year operating plan update for the year in which the year is being planned for. So, from the last approved strategic plan, there was a five-year operating plan that covered FY16 through FY20. So, this is the last year that is covered by the last strategic plan, the five-year operating plan, as well. So, we provided an update which gave forecasting against the original five-year operating plan for where we believed we would plan for FY19, and again FY19 has not ended, so it is a forecast through the end of this fiscal year, and then an update on FYH20 which is the draft operating plan and budget that is submitted for public comment.

The one comment that I just wanted to highlight is that, from the community, there was a request to have comparisons of what has changed year over year. So, I did take note of that, and again in the spirit of really trying to make these documents very successful, I could understand that the reader has to pull out each of the plans (each annual update on a five-year operating plan) and then scan them for differences. So, I think what the suggestion there is, is to add like the changes, and then really

highlight the changes year over year. So, that was a very constructive comment that we definitely made note of.

As we know, we are launching into the next five-year strategic plan, the five-year operating plan and the five-year financial plan as well, so I will provide that feedback to ICANN org as well.

Okay, I just wanted to check if there were any other comments on the public comments because we do have one more section to cover. So, at this point I'm going to move to the strategic planning cycle and where are in the strategic plan. What I would first like to highlight is that the strategic plan for the years FY21 through FY25 is something that is ongoing right now, meaning that there has been a public comment period that has just closed, and it is also something that is being discussed with the board and the board working group responsible for the strategic planning.

So, I just want to highlight that in the session on Wednesday, the 13th of March, here at ICANN64, from 9 a.m. to 12 p.m. This is also a section that's going to be covered, or a topic covered, and there will be a presentation that will have several updates as well. So, I do encourage members to attend, but we just wanted to highlight that the draft strategic plan was posted for public comment from the 21st of December to the 25th of February. So, this has recently closed, and the staff report is not due yet on this, and it's being compiled as we speak. So, this is where the engagement on this

with the community during the session on Wednesday is going to be very, very important.

Today, I am just representing the MSSI team. We all work on planning together, but unfortunately they had a conflict presenting such data to the ICANN board, so I thought I would just run through the overview of the slides, and then if anyone wanted to highlight any of the comments submitted, I would like to take notes and report that back Theresa Swinehart's group, the MSSI team.

On this slide it's just highlighting the phases for the development of the five-year strategic plan covering 2021 through 2025. Many of us participated at different levels in the trends' identification exercise, and that's something that I know that this group participated in. That was definitely phase one where community members had sessions on strategic planning to identify trends. Phase two is the prioritization and analysis of the trends, and phase three was the drafting of the strategic plan, and the strategic plan was then posted for public comment. So, phase four is what the stage is that we are in at this time.

So, the public comments that were submitted, this gives a breakout, a preliminary breakout of the analysis where 15 comments were received, 5 from individuals and 10 from organizations and groups. The comments were then broken out

into approximately 145 different statements, and again they were then summarized in these categories. So, the nice thing about this slide is, even if you've gone and read all of the public comments, this gives you a view on how ICANN is organizing the comments. So, I think that it's good to spend a little bit of time on these.

So, one of the largest groups here was under governance where it was 31 comments in the bottom yellow. The next highest was the unique identifier system, meaning the strategic goal under that of 26. Then, general process for the strategic plan process came in third, and then you can see that under the other categories they're all hovering between 15 and 18 comments, including the financials.

So, on the right-hand side, we see that 60% of the statements are indicating support. There were 48 expressions of support, 39 comments with some proposed recommendations or edits and then 49 other comments. I do know, again, that this public comment period just ended. It hasn't been that long and so even getting these statistics is a really good job at this stage, and that after engagement here at ICANN64, that's when the actual drafting and commentary will be completed on that.

Slide number 23 also just provides a summary that there was broad acknowledgement in the comments that this plan was created with the input of the community. That was really an

important objective in this process and, again, I think one of the preliminary aspects of the trend exercises across the different supporting organizations and advisory committees demonstrated that. Most of the submitters were comfortable with the five trends that have been identified. Overall support of both the proposed vison for ICANN and the five over-arching strategic objectives were received. There were some comments and questions around the process that was followed to develop the plan and the methodology, and I think prioritizing for strategic goals and identifying outcomes and risks are all very important, and many constructive feedback comments were received on specific goals, targeted outcomes and risks. Few of those comments are listed over to the right on this slide.

I just want to highlight the next steps and then the opportunity for community participation. So, primarily, the summary of the public comments posted, and feedback is here at ICANN64, and then the May-June 2019 period is where the ICANN consideration and conditional adoption of ICANN's strategic plan, subject to adjustments after the adoption of ICANN's five-year operating plan. In the session on Wednesday there will be a discussion between both the five-year operating plan and then also the strategic plan and just how those cascade, and that for this year, or for this five-year strategic plan, it will also include a financial plan for the five years.

GIOVANNI SEPPIA: Can I ask you, Becky, about the five-year operating plan, if you have already a timeframe for that, for making it available, and also for public comment?

BECKY NASH: Very good question. We do have a timeline slide, and I'm not sure if it's in this actual deck. It's not in this deck?

UNIDENTIFIED MALE: [of mic].

BECKY NASH: Okay, we do have it in the Wednesday session, that is highlighting the milestones for engagement and public comment. I think, at a very high level, first just acknowledging that there are many simultaneous public comments going on at the same time, so we greatly appreciate the community members' efforts. There has been a lot off discussion about being able to be prepared for these public comments and then also community fatigue. So, again, we really do appreciate the diligence.

If I could just take a moment to pull up that slide, I could give you a couple of the key dates. Oh, this deck that I'm referring to is the one that's going to be published for the session on Wednesday. It will actually be posted online for that session, but I just thought

that we could run through a couple of the key dates, as we made changes to our presentation today, but we didn't include this particular one.

No, not yet. It will be available for the Wednesday session, but I'll just read a couple of key dates. Again, I wanted to highlight that from ICANN org's standpoint we are discussing that there are many public comments going on at the same time. So, the key deliverable timeframes are based both on org development, board consultation and board approval, and then on community. So, the first key date is the fact that the community for the five-year operating plan is going to have a public comment period. I believe public comments for both the five-year FY20-FY25 operating plan and budget and a fiscal year operating plan and budget is going to start in December 2019. That is the target date to basically coordinate these processes together.

So, the development of the five-year operating plan is going to kick off in July and that's the development process. Then it's going to be presented to the ICANN board in October and then posted and refined after the ICANN board input, and then posted for public comment in probably around the same timeframe as this year's public comment was for FY20. So, again, that's going to be two documents posted at the same time, or technically three. I'm sorry, it's going to be the five-year operating plan, it's going to be the fiscal year operating plan for FY21 and the fiscal

year budget for FY21, and the five-year operating plan will also include the five-year financials.

I just want to highlight that there's a bit of an asterisk on this schedule as it relates to the two-year planning process. I just quoted that it will be an FY21 operating plan and it says, in parentheses, "or a two-year FY21 and 22" should the initiatives or the decisions after additional public comments and consultations, and would we be moving to a two-year planning process.

GIOVANNI SEPPIA: Thanks a lot, we'll get it right for Christmas.

BECKY NASH: Yes.

ROELOF MEIJER: And it will also be the update of the five-year strategic plan, right? Around the same time, like this year?

BECKY NASH: Technically, it wouldn't be an annual update of the strategic plan because we'll be just adopting the FY21-25 strategic plan. So, at the first year of the document, we don't do an update.

GIOVANNI SEPPIA: But they'll make one for you, Roelof, to comment.

BECKY NASH: Just if I may offer that the strategic plan will cover five years. It'll be just recently adopted and embedded with the community processes. Then we move right in to the operating plan. That's where many of you will have lots of comments about the why and the how, and then also we'll be producing a five-year financial plan at that time. So, we'll be collaborating a lot together in consultations and in deliverables and due dates. And, again, there's lots of discussion about making sure that the public comment periods, certainly that span the end of the year, are for long enough, and that is something that we really tried to do for the annual operating plan for this year and that's there's lots of discussion on making sure that it is a longer period for public comment.

I just wanted to end with this slide about how I can participate. Again, this is for your membership and also for the community at large. We just like to highlight the types of events and webinars that the finance team and ICANN org presents. We do have a planning email and a distribution list for the community finance email list, and we also like to just highlight that in our objective of accountability and transparency our finance page does publish

quarterly financials, all of the annual operating plan and budget documents, in addition to several other reports on funding, on contributions, and also our annual audited financial statements and our annual tax return is on there too. So, any feedback that you can give us on how we're achieving our objective to provide the community with access and full transparency and accountability for financial data is very welcomed. Thank you.

GIOVANNI SEPPIA: Thank you, Becky, and Shani and also Xavier for the overview and also for the highlights of what other insights that we may have in the sessions that are coming up this week. Any comment, anything that we'd like to ask to Becky, Shani and the finance team? Irina?

IRINA DANELIA: Well, it's a very quick question. Just for my understanding, when you provide the statistics regarding the public comments, and if you say that one is in support of the other, is it objections, like the proposal of other wording? For example, our comment, the objective states what needs to be improved, but gives no clue whatsoever to how this will be achieved. I'm just trying to understand in which category this might fall. Would this be considered as support, as objection, or how?

BECKY NASH: Thank you very much for your comment. I wanted to clarify that the comment that I believe that you've provided, was it in the strategic plan or was it in the operating plan?

IRINA DANELIA: Well, this particular was regarding the strategic objective, it's regarding the strategic plan, the five-year strategic plan.

BECKY NASH: Okay, thank you. Yes, so what I will need to do is just do some research and we can provide back to you how it was categorized, the specific comment. In general, there is a categorization that happens, and it does have an element of judgment. So, I will go ahead and ask our MSSI colleague exactly which label that went into. In the past, I know we used to do a positive and negative categorization, even on the annual operating plan and budget. It is helpful in a way to see what may be frustrating to some or a more direct comment. I know that for the annual operating plan we chose not to do that in this year, so we just gave it by theme. So, I will be sure to get back to you about that.

GIOVANNI SEPPIA: Please, Roelof?

ROELOF MEIJER: I'm not sure if Irina wants it on a particular comment. That's for her to acknowledge, or not, but maybe you can explain something about the system of categorizing because I could imagine that if we say, well, you have to improve here and there, that you consider this to be supportive commands because otherwise you would say it's rubbish, you have to rewrite the whole thing. And that if, for instance, it's about considering to make strategic objectives more specific that this is something you consider to be process, or document, or something like that. So, I'm not sure if we are seeking to have the individual category of each command that we made, but what would interest me would be more insight on how you do that process.

BECKY NASH: Thank you. I really welcome this comment because, again, even for annual operating plans or any of our public comments, the labeling that we've used to be consistent, year over year, does have an element of us making a decision in some cases, and from what I'm hearing from your comment, I'm taking note to maybe make a recommendation of maybe footnoting how we categorize. That might be something that's very useful. In general, in the past, I know from the finance department we have chosen to have constructive comments as recommendations for

improvement, so process improvement, and we've been very clear that negative comments were really things like "we don't like" or "don't include." It had really a stronger approach. Again, this is a very good question and I will definitely relay this as it relates to the strategic plan, to Natalie and Theresa's team, and potentially they would be able to answer such a question in the session on Wednesday as well. Thank you.

GIOVANNI SEPPIA: So, just so, to have it a bit clearer. So, is it the finance department categorizing the different kind of comments, or is it another department within ICANN?

BECKY NASH: Thank you for your question. The planning group in general is led by three different departments. Specifically, the strategic plan is the MSSI department. I was using my personal experience in finance over the annual operating plan and budget. We are the team, Shani and his team and myself are the team that is responsible for aggregating up the public comments and then enlisting the help of the subject matter experts, but we also go through a variety of reviews for all of our documents subject for public comment. So, there are executive team leaders, along with our legal and communications team, that reviews things to make

sure that we're being open, transparent and consistent. I hope that answers the question.

GIOVANNI SEPPIA: Yeah. Thanks, I think it's clear, and I think it's an invitation to attend this session in the coming week to have more insights. Thanks a lot, again, Becky. Thank you, Shani, I will stay in touch. The last point on the agenda is the way forward and what I would like to do is that, as we have just a few minutes over time, we may have a discussion on the SOCP mailing list in the coming weeks, all to get it organized in terms of the workload, especially now that we know that most of the workload will come with the next session, the next round of comments at the end of the year. If you have any input or thoughts about a different way of organizing the workload, we have divided ourselves into sub-working groups and I have put together the work done by the working groups, but if you think that there is a different way, even having like a preliminary call of the SOPC to discuss how to organize, to discuss if we should focus more on some specific areas, that I think would be also valuable in light of what Becky and Shani just said about the way that they categorize the comments. But, so instead of going around and saying, okay, let's focus on those two, a couple of areas, and let's highlight and stress more what improvements could be done in those two areas, so that the attention is not spread over 46 or 45 comments, but it's just that they have in front

of them just a few picks that I think would be a nice next step for this SOPC.

That said, anything that you'd like to discuss at this stage before I conclude this session? Okay, don't be so silent in the future. I'm getting worried. So, thanks a lot, we'll see each other in the coming days, and we'll start discussing how to approach the next round of comment via email. Thank you so much, bye-bye.

[END OF TRANSCRIPTION]