
BARCELONA – ALAC and Regional Leaders Working Session (2 of 13)

Saturday, October 20, 2018 – 10:30 to 12:00 CEST

ICANN63 | Barcelona, Spain

MAUREEN HILYARD:

Thank you, everyone. If we could just have – make a start on this particular session. I hope you had a chance to have a bit of a break. We're very grateful, and it's very opportune, I think, to have the finance team here. We have Xavier, Becky, and Shani. So they will do a presentation, and then if there are any questions, I'm sure they will be willing to – thank you.

BECKY NASH:

Thank you, Maureen. Hello, everyone. This is Becky Nash from ICANN Org Finance Department, and we're very thankful to be here today to give an update. So I'm here with our CFO, Xavier Calvez, and also, our team member, Shani Quidwai from ICANN Org Finance. We're going to walk through a presentation of an overview of a finance update.

On the agenda, we have slides on our FY18 results, and then we're going to cover agenda item of the ICANN FY20 operating plan and budget process. We do have slides on this deck as it relates to the PTI and IANA operating plan and budget, and time permitting, we will cover those. Just to note, the PTI and IANA operating plan and budget is out for public comment during this time, which is what we would like to highlight. And then we do have a Q&A session allotted for at the end of this session.

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.

Our first section is the FY18 results. Just to start off for this presentation, we like to highlight that for FY18, we have the ICANN organization reporting structure slide, which we present often to the community just so we can help readers see how we report our financials. So the left-hand side is the ICANN operations.

Slides in this deck include the funding and expenses for ICANN operations, and in FY18, there's a blue box at the bottom to the right of expenses called the IANA stewardship transition expenses . And just as a reminder, during FY18, it is the last year that the transition expenses were budgeted and recorded as a withdrawal from the reserve fund.

On the right-hand side of the slide in orange, we have the new gTLD program segment, and as a reminder, this is related to the new G program, for the application fees, for \$360 million that we collected up front. And we do record funding and expenses for those – that program throughout FY18.

And on the right-hand side, we have the box called total ICANN, just so that the total of all of these boxes is what we call total consolidated ICANN. Just to note, at the bottom of the slide in gray, we have our funds under management by segment or by operations versus new gTLD program.

And you can see the ICANN operating fund, reserve fund, and then on the right-hand side, you see the new gTLD funds which is again the application fees that were collected up front. And then we have the funds from the auction proceeds which we also call part of the new G program.

For FY18 year-end financial highlights, again, this is the period covering 12 months from July 1st, 2017, through June 30th, 2018. ICANN operations generated an operational excess of \$2 million, actual funding of \$134 million, and we had cash expenses of \$132 million.

ICANN operations funding was lower than the same period or 12 months for FY17 by \$1 million, and lower than the FY18 budget by \$9 million. The change in the funding as compared to the budget was mainly due to slower than anticipated growth of the new TLD registrations.

Along those lines, when we had lower funding against the FY18 budget, ICANN was successful in managing the FY18 expenses, which were \$2 million lower than the FY17 expenses, and a total of \$14 million lower than the FY18 budget.

Given the stabilization of the ICANN funding growth, which resulted in the shortfall from the FY18 budget, ICANN organization took action and reduced costs so that our expenses would not exceed funding. Expenses were lower than budget across all cost categories. Oops.

Okay. This is the P&L view, or the statement of activities view for FY18. ICANN operations, again, which includes ICANN operations plus the IANA stewardship transition expenses, were below the budget in total for FY18. So on the left-hand side, we had actual funding of \$134 million as compared to the budgeted FY18 funding of 143, so actuals came in \$9 million lower, and then expenses were \$131 million for operation expenses as compared to the budget of \$143. So that's where you can see the \$12 million favorable against the budget and expenses.

So again, as funding came in lower than the original budget for FY18, ICANN organization took action to reduce expenses in order to not exceed the amount of funding that was recorded. Yes, Xavier.

XAVIER CALVEZ:

I just would like to emphasize for a second what Becky said earlier and connect these numbers to what you have been hearing over the past few months from Göran, the CEO, or others. Our funding is stabilizing. So when you look at FY17, it was \$135 million. When you look at FY18, it's \$134 million. Basically, about the same.

That's what we mean by the funding stabilizing. It's not decreasing. It's stabilizing. Stabilizing in the sense of it's not growing at 10 or 20% per year anymore. So, it's not decreasing. I want to be very clear on that. We keep hearing from a number of community organizations there's a shortfall in the budget. Yes, there's lower than expected budget, and that's the \$9 million that Becky indicated earlier, but the actual funding is basically stabilizing. It's still, in quotes, a lot of money.

Now, we have also a lot to do, so it is being used. But I wanted to make sure we put in context what you may hear across the community on ICANN's funding becoming smaller. That's not the case. We've never had as much funding as we have now. But there's also a lot of work and a lot of expectations. So I just wanted to put this into context and so that you have that understanding.

And certainly, the flattening funding that we are seeing now, the stabilizing funding at this level means that we need to be able to be really careful with our expenses. Thank you.

BECKY NASH:

Thank you, Xavier. In covering the 12 months ending 6/30/18, we just wanted to highlight that the expenses of \$131 million as noted for actuals of FY18, we have a breakout at the bottom of the slide with that arrow explaining that this does include the IANA services expenses of \$8 million as compared to the budget of \$10 million for IANA services, including the IANA department for ICANN operations, and that all other expenses are broken out there as well with the \$123 million as compared to the 133.

These next two slides give additional information about the FY18 funding versus budget and versus last year for FY17. We're going to advance through these slides just to permit a little bit more time on the Q&A, but this may be useful for anyone that wants to have more information about the breakout of the costs and the funding.

This slide, number nine, has the FY18 expenses by cost category, where you can see by cost category ICANN operations was lower in every cost category against the FY18 budget. We just wanted to look at this slide, number ten, which is the FY18 headcount versus FY18 budgeted headcount, and last year for the same time, FY17.

Each of these datapoints is headcount at the end of the year, so that would be the 12 months ending June 30th. And as you can see for FY18

actual, ICANN organization ended headcount at 393 headcount, and that was compared to the FY18 budget of 422. Again, as funding in FY18 was lower than the FY18 budget, the ICANN organization adjusted and made sure that headcount growth also was under budget. Yes, Xavier.

XAVIER CALVEZ:

Again, just repeating what Becky just said, but I want everyone to understand well what we are trying to say here is that, one, we have a lower headcount than what the budget suggested, so we didn't spend as much money, we didn't replace as many people. And those of you who have been active community members for a while know that a number of community organizations tell us all the time, "You have too many people at ICANN."

The same organizations tell us, "What can you do more?" But at the same time, we want you to understand that because of this funding stabilization, we need to be careful in our resources. And we should be careful no matter what, but particularly, you have noticed in the previous slides that our biggest cost is people. That's our resource, that's how we deliver services. Right? So, about two thirds, a bit less, of our costs is personnel costs, because that's how anything gets done at ICANN.

But we have therefore, because of the slightly lower funding than anticipated, we have also limited personnel growth, and much below the budget. I also want to emphasize, as you can see hopefully on this slide, we have less people today than we did a year ago.

UNIDENTIFIED FEMALE: [inaudible]

XAVIER CALVEZ: Absolutely, but that's the first time. You see what I'm saying? It's never happened before that ICANN's headcount year on year decreases. So, I'm not saying it's a lot, but it's an inflection of the trend, if you see what I'm saying. And it's not like the work has really decreased that much. If you want to know the amount of time that we spent on GDPR over the past 12 months –

UNIDENTIFIED FEMALE: No.

XAVIER CALVEZ: I don't either. But I just wanted to emphasize this point. I see a flag being waved [energetically,] so I think we should stop for some questions. I think the – Maureen, if you want –

MAUREEN HILYARD: Yes, I'd like Becky to be able to finish her presentation if possible.

XAVIER CALVEZ: Okay, thank you.

MAUREEN HILYARD: Because she has got several slides to go through.

SÉBASTIEN BACHOLLET: Sorry, but really, I can't leave Xavier say that the work is done by staff. I can't leave Xavier say that.

XAVIER CALVEZ: I didn't say that.

SÉBASTIEN BACHOLLET: Yes, you say your 400 – it's like that the work is done.

XAVIER CALVEZ: No.

SÉBASTIEN BACHOLLET: [inaudible].

XAVIER CALVEZ: Sébastien, please. You know better than that about what I was trying to say. The support service that the ICANN organization provides is only done through people. We don't manufacture anything, we don't produce anything tangibly. It's the hours of people that support the community organizations that provides that support.

The ICANN work, if you talk about the community and the ecosystem, is all done by the volunteers and the stakeholders of the organization. Everybody knows that, I know that, and you know that I know that. Thank you.

BECKY NASH:

Thank you. We are now on slide 11, and this is the summary of FY18 actuals for total ICANN organization. And again, we describe ICANN operations. We have the IANA stewardship transition, which we then have total ICANN operations, which is the blue box in the middle where we, again, as a recap, have funding of \$134 million as compared to expenses of \$132 million with the next excess then at a positive \$2 million.

Moving along, the next column, C, is the new gTLD program. Again, related to the applications and the \$360 million that was collected up front. As the program progresses, we recognize revenue as a percentage of direct costs, so funding for FY18 under the program was \$6 million, and we have expenses of \$10 million for the program with a net deficit of \$5 million as we move towards the remainder of the program round.

And then this provides total ICANN organization, as noted on this slide, the sum of columns A, B, and C, of funding of \$139 million and expenses of \$142 million on a consolidated basis.

The last slide for the financial update is the funds under management as of the 30th of June, 2017 as compared to 2018. On the slide, as of FY18, we have total funds under management of \$455 million, and that is broken out into the ICANN operations funds of \$97 million, and the new gTLD program-related funds \$358 million.

As you can see, this is slightly down from last year where we had total funds of \$459 million, and that's just based on usage of the new gTLD funds. But you can see on the left-hand side in the blue boxes of as of June 30th, 2018, the reserve fund for ICANN operations is at \$70 million, which is higher than the same period last year based on transfers from ICANN operations into the reserve fund that took place during FY18.

For this next section, I'm going to hand it over to my colleague, Shani Quidwai from the ICANN Org Finance Department, who's going to cover the FY20 planning process.

SHANI QUIDWAI: Thank you, Becky.

TIJANI BEN JEMAA: Let's have questions.

DAVE KISSOONDOYAL: Can you take questions on the slides that you have mentioned before we got mixed up? We can take questions now, and then –

MAUREEN HILYARD: Do you mind if we [inaudible]?

BECKY NASH: Okay.

DAVE KISSOONDOYAL:

Okay. I want to commend the CFO and the Finance and Budget team for stabilizing the finance at ICANN. But my main question remains that, okay, in the current process, there has been, I would say, an excess of \$9 million compared to what was budgeted. \$143 million for expenses, but spent only \$134 million as expenses, actuals. The difference is \$9 million.

But you will see out of the \$9 million, there is \$2 million that goes – the excess remains for the meetings, ICANN meetings, which is \$2 million out of \$9 million. So, it is 22% of the excess goes to the ICANN meetings. The question is now that, okay, whether it's good practice that, okay, the ICANN CFO and the finance team has been able to stabilize the account, has been able to decrease the budget, out of which 22% of the excess goes to the ICANN meetings where we have participation not only from the At-Large but all the community participates.

Okay, you have cut the budget, but was it not wise to keep the actual and the budgeted on the meeting side and the – decrease on the headcount, on the labor force, okay, that's fine. But whether the ICANN CFO and the team is going to continue decreasing the budget for the community, and then in fact penalizing participation from all the stakeholders. Thank you.

XAVIER CALVEZ:

Thank you for the question, and I'm going to try to repeat to make sure that I've understood correctly your question and your point. So, I think your point is it's good to stabilize the expenses. In stabilizing the expenses, we spent less than the budget, and that reduction was

applied to ICANN meetings' costs and therefore to ICANN meeting support. And I'm suspecting you're using this specific information right here to indicate that.

Thank you. You're giving the opportunity to provide a bit more clarity as to what there is in here. So, the main driver as to why we spent \$2 million less than the budget in actual costs is not driven by the meetings part of these costs but more by the travel part of these costs.

What I mean by that is we have actually spent about what was budgeted for the three ICANN meetings that occurred during FY18. But what we have done is also because we have less people, we, the ICANN Organization staff, have traveled a bit less than what was planned for, outside of ICANN meetings and a bit also at ICANN meetings.

So, the overall costs of the ICANN meetings was about what was budgeted, but separately from the ICANN meetings, the cost of traveling of the staff was a bit lower. That's what drives this. Is that addressing your point? Thank you.

SHANI QUIDWAI:

So, in this next section, I'll give an update on our FY20 planning and highlight some of the key documents that we produce as well as some of the key dates. Due to time constraints, I'm going to skip over a few slides. Let's see. So, for this year, the adoption of the ICANN budget is one month earlier than FY19. This will permit the board an additional month and ensure that we give the Empowered Community the time to review the budget before the new fiscal year starts.

The timing of the additional budget requests is very similar to the prior year, and we have some of those key dates in this presentation. And then we are also launching a multi-year planning process that will include an update to our five-year strategic plan as well as designing a two-year planning process.

For FY20 and in general, these are some of the expense assumptions that we have. The ICANN organization activities and projects result directly or indirectly from bylaw requirements and from decisions made by the board based on community-lead policies or recommendations. As Xavier had mentioned earlier, the funding is stabilizing, and this is leading to us to make sure we carefully plan and prioritize the activities that are included in the budget.

In this slide, I think we discussed this earlier, but it's just further kind of emphasizing what has happened with the headcount. From FY15 through 18, we had been growing on average at 11%, in line more or less with the funding growth that we had seen, and as of September 30th, we are at an average headcount of 392, which is lower than where we were last year.

Here, we have an overview of the documents that we will publish, and we have two separate planning documents and processes, one for the PTI and IANA services, as well as we have separate documents and timelines for the ICANN operations budget. Included in there, we have the operating plan and budget, the five-year operating plan update, and then we have some spreadsheets that include a lot of details around the goals, objectives and portfolio of detail that we produce.

For the ABR process, here are some of the key dates. The community kickoff and submission period starts next month, from the 5th of November through the 25th of January. At ICANN 64, there will be consultations from March 9th through the March 15th, and then early in May, we will notify the SOs and ACs of the publication and then post that to the website on May 6th.

Here is some of the key dates in our planning process. As you can see, we've already started the process. We held a planning webinar kickoff in early August. We have posted the PTI and IANA operating plan and budget draft budget, and the public comment period has opened. That will run through the 12th of November.

And then I think another key point to call out here is that the ICANN operations budget, we're expecting to publish that on December 17th and open that for public comment through February 8th, concluding with the board adopting the budget on the 6th of May, which is about a month earlier than last year.

Next, I'll hand it back to Becky to go over the PTI and IANA operating plan and budget.

BECKY NASH:

Shani, thank you very much. We just wanted to provide a quick highlight of the PTI and IANA operating plan and budget. Just noting that the PTI draft operating plan and budget was developed from July through September 2018. We had a publication for a draft for public comment that did start and is underway at this time, and as noted on our process

timeline, that public comment period will be ending on the 12th of November.

So we do encourage comments from the group on the draft operating plan and budget that is submitted for public comment, and the process then after that will be that the public comments will be responded to and a report on public comments will be available for review by the PTI board at the end of November. And we do expect the PTI board adoption in early December.

On this slide number 25, we just have highlights of the PTI draft operating plan and budget, and we can see that the PTI FY20 operating plan and budget total is \$10 million, and that is consistent with the amounts for the PTI FY19 operating plan and budget, also of \$10 million.

And we can see that as compared to the FY18 budget, there is an increase from the prior year, and that is consistent with the expectations of growth for standard cost of living and some key expenses.

Just to conclude, on this last side, we do have the FY20 IANA budget which incorporates both PTI and the ICANN-funded IANA services, which include the cost for the RZMA agreement, and this then provides a total PTI plus IANA services budget of \$11 million as compared to the FY19 budget of \$10.5 million.

Just before concluding and going to Q&A, we just want to highlight that we encourage all community members to participate in two key

sessions here at ICANN 63. We have on Wednesday, October 24th at 5:00 PM a session on the FY20 operating plan and budget process. It is a session of Q&A with the executive team of ICANN Org, and we would appreciate participation. Again, that's Wednesday, October 24th, at 5:00 PM.

And then the following day, on Thursday, we have what we call our ICANN budget working group, which is sponsored by us from the Finance team, and it is where we have an informal session of going through the planning process and the funding assumptions for what we see in trends for FY18, FY19, and what we expect FY20 trends to be. That is Thursday morning at 10:30 AM. And again, it's the Budget Working Group.

We also have our planning@icann.org e-mail address, and we encourage anyone that would like to get on a specific finance mailing list or finance community mailing list to e-mail us at planning@icann.org so that we can register your e-mail address as part of our finance community e-mail address where we can provide updates on upcoming webinars and other sessions that will be of interest for those interested in finance.

So at this time, we have time remaining for Q&A.

MAUREEN HILYARD:

Thank you, Becky. I would just like to remind my community here that the chair actually sort of indicates who the speakers are to be and that

we will respect our visitors, please. I have a list, which actually starts with Sébastien, then Humberto, Ricardo, and Jonathan. The timer is on.

SÉBASTIEN BACHOLLET: Thank you very much. I will speak in French. This is a comment that I have for my colleagues much more so than a comment for the finance team. It is interesting to notice that we are now decreasing, the budget is now decreasing, but that the budget has increased over the past five years. So, when some of us ask for the next ALS summit be a real ALS summit with all of the ALSes, we have no justification, really, to say that we should be 300 instead of 60. This is not necessarily justified. Thank you.

MAUREEN HILYARD: Humberto.

HUMBERTO CARRASCO. Thank you very much. I'm going to speak in Spanish. I would like to be able to participate in the public comment period, but I need information. I would like to know if it is possible to have a comparative table, for example, in terms of the reduction or stabilizing process for the At-Large community in comparison with other communities, [with] ICANN communities. With that, I will be able to learn and know the level of equality or [imbalance] in terms of cost reduction in our community. And this is related to Sébastien's comment in terms of funding for next ATLAS meeting. If I happen to have access to that information, I think

that I would be able to make comments from the At-Large point of view.
Thank you.

BECKY NASH:

Thank you for your comment. As part of the annual operating plan and budget process, effective in FY19, we did provide tables as it compares year over year for both constituent travel funding, and also, we have had information on ABRs. That was as new table last year, and I'm not sure whether or not you found that useful, but that does provide a comparison year over year in the annual FY20 operating plan and budget.

MAUREEN HILYARD:

Ricardo. Where is he?

RICARDO HOLMQUIST:

Now it is. Sorry. I will speak in Spanish. Thank you. I have two questions and one suggestion. The first question is this. In the reduction that we see in FY18, I see that part of the reduction had to do with capital cost or expense, and that has to do with purchasing of equipment. And I also see that there is a section where there is a reduction that has to do with the PTI and the IANA. These are the key part of the ICANN ecosystem.

So, I would like to know why, because budget is not really high, and a 20% reduction seems to be a lot. So that is one concern that I have, I mean the fact that we are reducing something and the community is

going to be affected, because this is very important for the community. Internet needs to keep on working.

And the second question that I have is this. We have some draft, some PTI and IANA draft that are being circulated. Part of the information that we had in At-Large is that on October 12th, there was going to be some reply about the comments being provided. I made my comments.

It was not an important comment or a substantial comment, but I was not able to get the responses provided during October the 12th. So perhaps there is no link between the responses and At-Large. I don't know where ICANN found the information, I don't know where those responses are published. But from the At-Large webpage, I cannot access to that information.

BECKY NASH:

Thank you very much for your question. I did put the slides back on number seven, slides seven just to respond to the initial questions. The first comment was related to the FY18 actuals versus the FY18 budget, and as it relates to capital.

Capital spending at ICANN is primarily due to development costs for several technology systems. And just due to timing in FY18, there was less actual projects as it relates to the budgeted amount. So again, just to recap, in 2018, capital spend came in at \$2 million as compared to the budget of \$4 million. And that does relate primarily to projects and timing of projects for IT-related systems and development.

The second question, I've put the slides back at number seven, which relates to the PTI and IANA services actual spend as it relates to budget. So, on this slide, we can see that PTI had actual spend that was lower than budget, and in total between PTI plus IANA services, which would be the ICANN-funded costs for IANA services, where we did have lower expenses by \$2 million.

And again, primarily for PTI and IANA services, that was related to the fact that costs on a timing basis came in lower. And specifically, there were several unfilled positions during FY18 that resulted in lower total personnel expenses. And again, that was just timing, it wasn't due to any reduction as it relates to the budgeted expense. And then again, there were lower professional services costs just related to the timing of certain activities that did not fall within FY18 but that are going to occur in FY19.

And then I think there is one more question as it relates to –

RICARDO HOLMQUIST: Yes, to the IANA.

BECKY NASH: Oh. Thank you very much. Yes. So, as it relates to the planning process, our standard planning process incorporates a step called clarifying questions. I believe that we're talking about the draft FY20 operating plan and budget for PTI and IANA services that was posted for public comment, and then we encourage community members to send us what we call clarifying questions.

And a clarifying question would be something that someone or a group would just need some expanded knowledge of what the definition of the cost is. It isn't actually a public comment. If it is considered a public comment, we encourage the group or the individual to then submit it as a public comment.

We do request that those comments be sent to our planning@icann.org e-mail box, and that we do have the ability to upload those so that all community members can read what someone has asked as a clarifying question. We are going to look at what we've received, and in the event that it's something that we missed in the process, we will be sure to provide a response as soon as possible.

That would be typically over the next couple of days, and we will make sure that we over-advertise or indicate that we also would like to have those emailed to us at planning@icann.org. Thank you.

MAUREEN HILYARD:

Thank you. Just running a bit short of time, so we're just going to – the timer will be one minute for the next four people. We've got Jonathan, Andrei, Holly, and Dave.

JONATHAN ZUCK:

Yes, hi. And unfortunately, I can only speak English, so that's what I'll do. I'll try to speak slowly in my one-minute timeframe though. I have two questions, and I guess – and maybe I'm missing something, but very often, when we're asked to comment on a budget, it's looking at

the budget as a whole without kind of understanding the conversations that went into building it.

And so when the budget originally gets negotiated, there's a kind of – what in the U.S. we call legislative intent, right? It's the notes next to the bill, not just the bill. And so, well, we better really make sure that this gets enough funding, but this could afford to have a little less. And it's these kind of prioritizations that take place that are difficult to bring to the surface when just looking at a spreadsheet full of numbers.

And I think it's what makes it difficult for this group to make assessments, not just about our own funding, but about the relative funding on things like universal acceptance or other types of issues that are of importance to end users. And so structuring a conversation that way, I think, could be very useful to this group and very useful to you in terms of getting more productive feedback from this group.

And then I guess my only other quick question is, has there been discussion of a budget autonomy for the At-Large at any point so that it was more of a lump sum that then the At-Large decided over the course of the year how best to spend the money? Those are my two. Thank you.

XAVIER CALVEZ:

Thank you, Jonathan. And thank you for pointing out what you expressed about the challenge of understanding the rationale conversations behind a document in the budget. And this is a very fundamental need that we feel is a challenge as well. It is difficult to try

to provide as much information as possible, but in addition to the information, the story behind the information.

And we have made a few attempts at that in the past. An illustration, an example that I can take – and I'm seeking maybe not right now, right here, but later on, feedback on those types of initiatives, but we have for example tried to provide the list of the activities that have been considered as part of the budget development but not included in the budget, for example, so that you don't just see what is in the budget but what was also not put into the budget, because we feel that it's a useful information for you to know what tradeoff has been made, in quotes.

Because you may have a different opinion as to what that tradeoff should have been. And that's exactly the type of things that we tried to provide some insight on. We have also last year produced six modules as part of the operating plan, which is – to try to describe it simply is a focus on certain activities with more information as to what those activities are, and not as much in terms of numbers but more in terms of descriptive of what those activities are in order to try to help a bit the understanding of why the costs are what they are, in quotes, because what are the activities that are carried out?

So, I think that we will continue. Your input is very helpful, because it confirms the need to have more narrative, more story behind the numbers in our budget, and we'll try to find additional or new ways to do that better. And suggestions are very welcome, because we want to try to make sure we address the needs. So, thank you for that.

And I'm not remembering anymore your second question. Oh, budget autonomy. This is a long conversation. How many seconds do I have left? Two. Okay. So, today, the – it is really a long conversation. So, ICANN carries out a budget that results from funding, and provides services to needs that are expressed by the organizations.

This is a mode of tell us what support you need and we'll try to provide as much of that support as possible, and we incur the costs. We, ICANN organization, pays for the time of the people who provide the services that hopefully you value.

What we don't do is a mechanism, for example -and I'm trying to associate existing mechanisms with the point that you were making. What we don't do, we don't do grants, for example. We don't say, "Tell us what you need and we'll give you an amount of money and you deal with it." We don't do that.

We are not either set up to do that, but also, in the responsibility of the organization to carry out its mission in the public interest, within the mission of ICANN of coordination of the unique identifiers, our role is to ensure that that mission is delivered.

The flexibility that we have tried to provide, to go a little bit in the direction of your point and request, is the additional budget request process, where there is a definition of need and submission of need coming from the community members about specific aspect of support that they would like to have.

And as you know very well, those of you who have used that process, one of the main criteria for eligibility of funding is the consistency with ICANN's mission. So, that's a mechanism that we tried to do. It's certainly fairly marginal in total to the support provided. And to be honest, there's a bit of also practical operational feasibility of that that we're trying to contain.

Should we expand that to a broader autonomy, in quotes, to use the words that you've used? We would need to set ourselves up differently, and we also would need to have a different approach. And we should develop something from a community standpoint, a different approach in managing ICANN's funds, as well as verifying that the money that we grant if I'm using that mechanism is actually used effectively and within ICANN's mission as well.

So, this is not a mode of operation that the organization has had in the past. I think they would want more understanding and conversation and broad discussions across the community as to whether this is something we would want to evaluate further.

Side note, there is a process that is being worked on now with a granting approach, which is the CCWG on Auction Proceeds, that is now this time not about operational daily support but about funds, one-time funds in the benefit of the Internet. It's not necessarily in the scope of daily support. I'll stop here because we're going short. Thank you.

MAUREEN HILYARD: Thank you, Xavier, and thanks to Jonathan for asking the question on behalf of two others. So we have one more question, very short, please, Dave.

DAVE KISSOONDOYAL: Yeah, thank you. Okay. You mentioned that the headcount for the current financial year to the next financial year has decreased from 397 to 392. Is it because there has been resignation, people have left, and then the vacancies haven't been filled? And whether this trend is going to continue, is ICANN going to leave all unfilled vacancies filled? Thank you.

XAVIER CALVEZ: Thank you. So, in any organization the size of ICANN, there's a natural – what is called in the U.S. attrition. In other countries, it's sometimes called turnover. People move on. Right? It naturally happens all the time. And it does happen at ICANN as well. By the way, at a slower rate than it happens on average.

But nonetheless, there are people leaving a little bit all the time. You know, spouses move to a different place of the country and people leave the organization, etc. So, this is simply people resigning or departing the organization for their own reasons.

What we have been very careful doing is two things. The budget reflected an increase in headcount versus the prior year, so new positions were anticipated to [accrue] in the budget of FY18. We've

been very careful at limiting, to the extent possible, actually adding those new positions.

So you can see that the headcount last year was about 400. We were planning to go to 422, so new positions were going to be hired, and we've been more careful in challenging whether or not those new positions were absolutely necessary.

And applying a similar approach for any departure, we have challenged ourselves to determine whether we actually needed to replace the position like for like. And in many instances, what we have done is trying to reorganize the work in a fashion that either lets us not replace the person but still do the work – and that's just increased efficiency. It's process improvement. It's trying to find a way to do the same with less, in quotes.

Yes, we would expect to continue doing that. With what effect, it's not necessarily clear. We have replaced many of the positions that became vacant, but not necessarily all of them. Right? So sometimes, we cannot not replace a position. But sometimes, we can.

So we will continue being very careful in managing the headcount, and the effect on headcount could be simply stabilization, because the work increases but we manage to not increase the staff, or possibly continue decrease a little bit simply because we manage to continue finding ways to do the same with less people. Thank you.

MAUREEN HILYARD: And that sounds great. Okay, we've got – we just need to introduce two more people. One of them is Mary Wong, who I'd like to – can we go to [inaudible]

UNIDENTIFIED FEMALE: [inaudible]

MAUREEN HILYARD: Have we got the –

UNIDENTIFIED FEMALE: [inaudible] right here.

MAUREEN HILYARD: Alright.

MARY WONG: And actually, I think a lot of people here may know me. I've been hanging around quite a bit. But for purposes of this session, I just want to say hello to those I don't know, and hello again to those that I do know. And the purpose and the reason why I'm here is that my team within the policy department works really closely with the finance department, as well as colleagues from the Global Stakeholder Engagement and Government Engagement teams, Public Responsibility Support, and of course, for your purposes, with this team supporting At-Large for the additional budget request process.

So in essence, we manage that process, we coordinate it, and we work across the organization to help manage all the requests that come in across the community. I think Shani's already given you a sense that that process will kick off. I think November 5th was the projected date, so you'll be hearing a lot more from us, and hopefully, we'll be hearing a lot from you when that happens. And I think Xavier's given a very good summary of the purpose of the ABR. So again, just to say hello. Thank you for having me and having us.

MAUREEN HILYARD: Alright. Okay. And just on that, Heidi's just reminded me that there'll be – shortly, we'll be asking for membership of our – the Finance and Budget Subcommittee. We do have at the moment, but this is for the new year, so there'll be members – I think it's a regional membership, isn't it?

UNIDENTIFIED FEMALE: Yeah.

MAUREEN HILYARD: Yes, so it's regional membership. And so, you know, if the RALOs can be starting to look at who they would like to submit for that particular group, which – so they will be asking for membership for that very shortly. So, thank you very much, people, [for this.] We're now going to be moving on to introducing Krista, who's the ICANN Complaints Officer.

I thought that might be an appropriate time, straight after finance, to introduce Krista. And if you have any questions, [of course,] but we'll let Krista do her presentation first.

KRISTA PAPAC:

Good morning, everybody. Krista Papac, I'm the ICANN Complaints Officer, as I was just introduced. I wanted to thank all of you for your time this morning and the opportunity to just give you a little more information and insight into what's been going on with the complaints office at ICANN.

Of course, I have a typical agenda slide like everybody, but the gist of what I wanted to share with you is first to just give everybody a quick reminder of the purpose of the complaints office and what it's there to do and what the objectives are.

I thought it could be interesting to all of you to get an overview of the number of complaints that have come in and sort of the topical areas that they're related to. And then I was going to take you through what types of responses the complaints office issues, and also give some example of what happens with those responses or what activity occurs as a result of a complaint.

Then I was going to – we do a semiannual report in the complaints office, so I was going to talk to you a little bit about that and what it is and the purpose of it and the types of things that come out of that. And then lastly – and I really want to – I won't go too fast, but I want to get through the information quickly so that you guys – we can have an open

dialog about questions the ALAC may have about the complaints office, suggestions, you know, and anything along those lines, because it's really helpful to me to understand what you guys see as concerns or areas of opportunity for not just the complaints office but the organization as a whole.

So the complaints office was established in – well, it was announced in March of last year, and it started taking complaints in May, so it's been about a year and a half that it's been in operation. And the whole purpose of setting it up was really to have a place where ICANN could demonstrate operational accountability and transparency in that operational accountability.

So as we all know, we have accountability and transparency requirements underneath the bylaws, but this is more about the operation of the organization itself and the services it's providing to the community.

So we wanted to be able to – by creating the office, we're able to centralize where complaints come in about the organization. So we take complaints not about registrars or registries – those go to Contractual Compliance or people can file reconsideration requests which are bylaws mandated, but if somebody has an issue with the organization and the service it's delivering, there was really no central place for those things to go to be looked at and to be addressed. And that's really what the complaints office does.

So if you have an issue with the level of support that you're receiving from ICANN, if a process appears to be broken, things like that, those

are the types of things that come to the complaints office. And by having it centralized, it gives us better visibility into what's going on so we can identify trends.

The transparency part, what we do with that is we publish all of the complaints that come in, redacting information, e-mail addresses and things like that, but we publish the complaints, and then once a response is issued, that's published as well. So anybody who wants to can go and look and see not only what people are complaining about but also how the organization is addressing those things. And then also, we felt it provides an additional opportunity for open communication or dialog with the ICANN community itself.

So as of the end of September, we've received a total of 41, what I refer to as in scope complaints. So there are things that come to the complaints office that are not in scope. For instance, a complaint about a registrar, which then they get redirected to the Contractual Compliance department where they would handle that.

But the ones that belong with the ICANN organization – and there's been 41 to date – I've broken them out by department, but I really want to make sure it's clear that just because – the way that the department gets assigned is that who owns the process that someone's complaining about.

So the breakdown in the process may not necessarily be a Contractual Compliance breakdown, it could be something related to the software they use, like an information technology issue or something else. But I

break it out by process owner or topic so that we can get a sense of where we see more activity and less and related to which processes.

So I've put them in numerical order for you guys, because I thought that would be interesting. And certainly, you'll have the slides, so you can look at this in more detail if you'd like.

So responding to complaints, typically, all of the complaints that come in that are in scope all get a response. And I say typically because I had one unique circumstance where we didn't provide a response, and I'm happy to explain that if you'd like. But if it's in scope, they get a response.

The two major types of responses that we issue are ones where we're making improvements, and so the response – and really, when the complaint comes in, we review it, we then research it within the organization and all of the affected departments related to the issue, and then if there are improvements that are identified through that process, we go and make those improvements and the response will explain all of this and provide the timeline for when those improvements will be made. So the majority, as you can see, of the responses that we've issued have been actually with improvements made, and I provide some examples in the next couple of slides.

The second most common response that we issue is providing – I call it educational information, because I haven't come up with a better term yet. And again, I'll provide some examples, but sometimes, people are complaining about the organization, but the thing that they're asking the ICANN Org to fix is not something that we're empowered to fix.

So it becomes an opportunity to let that end user, a registrant or whoever it is, to try and explain to them in layman's terms as much as possible how the Org is structured and why it's something we're not empowered to change.

The next bucket I have is responses pending. So I've got complaints that are current open that haven't received a response yet. I received one complaint that I could not – at least at that time, because things do change over time, but at that time I did not identify anything that could be improved. It was largely just a misunderstanding, I think, between the department within ICANN and the complainant about the issue.

And then lastly, there is, like I said, one response that – one, excuse me, complaint where we didn't respond at all, and in that particular case, the complainant – which I actually could help them and we did make some improvements based on the complaint, but they did not want their complaint published, so not even in their name, but they didn't want the complaint itself published at all.

And this particular person sort of [offended] and thought that ICANN was somehow promoting itself by publishing these complaints. So, I didn't publish it because of her request to keep it confidential, but we did do some improvements behind the scenes at ICANN based on the information found when I was researching it.

So responding to complaints, the – oh, there. It didn't update in the Adobe for a minute. I was confused. Sorry about that. So, of complaints that have received – that we've made improvements, and as I said, there's been a large number of them, some of the improvements are

really small tweaks but still an improvement. And some of them are sort of a major undertaking or things or projects that get implemented over a period of time to address the issue.

But just a couple of examples, and I provided a variety of them, understanding that some of them may be more or less interesting to this group. One of them was an update to a Global Domains Division process that had some sort of areas of opportunity within the process to make it work a little bit more effectively and efficiently.

There was another, there was improvements made to how contracted parties are invoiced. That's been a bit of a struggle for the organization for a while, and we did get a complaint about that. And the team that was just here has been working really hard to sort of amend, fix those things so that they work better.

I had a complaint – I think it was the last meeting, I think it was the Panama – no, it was two meetings ago, the Puerto Rico meeting, I believe, where a comment that was submitted remotely, typed in to the public forum didn't actually get read in full, and so there was a process breakdown there. it was completely unintentional on ICANN's part, but it was something that there was a bit of a process breakdown.

And then one of the ones that we worked on recently, and I worked with Herb, who I think is here, was ways that he organization could raise awareness regarding the anti-harassment policy. So that one want actually – somebody didn't actually submit a complaint, but I'm sure many of you are familiar with a letter, an anonymous letter that was sent to the organization talking about the anti-harassment policy and

making some recommendations about things that could be done with the policy itself.

And Göran and the executive team, when this letter came in, came to me and asked that I take a look at – the letter had several recommendations that are out of scope for the complaints office, but one of the things it talked about was raising awareness, and so I looked at that and basically took that on myself and worked with Herb to just brainstorm and come up with additional ways that we could put this anti-harassment policy – okay. Put the anti-harassment policy and make it more visible to the community. Should we stop for questions right now?

MAUREEN HILYARD: There's one in the chat.

KRISTA PAPAC: Okay.

MAUREEN HILYARD: It was from [inaudible], probably just a little bit up.

KRISTA PAPAC: Yeah, okay.

MAUREEN HILYARD: Is it? Oh, never mind.

KRISTA PAPAC: It's right here, yeah. Okay.

MAUREEN HILYARD: Yeah. How many were out of scope?

KRISTA PAPAC: Oh, how many out of scope. So that's a great question. Sorry, the question in the chat is how many out of scope complaints have there been. I don't remember off the top of my head, but there's usually –it started off getting about 100 a month that came in, and what I figured out after a couple months is that if you think about it, the average person goes out there, and if they – first of all, if they figure out what ICANN is, that's the first hurdle, and they have an issue that's going on. Let's say it's a registrar-related issue. They somehow figure out what ICANN is and they go to the website and they're like, "I have a complaint about this registrar."

So they get to the complaints office thinking, "That's where I go." So interestingly enough, the word "complaint" is used in so many different ways. And not just within the ICANN Org. So that was going on, and I kept getting, as I said, about 100 a month that we would redirect.

And then we eventually came up with a system which kind of came as a result of the semi-annual report and looking at all these complaints, but where people, when they get to the complaints office webpage, they click on the "Submit a complaint" button and there is like, "What's your

name and e-mail address?” And “Is your complaint about...” And there's like four or five things listed.

And if it's about a registry or a registrar, they get routed – so it's actually helping route people to a place where they can get help instead of coming to me and then me rerouting them to somebody else. Which, of course, I always do, but now we're up to about 200 a month. But the good news is my office is not rerouting 200 things a month, they're getting automatically routed. And people are not experiencing – we all deal with customer service and submitting complaints, and they're not experiencing as much getting shuffled around because they get sent directly to the first spot.

So yeah, those are the out of scope complaints. And then the median duration of response, another great question, that I don't have an answer to, because every complaint so far has been really unique, and some require a lot more work than others. In your spare time, if you need to fall asleep or something, if you want to go look at some of the responses, you can see that they're very thorough and thoroughly researched and responded to.

So sometimes, complaints can get resolved within a few weeks, and then there's other ones that take upwards of – like we just wrapped up one recently that took about, I think, six months of kind of working through what can we do and getting the departments to figure out what the timeline would be to implement the changes.

MAUREEN HILYARD: Do you mind if we take some of the [inaudible].

KRISTA PAPAC: Oh, yeah, absolutely. Happy to take questions.

MAUREEN HILYARD: Okay. Just in the interest of time, and we do have Jonathan, Sébastien, Tijani and Eduardo, so if we can go through those, keep the –

UNIDENTIFIED FEMALE: We have a hard stop at noon.

MAUREEN HILYARD: Yeah, we have a hard stop at noon. Jonathan?

JONATHAN ZUCK: [inaudible].

MAUREEN HILYARD: Oh, okay. Cool. Sébastien.

SÉBSATIEN BACHOLLET: Yeah. First of all, before [it's become] a complaint, I have a question for my colleague. Who is able to tell me what is ABR we talk about in the previous session? I am not asking you to answer, I would like to know except you, who knows about that? Okay, that's many in this room.

During the previous presentation, we have an abbreviation just four people in this room are able to understand.

It's for me a real – it's a complaint that staff need to help us to understand. And when you talk an abbreviation, at least when it's written, you write it in total for your presentation. It's not a joke. I think if we don't do that, we are lost.

Now, more seriously – not more seriously, also a question. You write in the page four something about complaint by department, and one of the department, it's ombudsman. First of all, I hope since Work Stream 2 we don't talk anymore about ombudsman, about the ombuds office. Second, it's not a department of ICANN. I think we need to be really clear about that. It's not a department of ICANN.

And the third question or point is that it's written something about the – the way you present you present your office, and you say it's everything who is not falling under complaints and so on and so forth. And ombuds. I would personally do the reverse. Ombuds is everything except what is done within the ICANN Org with complaints. Thank you.

KRISTA PAPAC:

Thanks, Sébastien. You've actually given – you provided a great opportunity for me to give an example of how the departments get assigned. So first of all, your point about departments, thank you for that as well. I should change it, I think, to complaints by topical area or something like that, or function or something. So that's just maybe not the clearest communication on my part.

But the ombudsman, with reference to that, so that complaint was not about the ombudsman at all. And as I was sort of trying to explain earlier, it was a suggestion that came to us through the correspondence process that the organization should really do more to raise awareness in the community about the anti-harassment policy.

So the reason I assigned the topic under ombudsman is because he owns the policy, that anti-harassment policy. It sort of falls under – it's a community policy, but it falls under his remit. So it's a good example. You know, just because you see 19 Contractual Compliance things doesn't mean that something was broken with Contractual Compliance. It means that it was related to something to do with Contractual Compliance, as was the same with the ombudsman.

MAUREEN HILYARD:

We have to be out of this room in about a minute, so Tijani, can you – is that going to be a very quick question?

TIJANI BEN JEMAA:

Yes, and in such situation, the best is to have all the questions and she answer all the questions together. Okay, so I understood that you have a process. You receive the complaints, and then you try to improve, try to find the solution for it, and then you inform the person that it is done. Okay. And for sure, you have some places, some cases where you cannot improve, it is not – so the complaining person will not be happy. How the things are going after that? This is the first question.

Second question, do you have complaints about personal behavior? And the third one, where do you draw the line between your office and the ombuds office? Thank you.

KRISTA PAPAC:

Thanks, Tijani. All great questions. So, there's only been one time – there's two parts to your first question about when there's no improvements. There's been one time that after doing all the research and speaking to the various parties, I could not see an area for an improvement. Again, I think it was a miscommunication between – a misunderstanding on the part of the complainant.

The other thing that happens, and it's the second set of examples here, is people come to me with a complaint that the organization isn't doing its job and that we need to amend the consensus policy so that we're doing our job, or we need to go and renew a domain name for them, which we of course have no technical capability or remit to do such a thing.

So in those cases, they get a response as well, but it explains fully why we're limited, what our scope is, how they can participate in the community. And most of the time, actually, the response is still kind. They write back and say, "You know, thank you, you're right." I say, "You're probably not going to be happy with this, but let me just explain why we can't do it." And most of the time, they say at least thank you for the explanation. So those have actually gone pretty well so far.

Your second question, personal behavior. This is something I [tout] a lot, especially internally in the organization, because it's not healthy for staff people to think that someone can just come to me and start talking about – so this is really about the organization. How can the organization improve? It's not about the people, it's about the organization. The people make the improvements, but it's about things the Org can do better.

So if someone sends a complaint that says an employee's name in it, I redact that out because it's irrelevant. But honestly, or interestingly enough, almost every complaint I received is very constructive and kind. And that really enables the process. So that's worked really well for us.

And then lastly, the difference between the ombudsman and myself – which we get a lot – there's a blog on this with a chart that we published that's very helpful to look at. But a couple major differences, the ombudsman reports to the board, I report to the CEO. The ombudsman is a confidential process, mine is the opposite, it's very transparent. And the biggest one is the ombudsman – generally speaking, but – he works on complaints about unfairness.

So the staff or the board did something unfair, unfairness amongst community members. I don't get involved in the community member stuff, because you're not members of the Org. They're more about unfairness, while mine is more about something's broken that's process or operationally driven.

MAUREEN HILYARD:

I'm sorry, Krista, that we actually have to rush you like this. But before we go – and we do have to actually start packing up very shortly, but I would like to introduce to you all so that you can recognize the face for anyone who hasn't actually seen him before, and he can just give you a little brief intro.

HERB WAYE:

Good morning. Good afternoon, actually. Bonjour, Buenos dias. My name's Herb, I am the ICANN ombudsman. Thank you, Krista, for taking all the hard questions and answering them appropriately. I just wanted to basically say hi and let you see my face. My office is downstairs on the mezzanine level, 218. Please drop in if you'd like to have a chat or discuss something specifically to ALAC that I may be able to help you with.

I have a very positive and ongoing relationship with ALAC over the last couple of years, and speaking to that, I would like to thank you all, the people that I have dealt with, for your cooperation and support. And I wish you a very positive and fruitful meeting while you're here for the coming week.

And just as a quick reminder to be respectful and to appreciate the professionalism that you have to offer and that will be offered to you by others, and to enjoy your time here in Barcelona. Thank you, and have a nice lunch break. Thank you.

MAUREEN HILYARD: Thank you, everyone, for joining in this session. Some very good questions and very good presentations. And so please pack up, take everything out of here, because there's another group coming and we don't want to leave anything behind. This meeting is adjourned.

HEIDI ULLRICH: Hi, everyone. Just for your information, lunch can be purchased downstairs, ground floor, and also, the next meeting in this room for us is at 13:30, and that will be the At-Large region –

[END OF TRANSCRIPTION]