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BARCELONA – ccNSO: Strategic & Operational Planning Standing Committee Meeting  
Sunday, October 21, 2018 – 13:30 to 15:00 CEST  
ICANN63 | Barcelona, Spain

UNIDENTIFIED MALE: ICANN 63 Barcelona, 21 October 2018, 13:30 to 15:00, ccNSO Strategic and Operational Planning Standing Committee Meeting.

GIOVANNI SEPPIA: We start in one minute. Thank you. So, it's 20 until 2:00 local Barcelona time and we start as we said. Welcome, everybody. Welcome to the SOPC Strategic and Operating Plan Committee Members. Thanks to the ccNSO secretariat for facilitating and supporting the meeting and thanks also to ICANN staff for attending the meeting. We circulated also an apology from Andreas of DENIC as he currently is stuck in Frankfurt airport, I have. He is coming a bit later, so he sends us his apologies.

We have circulated the agenda at the beginning of October. There are two main sessions. The first one about the fiscal year 2020 operating plan and budget with a presentation by ICANN and the second session is the ICANN Strategic Plan 2021-2025 with also presentation by the ICANN staff and they are going to walk us through the process to collect the input from the community and produce the next five-year strategic plan.

That said, the last point is about ccNSO SOP membership review. If there are new volunteers, as we just finished to speak with the ccNSO Council, that this community is hunting for volunteers at multiple

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levels. If there is any input about the membership review and how we can get the ccNSO community more engaged, we'll be happy to talk about it. Is there any other point the SOP would like to add to the agenda? I'm also looking at Joke, just in case there is any remote participants. It doesn't seem to be the case at present. So, any extra point you'd like to add to the agenda? No? So, I leave the floor to Becky and we have the virtual Xavier close to me and soon he will materialize. But, Xavier is with us. He's coming soon. It's like a movie. Coming soon. I leave the floor to Becky for the first part of the presentation by ICANN on the fiscal year 20 operating plan and budget. Thank you, Becky.

BECKY NASH:

Thank you, Giovanni. Hello, everyone. This is Becky Nash from ICANN Finance. We want to thank you for having this opportunity to do a finance and strategy presentation. I just wanted to explain that today there are going to be several presenters. So, myself, Becky Nash. And we do have [Shonny] from our Finance Team and then we have Natalie from our MSSI Team who will also be presenting on the strategic planning. As Giovanni said, Xavier Calvez will be joining in for Q&A a little bit later. We do have Theresa here as well from the MSSI Team.

So, with that, I just wanted to cover the agenda. So, one of the topics that we're just going to cover briefly is the FY 18 highlights. These are the unaudited financials for ICANN. After that, we're going to cover the FY 20 operating plan and budget process. Then, the strategic planning update. Natalie will give us that update. Then, we have some time for Q&A.

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We are happy to take questions throughout the time if that's what you'd like to do and we will just try to progress through the slides.

So, this first section is the FY 18 highlights. In talking about the planning process, we like to also talk about our historical actuals. And when we report our actual results, this is the reporting structure slide that we use for FY 18. I will just cover it quickly because it applies both to our financial reporting and our operating plan and budget structure as well.

So, on this slide, we have the section of blue boxes called ICANN operations. Then, we have the section on the right for the orange boxes which are the new gTLD program and some of those two areas become total ICANN which is listed over on the right-hand side of this slide.

So, just to cover the ICANN operations, we have the funding and expenses as it relates to funding from contracted parties and expenses for ICANN operations and you can see that the PTI IANA, funding by ICANN, and the expenses for PTI IANA are also considered ICANN operations. And at the bottom, those are all part of the operating fund, meaning the funds under management for the day-to-day activities are the operating fund.

In the middle, next to expenses in the blue boxes, IANA stewardship transition. We'd just like to highlight that FY 18 is the last year of board-approved expenses for the IANA stewardship transition project and those were expenses that are reimbursed by the reserve fund. That's why they're sitting on top of the gray box of the reserve fund.

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But, again, starting in FY 19 for the operating plan and budget that was in effect now and adopted in the spring, in May of 2018, there are no longer any expenses related to the IANA stewardship transition that are funded from the reserve fund and no one-time expenses any longer. We are now into just areas of implementation.

On the right-hand side, the new gTLD program, we have the funding and expenses related to the collection of the new gTLD application fees up front, the \$360 million, and that program which has progressed now down towards the latter part of the program for this round, is what we call the new gTLD funding and expenses and those have the gray boxes of the new gTLD funds. And as part of that program, there were auction proceeds and those auction proceeds are in the gray box listed under the new gTLD program, with no expenses or funding related.

For FY 18, the year-end financial highlights are that ICANN operations generated an operational excess or positive cash of \$2 million as the actual funding for the year was \$134 million and the cash expenses total \$132 million.

So, ICANN's operations funding was lower by \$1 million than the same period last year. Again, this is the 12 months for FY 18 that we're talking about which would run from July 1, 2017 through June 30, 2018.

In FY 18, funding was lower by \$9 million than our adopted FY 18 budget. Earlier in this year of 18 when we were going through the FY 19 budgeting process, we had provided information about the fact that the FY 18 actual funding was coming in much lower than what was originally adopted in the budget. That's why you see that funding was

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\$9 million lower than the original adopted budget. It was primarily due to slower than anticipated growth of the new gTLD registrations now in operation. However, ICANN responded by being very successful in managing the FY 18 expenses. So, expenses were \$2 million lower than the same time in the prior year of FY 17 and FY 18 expenses for operations were \$14 million lower than the original FY 18 adopted budget.

The primary reason was given that the stabilization of the funding, meaning that funding was growing at a much slower rate than had been anticipated when the FY 18 budget was put together and in order to avoid a shortfall or negative expense, revenue less expense, ICANN Organization took action and was able to reduce costs so that expenses would not exceed funding.

Expenses for FY 18 were lower than the original adopted budget across all cost categories.

On slide 7 we have the financial overview. Again, we just discussed the highlights where we can see for the FY 18 actuals, at the top, you can see funding came in at \$134 million and then we have our operations expenses of \$131 million and then the IANA stewardship transition expenses of \$1 million for FY 18 resulting in the net excess of \$2 million.

Compared against the budget where we had the funding of \$143 million and expenses of \$143 million for operations and expenses anticipated for the IANA stewardship transition of \$3 million. So, the variance, as we discussed on the prior slide, you can see that funding came in against the budget \$9 million lower and expenses for operations came in \$12

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million lower and expenses for the IANA stewardship transition came in \$2 million lower and that results in the variance for positive \$5 million against the budget.

We've listed FY 17 actuals here just as a point of reference to look at the trend year over year, and you can see that, in general, for FY 18, funding is down – nearly flat, but down \$1 million and expenses are down \$2 million over FY 17.

At the bottom of the slide, we do have a breakout, just to explain that the expenses include ICANN operations in addition to the IANA services. So, we are just breaking out some additional information about our results with IANA services.

This next slide gives an overview of the FY 18 funding versus budget and versus FY 17 by product type. So, the actual funding of \$134 million – and you can see that that was broken out between the revenue or the funding strings related to registry transaction fees which came in lower than budget. The registrar transaction fees. And both of these are related to the domain name registrations and the registrar transaction fees came in lower than budget, although still higher than prior year. And then we have the registry fixed fees, which are dependent on how many registries and top-level domains have been delegated. That came in right on budget at \$31 million. And registrar other fees which would be the annual accreditation fee and the variable registrar fee came in just slightly above budget.

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The other category is where we have the contributions from the ccTLD contributions along with other income including sponsorships and things like that.

On slide 9 we have a similar chart, but now it's related to our expenses versus budget and versus last year. ICANN operation expenses of \$131 million are broken out across these categories and you can see that, as we indicated, all expenses against the budget were lower or right at the budget of FY 18. So, we have our personnel expense which would be compensation and all of the benefits related. We've highlighted the average headcount throughout the period and we do have some additional slides on headcount later in this presentation.

The next category of travels and meetings where we are lower than the budget. Professional services, \$26 million, lower than \$2 million by the budget. And administration and other fees of \$18 million. Again, lower than the FY 18 adopted budget. Then, our capital expenses of \$2 million versus the budget of \$4 million.

Slide number 10 we do have the FY 18 headcount versus FY 18 adopted budget, and last year FY 17. FY 18 ICANN headcount declined compared with FY 18 and was lower than the FY 18 budget. So, we have a headcount as of year end June 30, 2018 at 393 employees and that is compared to the budget of 422. Again, during FY 18, as we were preparing for the FY 19 operating plan and budget, we had the lower forecast for the revenue as we talked about on our highlight slide, and as a result, headcount was also not raised up to the FY 18 budget as we adjusted expenses throughout the year. So, we did come in lower than

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the budget, and in fact, we came in slightly lower than the same time last year. And we would just like to highlight that later in this presentation we have a headcount trend, but this is the first time that headcount has decreased in ICANN operations.

Slide number 11 is our FY 18 total ICANN organization actuals. On this slide, we are presenting the ICANN operations with funding of \$134 million compared to ICANN operations expenses of \$131 and we can see the [net] excess then of \$3 million.

Then, we have the IANA stewardship transition in the second column under B, where again there's no funding, but those are project expenses that came in lower than budget and came in at \$1 million. And the total of those two, as we've described in how we report on our actuals is what we call total ICANN operations.

Then, the next column C is where we are providing the new gTLD program financials where we had funding recognized as part of the application fees that were collected up front of \$6 million. Then we had expenses in FY 18 of \$10 million with a net of \$5 million deficit. And total ICANN Organization – again, the A plus B plus C where we have funding at \$139 million, compared to total expenses of \$142 million, resulting in a net deficit of \$3 million in FY 18.

Slide number 12 we have an overview of our funds under management comparing the June 30, 2017 as compared to 2018. So, total funds under management as of June 30, 2018 is \$455 million and that is made up of the ICANN operations funds of \$97 million which is represented by the blue boxes where we have the reserve fund as of the end of June at



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\$70 million and the ICANN operating fund of \$27 million. Then, the new gTLD funds which totaled \$358 million and on the orange boxes for June 30, 2018 you can see that the auction proceeds amount to \$238 million and the new gTLD funds is \$120 million. Again, the new gTLD funds represents the application fees that were collected up front and these are the remaining balancing for those fees that were collected.

That is the end of the FY 18 highlights and now we're going to move into a section on the FY 20 planning process and I'm going to pass it over to [Shonny Kudway] who is going to go through this section of the presentation.

GIOVANNI SEPPIA:

Thank you, Becky. Just a second. Is there any question on this first part of the presentation? No? I see all the questions will be for Natalie, so thank you. [Shonny]?

[SHONNY]:

So, in this section I'll go over the FY 20 planning process along with our calendar and some of the key assumptions. ICANN consults the community on its draft plans every year. Here is a listing of the documents that we publish.

So, every year we publish a strategic plan and there's one for ICANN as well as a separate one for PTI, a five-year operating plan, the annual update to the operating plan along with the annual operating plans and budgets.

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We publish a lot of information, so I think this slide really helps people find what specifically they are looking for within the documents. We have five goals, 16 objectives, 41 portfolios, and 220 projects. And within all of the documents we publish, we provide transparency at this level so you can get as little or as much information as you're looking for.

Here's an overview of the six documents that we published last year and we're expecting to publish these this year. So, FY 19 budget introduction and highlights. This is an overview of the key elements in the FY 19 plan. The FY 19 total ICANN budget, this is a high-level overview of the budget. The FY 19 key projects and activities, this is where you can find a lot of the project-specific data. The FY 19 operating plan is a summary of six modules breaking down the work. The FY 19 five-year operating plan update, this is a high-level update to the original five-year plan that was published in FY 16, I believe. Then, lastly, there's an Excel spreadsheet with a detailed breakdown of each portfolio and project.

Here's an overview of the calendar, and as you can see, we've already started our FY 20 planning process. We hosted a webinar in early August and we've posted the PTI and IANA budget for draft, the draft budget, and opened that public comment which closes on 12<sup>th</sup> of November.

What I've boxed here is the ICANN public comment period. That will open on December 17<sup>th</sup> and close on February 8<sup>th</sup>. This is where we're really looking for input from the community as we march to getting the

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budget adopted on May 6<sup>th</sup> which is a month earlier than the prior year, just to allow for proper time for review and the empowered community.

Next I'll go over some of the planning assumptions that are going to go into the FY 20 operating plan and budget. So, ICANN Organization activities and projects result directly or indirectly from bylaw requirements and decisions made by the community. So, all of the projects that we will budget are only things that are approved. Funding growth for FY 20 remains relatively flat. I think Becky touched on that earlier, that we're already starting to see that in FY 18 and we see those projections in the future. So, that really is just having us be careful in the way we plan and really just focus and looking for ways to optimize and save so that we don't spend beyond our means.

Within that thinking, here's a high-level trend of the headcount, and as Becky mentioned earlier, this is the first time that we're seeing a headcount decline and this is one of the ways that we're just optimizing and planning better to deal with the slower funding growth that we've seen.

In the draft documents that will be posted in December, we'll have some assumptions around the funding and it will look very similar to this. We break down assumptions for new TLDs, legacy TLDs, as well as registrar accreditation and we provide a high scenario, a low scenario, as well as the baseline which is what we use in our model.

Then, here's just some more details on the FY 20 funding principles and approaches. We're assuming no changes to the fee schedule and structure in FY 20. Legacy and new gTLD transaction levels are

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estimated based on trends. Delegation dates estimated from contracting dates and deadlines and other available information that we have. And as I mentioned, scenarios are prepared for at the low, medium, and high.

Here I'll hand it over to Natalie to go over the strategic planning.

GIOVANNI SEPPIA:

Thank you, [Shonny]. Any question before we go into the strategic planning process? I have one. So, if we go back – and I'm sorry, I'm letting this question. If we go back to slide number 9, that is the fiscal year 18 expenses [inaudible] budget, we see the first one is about personnel and you've got the actual and the budget. Budget [inaudible] in terms of expenses are more or less the same, but if you look at the headcount it means that you planned to spend \$69 million to get 434 staff and you spend \$69 million to get 398 which means 36 staff left. Can you please clarify a bit this?

BECKY NASH:

Yes. Thank you, Giovanni. For FY 18, we did experience higher than expected fringe benefits. So, that would be the costs as it relates to employees for health care and other types of benefits, in part because the budgeted amount for FY 18 did not rise up to the same exact level of what our experience rate was. In addition, in the budget we do have an expectation related to attrition, meaning vacancies or what some places call turnover. So, that budget number was a little bit lower than what should have been for that number of headcount, and as a result,

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it's slightly lower, even though the numbers are rounding. I believe it's slightly lower than the budget. But that's where you can see that in that cost category we were very close to budget. However, due to the stabilization in funding, we did see significant decreases across the other categories like travel and meeting and professional services and all the other cost categories in order to achieve that lower expense rate, given that funding came in lower.

So, I hope this answers your question. It is something that we carefully are looking at for our reporting in FY 19 and also for our upcoming publication of the draft FY 20.

GIOVANNI SEPPIA:

Thank you, Becky. It does somehow answer the question. I think that one of the elements of the operating plan and budget that this working group and now committee has commented the most is really the HR part. We have invited on numerous occasions ICANN to try to optimize the resources, not to duplicate efforts. And we had a short discussion – I believe I can share it with you – that we continue to see a sort of duplicate in efforts in HR level with complete examples. We believe that it should be a way to make sure that there are not 20 people doing the same job, but just having a few people with precise goals and implementation plans. So, this is what we have been discussing just a few minutes ago with the ccNSO Council. I think it's a point that I believe the SOPC will stress when the fiscal year 20 operating plan and budget will be drafted and proposed to the community for public comment. Thank you.

BECKY NASH:

Thank you very much, Giovanni. We definitely have seen comments from the FY 19 operating plan and budget as it relates to headcount. Again, that was often a comment that was submitted by your group.

For that reason, we have started providing more and more details such as the slide that we have on the headcount trending. Again, during FY 18, once the stabilization of the funding was realized and the organization did then make significant changes in order to not have expenses exceed funding, there was a lot of discussion about headcount and efficiencies. So, it is something that definitely from the public comments ICANN Organization has taken note of that and has put in processes really to evaluate efficiencies and each position when it becomes available to have a series of approvals in order to ensure that it's a position that's needed in order to do the community's work, meaning something that is in line with what is a community-led decision or work request.

Again, hopefully this type of document that we are planning to provide each quarter will give a lot more visibility into the efforts that the ICANN Organization is making.

GIOVANNI SEPPIA:

Thank you, Becky, and really appreciate it. Again, just to make the point clear, we are not here to tell ICANN whom to hire, where to hire, and when to hire. We just like to express our point of view that we believe there is still room for improvement, but again, the final decision stays

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in [inaudible]. So, that's the point we always made, as far as of course there is transparency to the community in terms of [inaudible] and why certain decisions are made. Thank you.

Now, if there are no other questions on the fiscal year 18 status and FY 19 and FY 20, I leave the floor to Natalie for the strategic plan and update. Thank you, Natalie.

NATALIE: Thank you, Giovanni.

GIOVANNI SEPPIA: There was one. Sorry. Mary?

MARY UDUMA: Thank you. My name is Mary, for the record. Mary Uduma. I just want to ask about the headcount. 2018 came down 393 while 2017 was 400, although it is also lower than the budget. Is it that people left ICANN and did not replace or what?

BECKY NASH: Thank you, Mary. This is Becky for the record. Becky Nash from ICANN Org. I believe when you're asking your question, you're referring to FY 18, June 30<sup>th</sup> where we have the headcount as of the end of June 2018 at 393 as compared to last year, the blue box on the right, which is 400.

Basically, the headcount ended lower than prior year primarily due to the departure of a few positions, as to when they would be refilled. So,

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some of it would be timing, meaning that it would just happen to be at that time that then there would be an evaluation. But, in general, as compared to the budget, headcount, new positions that were assumed to be needed in order to reach the work in a higher funding level were not done once the funding came in lower.

So, I'd just like to highlight that this decrease here is the first time that we've seen a decrease but that is really just due to timing of either attrition and/or replacements in progress or a decision that maybe there were some efficiencies in some departments where maybe jobs could be combined. But it was not something more so than just the timing. But, we are just highlighting the headcount of 393 as well under the budget because of the fact that the funding had stabilized and was growing at a much slower rate, so any new positions that were planned in FY 18 were not added for work to achieve that higher level of funding. I hope that answers your question, Mary. Yes, that's correct. Thank you.

GIOVANNI SEPPIA:

We have Xavier joined us, so thank you, Xavier, for the time. And because Xavier joined us, there is an extra question. Thank you, Peter.

PETER VAN ROSTE:

It was actually related to one of the graphics that we saw where ccTLD contributions were part of the other income. Are we going to discuss a little bit more detail now? I'll leave that up to the chair.



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BART BOSWINKEL: It is a session on Wednesday morning, ccTLD financial contribution.

PETER VAN ROSTE: Okay. [inaudible].

BART BOSWINKEL: Of course, it's up to you, chair, what you want to do. But the more detailed discussion is definitely on the agenda Wednesday morning.

GIOVANNI SEPPIA: Thank you, Bart. It's indeed on the agenda for the ccNSO on Wednesday morning. If there is any wish to have a short discussion here ...

PETER VAN ROSTE: It's maybe a preliminary question before that meeting. I think it would be very useful if we could get a pointer towards latest figures are available. What we're relying on so far is this is probably outdated for a couple of months now.

GIOVANNI SEPPIA: It's a good point, Peter. Are we going to be shared this update figures?

BART BOSWINKEL: What the team preparing the session on Wednesday morning has a preliminary overview of the current figures. The current figures do not deviate very much from last year, fortunately. Maybe there's something. I leave it up to you whether you want to share the

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preliminary figures with the caveat these are the preliminary figures. It's up to Xavier and Becky. If so, then I'll send them to the list. No problem at all.

PETER VAN ROSTE: Just a clarification. The only thing I want to avoid is that we get into a discussion of, "No, but this is not right because I paid," or, "I didn't pay."

BART BOSWINKEL: That's why the preliminary. In that sense, it's not—

PETER VAN ROSTE: But ccTLDs have paid three, four, five months ago. I think they can be reflected in the most up-to-date figures. For now, that is not the case. Just to clarify that. Thanks.

XAVIER CALVEZ: Thank you. I think even more so because of what Peter is saying. It's actually useful to circulate it, and then if you guys see any discrepancy between what the document shows and what you think has occurred, then it's useful that we have that information before the meeting on Wednesday.

BART BOSWINKEL: I'll send out an e-mail to the SOP and then to the general ccNSO and ccTLD members with the caveat please check, etc. These are the preliminary numbers to date.

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GIOVANNI SEPPIA: Thank you, Bart. I have Debbie. You want to say something. Then, Andreas.

DEBBIE MONAHAN: Well, I think it comes back to the point we raised before which is the whole invoicing process and the ease of CCs actually getting an invoice. So, it would be good to have on Wednesday some [creative] discussion as to how, if you like, an invoice can be generated. What would ICANN need from a CC to actually generate an invoice on X date to be paid by Y date? Because I understand what you've said before, Xavier, about the amount might differ and all that sort of stuff, but I'm just wondering if there was a process.

GIOVANNI SEPPIA: Xavier?

XAVIER CALVEZ: I think it would be helpful that we ... So, we've been talking about wanting to do exactly what Debbie is suggesting for a while. We were expecting to be able to talk about it around this timeframe of ICANN 63. At the same time, I don't know how much we [inaudible] this topic at the very granular, detailed, and practical level to take over the conversation of Wednesday morning. So, I don't know if we can find a bit of a creative way to maybe address the practical process of invoicing which is a separate process from how much do the CCs contribute in

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total and maybe we can do that in a smaller group because there's different ways of invoicing that may be suited to different desires from CCs. Some want to say to us, "We want to contribute," or not. Others prefer to just get the invoice. And others are in between.

So, we just need to find practical ways that suit everyone and that are predictable and manageable and this is a very operational question. This is not a more strategic question as to how much do the CCS contribute to ICANN. But I'll leave to you to determine how to organize that best.

BART BOSWINKEL:

It's up to the [inaudible] and Katrina. In principle, the session for Wednesday morning is structured around the great gap between what was committed five years ago and the current. This is a practical operational issue, as Xavier already indicated and combining [inaudible] is fairly difficult, probably.

DEBBIE MONAHAN:

I accept that, but I think quite a bit of that gap is actually due to the lack of invoices at the CCs and I think that's actually part of it is that the gap is actually—

GIOVANNI SEPPIA:

Okay. We'll take the invoicing process as part of this dialogue because this should be a dialogue.

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BART BOSWINKEL: I'll tell you, I'll express your views to Katrina. But the gap is huge.

GIOVANNI SEPPIA: Okay. We take the point of the gap and we take the point of the invoicing. Andreas?

ANDREAS MUSIELAK: For the record, it's Andreas representing dot-DE. Basically, I want to also stress the same as point as Peter did because it's important. For the preparation of this meeting, I went through the CENTR stats and there are big major players missing. So, that makes a huge gap. That's why we need the actual figures. I agree.

GIOVANNI SEPPIA: Okay. So, we'll circulate the latest overview, but am I correct in this working group and also we make sure that they are circulated at the ccNSO level, too? It's okay? Is it correct? I assume yes. Okay, that said, Natalie, the floor is yours. Thank you, Natalie.

NATALIE: Thank you, Giovanni. Good afternoon, everyone. My name is Natalie [Varnyarn]. I am part of the Multi-Stakeholder Strategy and Strategic Initiative Team and I am here today to give you an update on where we are at with the development of the next iteration of the strategic plan. As most of you probably know, we're currently operating under a strategic plan that covers fiscal years 2016 through 2020 and work has

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started on the development of the next iteration of the plan for the fiscal period 21 through 25.

So, I'm going to start with talking a little bit about the structure of the strategic plan. It's going to mostly remain unchanged compared to the existing plan, I think. What we heard was that people were mostly satisfied with the current structure of the plan, so we're going to keep that, which means that the next strategic plan will be composed of three main sections, the first one being the vision, second the mission, and the third part on strategic objectives and goals.

I just want to iterate here the difference between the vision and the mission. The vision is where we aim to be. It's an inspirational statement about the future, whereas the mission is a factual statement of why we exist as an organization.

One new thing that we're looking to accomplish this time around is to provide more financial elements. The previous plan was not costed and we're going to look to have a fully costed five-year operating plan to see if we actually have the dollars available to cover what we're planning to do strategically.

What's the overall approach to developing this new strategic plan? We've defined four phases to get to a finalized strategic plan. The first phase which is now complete was about identifying trends. That phase has been completed between January and June and included sessions with the community, with the board, and with the organization. We conducted a total of 25 sessions and collected about 1,000 input elements that provide very useful input into this process.

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The second phase which is reaching completion now was about prioritization and analysis of those findings from the first phase. That work has been mostly conducted by the board with the support of the Org to provide additional data and provide the support where needed to analyze what we heard from the community and everyone during the first phase.

There was a webinar earlier this month where the findings from this phase were shared by board members and we'll be running a session tomorrow where we'll go again over those findings.

The first phase which has now started is about the drafting itself of the strategic plan. The community session that is going to happen tomorrow is going to provide a lot of input into this. We want to hear from the community on what they think should be the main opportunity, what should be the focus of the strategic plan. So, that's happening tomorrow. It's in the big room 111-112 starting at 1:30. I encourage all of you to participate if you are available to join. And based on those inputs, we'll assemble a draft plan that will be put out for public comment. Then, we'll go into the last phase of this effort to finalize the strategic plan.

Let's go into a little bit of the time – oh, I thought I put a timeline slide. I didn't put a timeline slide. It's the next one? Oh, okay. Let's just change the order of my slides a little bit.

I just want to speak briefly because I know that that was one of the key questions that you had about opportunities for community participation and where community engagement was happening. So,

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this slide speaks to this. You have the upper [inaudible] that covers the four phases of the approach to strategic planning and the bottom section of this slide covers the opportunities for community participation and you can see there that community participation has been baked in throughout every phase of the approach with community participating in the trend exercise during the first phase, community being informed of the analysis in the second phase, and participating in this community here at ICANN 63 to provide input. Then, the public comment period that will occur later towards the end of November-December timeframe will be another opportunity for community to participate and provide input on the draft strategic plan. And we'll see, based on the inputs that we received during this first public comment period, we'll see and the board will evaluate if there's a need to do a second public consultation for down the road to finalize the strategic plan.

Let me go back to the process to where we got to where we are today. I spoke a little bit to that. I spoke about the trend sessions and we've had 25 of those, the inputs. And following that, there's been work to categorize and do some validation of the inputs that we've received. What I want to stress here is a key thing is that there was a lot of similarities from what we heard from the different stakeholder groups within the trend sessions. So, funneling into those five key focus areas was not difficult at all because everyone came up with pretty much the same stuff.

We are hearing a lot of, "Well, but how do you know that this is more of a priority than that?" Really, there was a lot of commonality from what



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we heard from the community and everyone agrees that these are the key focus areas to focus on. There might be more discrepancies when it comes to what are the solutions to address this challenge or this opportunity, but in terms of identifying those different trends, there was a lot of commonalities.

The last thing I wanted to speak about is next steps. So, as I mentioned before, we are now in the third phase and during the September to November timeframe, we're going to be developing the draft strategic plan and that's going to be a public consultation, exact date to be announced. Mostly depending on what we hear in Barcelona from the community that will inform the drafting of the strategic plan. Then we'll use the January-February timeframe to revise the strategic plan based on input received from the public comment period and look for board adoption hopefully between the March and May timeframe.

I think that concludes my presentation. I'm happy to take questions.

GIOVANNI SEPPIA: Any questions, Peter?

PETER VAN ROSTE: Thank you, Giovanni. Peter Van Roste, from CENTR. As I already shared with Theresa when she presented part of this at the CENTR GA, I really want to commend the ICANN team for its very transparent and careful strategic planning. I think the input from the communities is not just appreciated by the communities, but I think it also shows in the result that it gives more granular detail.

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It was probably more a wild suggestion than anything than I know has already been planned or done, but the raw material from the trends and impact analysis, is that shared with the community as such? It is obviously used as part of ICANN strategic planning, but I think for most of the TLDs, ccTLDs as well, having that type of input into their own strategic plan would be very nice to have, and if it's available, I think it would be appreciated. Thanks.

NATALIE:

So, we've provided summaries of the trend session to each stakeholder group that participated in a trend session was provided with a summary of their session. We haven't provided a consolidation of all the results from all the stakeholder groups.

GIOVANNI SEPPIA:

And the exercise we've done in Panama as I said earlier, it was shared with us and I shared it with all the SOPC membership, but I think it's indeed a good input that eventually ICANN can take on board to have an overview of those trends. So, not only at, let's say, each working group or committee like this case, but also from other [inaudible], we've been asked [inaudible] sharing, if it's possible, of course. I don't know if [inaudible] I want to say it's a compliment.

UNIDENTIFIED FEMALE:

Peter, I think you raise a good point. We can certainly, as we go into ... Because we'll be doing this on a very regular basis. If the different stakeholder groups and constituencies are comfortable, then we can

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certainly pull together either identifying which constituency it came from or just consolidating it into one so that it's not associated specifically with a constituency and find a way to make sense of that and provide it.

As you know, what was shared with the different stakeholder groups or constituencies was really a listing to make sure that was done, but yeah, we can certainly look into that if the community would like to have that. Yeah.

XAVIER CALVEZ: And we can make it available for a very small fee.

GIOVANNI SEPPIA: Thank you, Xavier. We'll discuss that later. Then, we'll discuss if you'd like to leave the room.

XAVIER CALVEZ: That was my cue to exit.

GIOVANNI SEPPIA: Cut to exit with that answer. [inaudible], you say? Okay, we stop there. Any other question? I have one and it relates to the process that has been following so far and it's a recommendation. Over the years, this working group, now committee, has provided a comment on the strategic plan processes and I would suggest that the team behind the strategic plan production takes some time to go through the comments

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that were made by the different constituencies with the current strategic plan, as some of them may be inspiring to avoid some situations regarding the process of the content. I appreciate very much the fact that there is the opinion of having a second public comment which was something that this committee and also the community somehow requested for the current strategic plan because what happened with the current strategic plan was that the community provided quite a lot of input.

There were those five strategic objectives that were identified and approved by the board and then at some point we were told that's approved by the board [inaudible] and there were some sort of different views in the community because not everybody was happy and there were several constituencies that were not happy regarding the fact that some of the objectives and the details relating to the objections were somehow overlapping. So there was this feedback provided by the community that there should be more attention to make sure that the objectives are drafted in a way that are as clear as possible for the community and also mainly for ICANN, for the future strategy of ICANN. So, that was the point I wanted to make. Thank you. Any other comments? Xavier?

XAVIER CALVEZ:

Natalie already provided the slides on that, but I want to re-emphasize to all of you that what we call a strategic plan for ICANN may be less comprehensive than what you may see strategic plans being in your

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own organizations because we have actually two different parts that we put together are providing the comprehensive view of a strategic plan.

What we call a strategic plan in some organizations is more called the division mission and strategic objectives, and then the plan – effectively, the plan that delivers on those objectives is part of what we call the five-year operating plan which is a complement to what we call the strategic plan. In your organizations, you may call the whole thing the strategic plan.

So, what that means as well is that the next deliverable which is the draft strategic plan will be also followed by another document which is going to be the five-year operating plan which we're expecting to produce on the basis of the approved strategic plan, but afterwards in the six-month period that follows basically, with a tentative objective of September 2019 approximately. Just wanted to provide that as a reminder for everyone. Thank you.

GIOVANNI SEPPIA:

Thank you, Xavier. Very useful. Any other questions, comments? One recommendation to ICANN is to make sure that the public comment period doesn't fall during a major holiday season which was ... In Italy, we have 12 months holiday season, so that will never be the case, as you know. But, for other countries, they have more specific holiday seasons, so that should apply. But, yes, in the past we have gone through public comments that were somehow falling into some sort of holiday season.

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That said, are there any other comments? No? It's a very quiet ...  
Natalie, please?

NATALIE:

Can I just say we are aware that there is also an effort going on into the FY20 planning cycle and we're going to be competing for inputs on both of those things and there might be some overlaps between the public comment periods for those two sets of planning activities which is unfortunate, but we don't really have a way around this.

BECKY NASH:

We just wanted to highlight that we also realize that the end of the year public comment period is challenging, and as Natalie said, with two separate ones. But we did want to highlight that on the process slide we actually included extra days than what could be typically a public comment period. We have tried to do that in the past to cover, say, ICANN meetings, but here we did it to cover the end of the year where some companies or countries may have a lot of vacation time at the end of the year.

It's what we could do to span 54 days, including 7 extra days for the end of the year. I know it's not a lot, but that's what we're faced with in this time where we want to have the board adoption of the operating plan and budget well in advance of what's needed for the empowered community process, but also well in advance just to have it in effect well before the beginning of the next fiscal year. So, we do appreciate the

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communities efforts and we look forward to trying to make that as long as possible through the 8<sup>th</sup> of February for the ICANN. Thank you.

GIOVANNI SEPPIA: Thank you, Becky. I really appreciate it. Mary?

MARY UDUMA: Thank you very much. [inaudible] out of the box of what we are talking about. Sometimes when figures and highlights are presented, you know it's always half a year of the year we are in. I'm asking whether ICANN is thinking of harmonizing financially [inaudible] the year so that ... It makes a lot of sense [inaudible] looking at these figures. I don't know whether maybe think about that. Thank you.

XAVIER CALVEZ: Thank you, Mary. This is a very reasonable question and thought and desire. When I [inaudible] about ICANN, I wondered about it. Why is ICANN's fiscal year different than the calendar year? I can only speculate as to why because I wasn't there when ICANN was created. I'm very young. But, I'm suspecting that ICANN's fiscal year is the way it is simply because at ICANN's creation it was helped by university, which is USC, and I'm suspecting that whoever opened the books for ICANN is also the one person who opened the books for that university and they simply synchronized ICANN's fiscal year on the same cycle than university does it, which is very typically end of June.

Having said that, do we need to stay with that? There are inconveniences – let me use that word – associated with having a different fiscal year to the calendar year. I evaluated whether we could or should change that a little while ago. The change is actually a quite impactful exercise. And when I looked at that exercise, then I compared it to what’s the benefit of doing it and the pain avoided by having both synchronized is not fully offset by the pain of changing, if I may say it this way. For a few years, we would have completely uncomparable fiscal years, for example, because one would be of six months, the other one would be of 12. That would carry through for about three years. There’s then bylaw impacts. There’s board impacts. It sounds simple, but it’s actually painful. Let’s put it this way. In the costing, appeared to be worthwhile.

Now, also because we now have left with this for so long that we’re kind of used to it and the pain is a bit smaller, even if it still exists. There are, for example, very significant confusions resulting from the fact that our tax return, for example, contains both fiscal year information and calendar year information in the same document. That’s confusing to everyone. Every year, I have the same comment. I kind of copy and paste now because every year some people say, “Well, this is calendar or this is ...” It is a bit of a pain in the neck, but we’ve lived with it for a while and changing it is quite a painful exercise. Thank you.

GIOVANNI SEPPIA:

But not impossible. Thank you, Xavier. I have Stephen.



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STEPHEN DEERHAKE: Question to the chair. Are we in general Q&A at this point or are we still focused on strategic plan?

GIOVANNI SEPPIA: We can open the Q&A.

STEPHEN DEERHAKE: Oh, goodie. Thank you. Question for Xavier. I think you probably know where I'm going. Two words: reserve fund. Still really, really inadequately funded. I was wondering what progress might be being made by the board on this topic. As you know, the auction working group is getting closer to a conclusion as to a way forward to spend that money, and as you also know, I feel that the board has a fiduciary responsibility to establish adequate reserves and that's the obvious place to go and get what they need to establish that reserve. So, if you can give us an update, that would be great. Thank you.

XAVIER CALVEZ: Thank you, Stephen. Thank you for bringing up this subject. I'm still trying to understand whether Giovanni gave me these bottles to throw at you or to drink before.

GIOVANNI SEPPIA: [inaudible]. [laughter]

XAVIER CALVEZ:

Okay, thank you. Sorry. Thank you for bringing up that subject. Stephen and I have discussed this topic very often and Stephen is a very important proponent of having a reserve fund at the right level and has helped, honestly, the organization to make it a subject that a lot of people do care about. So, thank you for that.

To put in context of the question from Stephen, the last big step that is behind us – the most recent step that’s behind us relative to the reserve fund is that after having reconfirmed that the target level should be 12 months of operating expenses or so, at the minimum which is about \$138 million of reserve fund, which compared to the \$17 million of reserve fund that we currently have reflects a shortfall of \$68 million, which is the concern that Stephen is pointing out.

After reconfirming that target level, we then offered for public comment to propose a strategy to replenish it. How do we fill back up that \$68 million of shortfall?

There was a public comment between April and May, and further engagement with community members during the Panama City meeting. As a result of that, we have developed for the board a final proposed strategy that attempted to basically be proposed for adoption by the board at ICANN 63.

There has been extensive discussion at the Finance Committee of the board. There has actually been three Finance Committees of the board – or there’s been three meetings of the Finance Committee of the board over the past two weeks because one didn’t suffice, two didn’t suffice,

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and three actually is not going to suffice either because we are still trying to finalize an approach to that replenishment.

And to be precise, there are various sources of funding that have been considered and that have been proposed and there's some concerns from the broader board member group than the BFC as well as in the BFC on [inaudible] those sources of funds.

Just as a reminder, the proposed strategy suggested that \$15 million over five years is contributed to the reserve fund from the organization producing excess on an annual basis, meaning excess simply means receiving this much money and spending a bit less money, so that you create an excess and then that excess can be allocated to the reserve fund.

The second source of fund was suggested in the public comment was to take \$36 million of auction proceeds and allocate them to the reserve fund. Why \$36 million? This corresponds to the [inaudible] that was taken away from the reserve fund to fund the expenses of the IANA stewardship transition. In case you didn't know or remember, it did cost us \$36 million.

Then, the third element of the strategy proposed was to take some of the remaining funds of the new gTLD program, basically the application fees unspent, that are there to cover for the costs of risks in litigation in the future.

Part of the concerns that are expressed is that we actually don't know for sure how much we're going to need of those costs going forward

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because litigation, of course, is very unpredictable and there are ongoing litigation. It's not even a risk anymore. They are there. There's IRPs and so on that those funds help provide defense for.

So, there's a lot of debate still in the board relative to how to finalize the strategy and we are going to work again with the Board Finance Committee to develop an updated strategy to then resubmit to the board.

So, it was intended to be concluded at ICANN 63, but it won't be possible to do and I'm expecting that at the next opportunity of the board to meet which is no later than January 2019 that that could be done then. So, that's the current status, transparently.

STEPHEN DEERHAKE: Thank you, Xavier.

GIOVANNI SEPPIA: Thank you, Stephen. Thank you, Xavier. Any other comments? If not, I'd like to thank again Natalie. Becky, yes please?

BECKY NASH: Thank you, Giovanni. We just wanted to highlight budget sessions here at ICANN 63, just for the team. I assume everybody got the slides, I hope. But there are two key sessions on planning. One is on Wednesday, October 24<sup>th</sup>, and the time is in the afternoon at 5:00 PM. It's FY 19-20 budget planning and process and it's a Q&A with the ICANN Org with the

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executive team led by Xavier. We really hope that everyone can attend that session.

Then, the following day, we have what we call our Budget Working Group which is on Thursday, October 25<sup>th</sup> in the morning at 10:30. Again, our Budget Working Group is a session led by ICANN Finance where we go into depth about a good informal discussion about assumptions and the process and we will have a presentation from our GDD engagement team on funding assumptions in much more detail than what was presented here today. Thank you.

XAVIER CALVEZ:

And we have a lavish lunch for that session, so you should come, specifically designed for Giovanni.

GIOVANNI SEPPIA:

I was sure, but I was not planning to finish this meeting like that. First of all, thank you, Natalie, [Shonny], Becky, and Xavier. There is a special anniversary that we should celebrate because this committee working group was born exactly ten years ago in November 2008 in Cairo. As some of you may remember, we were still young, but ten years have passed. Xavier was not yet there. That was the time we had a lot of fun, then Xavier came and things got worse.

Jokes apart, we can only acknowledge the great improvement. If I look at what was the planning process, the operating plan and budget processes back in 2008, that meeting in Cairo and all the efforts that we had to put to try to comment on something that was like a skeleton. It

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was like is this a skeleton of a human being or a cow or a crocodile or whatever? We had to go through this sort of exercise to really comment on basic, basic strategies and basic information about the plan and budget with almost no figures in terms of budget, with really no figures in terms of KPIs which was one of the strongest points. We had a lot of fights.

So, I think that we can only acknowledge our gratitude to ICANN for having improved the planning process. Thinking about ten years ago, it's completely a different scenario, the one we live now. So, thanks a lot to Xavier, your team, Theresa for the efforts she's now doing with the strategic planning process, and we look forward to continued cooperation with you and ICANN via a dialogue that we'll try to keep constructive despite Xavier jokes about Italians and me, but I'll try to be at a different level as usual, and making sure that the discussion is really at the strategic operating plan level.

So, before I leave you, just thank you so much. We all should be proud of what this working group committee has done in the past ten years to support ICANN in the process. Xavier?

XAVIER CALVEZ:

I was going to say exactly that. It's not our success. It's your success because this group particularly has been a driving force in providing guidance and advice in what is the right thing to do from a planning standpoint. There is more competence in this group than in nearly the rest of the entire community put together on planning, on management, on business oversight. My participation that's been very

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regular, thanks to Giovanni and Roeloff before you, to this group has helped us receive that guidance and try to apply it and course correct as we go. We cannot do without your input. This is your success and congratulations for your ten years.

GIOVANNI SEPPIA:

Thank you. [applause]. So, with all this love in the air, we have a couple of points which is the membership – thank you, again. We have the membership point which is membership review. Again, we touched base a bit on this point when we were – for those of us who were at the ccNSO Council. There is a struggle to get more engagement from the membership. Again, if you are a member of this working group, as ICANN staff just said to us, we have some challenging times ahead because it's going to be the public comment for fiscal year 20 coming up as well as the strategic plan process for open – it's going to be soon open for the first public comment, so there's going to be quite a lot of work.

I assume that we will keep the same way of collecting comments from the members of this committee and then putting them together and circulating for a final approval. But again, it's an invitation to be proactive and engage more, so that we do not have always the same volunteers performing the job but there is input and especially fresh input from even those who have joined last minute. I and I think the veterans of this committee, we remain available to provide any support and clarification to the newcomers whenever they want to engage and

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also the ccNSO secretariat, Bart and Joke. Thank you in advance for the work we have ahead of us.

Any other business that you'd like to discuss for this working group?  
Bart?

BART BOSWINKEL: Maybe [inaudible] the membership, as we did last year. We will circulate an e-mail whether you want to stay on as an SOP member, and based on that, we will ask the council to send out a call for volunteers, etc. Additional ones.

GIOVANNI SEPPIA: Perfect. Indeed. We will do so in the coming weeks. Andreas?

ANDREAS MUSIELAK: Because Akram is leaving, probably this should be a topic which we should discuss here. I don't know if this has a strategic impact on ICANN. I don't know if this is something the group ever discusses when somebody of the top level management left the company. I don't know.

GIOVANNI SEPPIA: It's a nice point. I don't know if it's for this working group to discuss. I think he has already left, according to the announcement. I think [Cyrus] is replacing him on a temporary basis. I don't know. If somebody wants to ask the question during a public comment forum or whatever, I think that would be the best place to address this, rather than this



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committee. Indeed, it's a key person leaving ICANN. Again, I believe there is already a plan to make sure that his function is looked after by [Cyrus]. I understand also there is an opening for a vacancy that's going to be published soon.

BART BOSWINKEL:

Maybe just in the past this topic was raised at some point, but that was as part of a whole churn of a lot of people leaving at once. This was an incident in that sense, and this was at the time when Rod Beckstrom became CEO and President. There was a last churn of the leadership positions and that was raised as a concern, but not on an individual level.

GIOVANNI SEPPIA:

Thank you, Bart. Any other comments? If not, it's 3:00 sharp and sharp as an Italian, I draw this meeting to a close. Thanks, everybody, and we'll see each other soon. Please participate proactively in the various sessions regarding the strategic plan and budget process. Thank you. Bye.

**[END OF TRANSCRIPTION]**