
MARRAKECH – ccNSO: Strategic & Operational Planning Standing Committee Meeting
Monday, June 24, 2019 - 13:30 to 15:00 WET
ICANN65 | Marrakech, Morocco

GIOVANNI SEPPIA:

The meeting is in Zoom, so we're now working to have everything on the screen... eventually. Just to anticipate the slides, this meetings as I wrote on the ccNSO SOPC List will be divided into two parts; the first part is for this committee only and afterwards we'll be having some representatives of the ICANN Finance Team and Strategy Initiatives Team to explain their work for the Operating Financial Plan 2021/2025 and also the Financial Projections that have been recently disclosed. That's going to be the second part of the meeting. The first part will be a discussion among us, hopefully as productive as possible, and as constructive -- we may have a spaceship soon, I like this.

Any other special effects? We have the DJ play my music? We have people feeling cold in the back of the room. We will eventually get there, I'm always positive. [AUDIO BREAK]

We have some options, while waiting for the screen to be a bit more populated by information, you can login in the Zoom room and you can see the slides there or we can send you the slides via mail. I would suggest you go for the Zoom option. In the

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meanwhile, Joke circulated an email and the ccNSO secretariat circulated an email about the Zoom room and how to. We have some live instructions there.

As I said, those are the introductory slides. It's divided in two parts this meeting, this first one is about the public comment on what ICANN has just published, which is the Draft Financial Assumptions and Projections for the fiscal year 2021, fiscal year 2025 Operating and Financial Plan and the Draft Operating Initiatives for the Development of the fiscal year 21 fiscal year 25 Operating and Financial Plan. The second part will be having some quests for the ICANN Finance and Strategy Team, to explain what are the next steps in terms of the public comment period.

As we all know, usually ICANN as soon as they had published in the past, the Strategy Plan, the Five-Year Strategy Plan, they were use to taking some type to produce the Operating Plan and Budget for the five-year period. What they have done now is to as we were anticipating during the last meeting, they provided us with some sort of highlights are what they believe are going to be the top initiatives in the Operating and Financial Plan as well as they provided us with some high level financial projections that are divided into three scenarios. Depending of course on the market as well as the evolution of the DNS

industry and those three different scenarios are included in the Draft Financial Plan for fiscal year 2021 fiscal year 2025.

If we can go to the slides, I sent earlier this morning please? What I did is I produced some slides. First of all, those highlights, they summarize where we stand. Last time we had commented and provided our input on the two-year planning process on the fiscal year 2021 Operating and Planning Budget and on fiscal year 2025-year Operating Plan Update. We have also concentrated and focused on the Strategy Plan 2021 2025.

If we look at the feedback provided to our comments on the Strategy Plan 2020 2025, we see that we have produced 26 comments, 16 of those comments have been taken onboard and contributed to the refinement of the plan. Other comments were discarded with different reasons. One comment was about the fact that there was no definition of DNS Stakeholder and the reason why they didn't take this comment onboard is because they wish to keep these DNS Stakeholder sort of definition or audience as broad as possible. No detail provided for certain activities and the reason is, that this comment has not been taken onboard because most of these activities and objectives will be further detailed in the Operating Plan. No feedback at all in the sense that if you look at the feedback of the ICANN Staff on our comments, that it's just written, thank you for your

support or thank you for your comment. On specific goals that are still presented as strategic goals, but according to this committee they should be more inline with being sort of daily operations, rather than goals, marker goals in strategy plan. This is the status so far of what has been done in Q1 2019.

During the last meeting in Kobe with ICANN Finance Staff, we were told that ICANN was going to produce this high-level document on the Operating Plan and Budget for fiscal year 2021 2025 and that's what they did. What they did is to publish and open a public comment on those two key documents. I've written that in quarter because that is the way they have defined those documents by themselves, so this is the way that ICANN Staff sees those documents, are key documents.

However, they've been announced by blog entry only and this is something that I will address with the ICANN Staff because -- the blog entry was not referring to any public comment period, was not referring to any operating plan, it was just referring to the need to provide some sort of input on what's going to be the challenges for the next five years. Also, the two documents are quite new to the community. The two documents are presented in a way -- this is the way that I've assessed them, the two documents were presented in a way that is not helpful for the community because there are some definitions like distinction

between operating initiatives and operating activities and only the operating initiatives have been partially described in the draft plan, which is now available for public comment. The operating activities will be disclosed in the full Operating Plan and Budget Document that is expected to be published in December 19. Also, the overall narrative, what's behind the decision of ICANN to prioritize certain initiatives against others, that is not so well presented. At the beginning of the Operating Plan Initiatives Document there is written that for each initiative there will be a paragraph that says why the initiative is important and this is true for several initiatives but the more you get in the document, the more you don't find this kind of explanation.

I've made a draft that I've circulated with some specific remarks on operating initiatives and also some specific remarks on the different strategic objectives. The first one is that again, the distinction between initiatives and actives is not so clear. If we get into the granularity of the strategic objectives, we start with the strategic objective coming from the strategic plan, that is improve the effectiveness of ICANN's Multi Stakeholder Model of Governance.

One of the operating initiatives is to evolve and strengthen the Multi Stakeholder Model to facilitate diverse and inclusive

participation in policy making. I believe that when you read the description of this part of the plan, you fail to see how ICANN is planning to address the fatigue of the Multi Stakeholder Model, which we have addressed previously and also, the fact that it's not as inclusive and as diverse as it should be.

Also, what we see especially or what I personally see, probably because luckily I grew old and what I see is that I don't see the next generation. I don't see how ICANN is planning to empower the next generation of DNS Stakeholders. I see from time to time new faces but not as many new faces as there should be. This is my first reaction to the strategic objective regarding the Multi Stakeholder Model of Governance.

I stop here and I like to open because the first part as I said, should be for having an exchange of views on those two documents. I leave the floor open for comments. Thanks again to all those who are in the room today and all those who are attending remotely. I have to note the apology of Andreas [inaudible] who cannot be with us because he had other commitments in Europe. Thanks again, I leave the floor open to comments, please wave in case there are remote comments. Thank you.

IRINA DANIELIA:

First of all, thank you very much Giovanni for taking this effort and it's really very helpful and valuable to have this preliminary draft paper and apologies for not having time to do the same. I had time for the first reading but not as detailed as I wish to have before coming to final and detailed comments. However, I read both documents, I read your paper and I support and share your comments. My feeling with regard of these operating initiatives offered is more or less the same.

First of all, I really failed to understand why all of them are really important and for example the developing of the [inaudible], something like this, I don't really understand why this should be one of the major projects for the next five years. Secondly, most of these initiatives are formulated at the very high level and I cannot find a real big project, a real big development behind these general works. What I was able to find, is a mention the new gTLD next round, which ICANN confirms its commitment to do someday and to follow the plan to launch it. I have found the mentioning of the new platform for IANA Operation, which is almost launched already. All the other is again, general works and they probably all good works but it's really hard to understand what exactly, what might be this big project for five years to be developed, to implement this. I fully agree with your comment on this.

Also, I had a look on the second document. Do you want me to comment right now or do you want me to return later? The funding projections, which Giovanni mentioned, describe three scenarios. The highest scenario looks optimistic but the lowest scenario is definitely too pessimistic, so probably what ICANN plans is to follow the case-based scenario but even this scenario does not convince me. There are arguments and there are explanations, there are words explaining why the figures and projections are as they are and what were the assumptions. However, looking at the current figures we see the very different picture.

For example, this case-based scenario sets their funding level for 2021 at 1.42 million, but at the same time in May ICANN approved their 2020 budget and in this document we see their financial year 19 funding at 138 FY19 forecast at 137, FY20 adopted budget at 140, but the document we are commenting already says that projection for FY20 is 0.4 million less than in budget. So, despite the description of the trends, just looking at the figures, I can hardly believe in the rules which is estimated even in the case-based scenario. Would the recommend be a little bit more conservative for these projections or have a well-developed good plan what will be done if the funding figures will be lower than what we see at the moment.

GIOVANNI SEPPIA: Thank you, Rena. Any other comment at this stage? I will move on to the next slide please. In this case -- yes, Bart.

BART BOSWINKEL: I was just checking your -- can you go back one slide? Around the Multi Stakeholder Model, I assume the red lines are yours. It's interesting to refer to the ccNSO Review as well, what is happening there with respect to home boarding and findings. That contradicts it a little bit or put's some more meat to the bones on what is included in the suggested five-year operating plan.

GIOVANNI SEPPIA: Thank you, Bart. Everything that is in italics is not coming from the ICANN text. Yes, your point about the ccNSO Review is a good point, at the same time, I think this more generically addressing the overall environment.

BART BOSWINKEL: Even if it's generic, it's very nice to do high level and generic things up to the point everything is wet. It doesn't make any -- it doesn't add any value to notify. There is a tradeoff between

specific and so you can know which action to take along your term and then you're into a strategy.

GIOVANNI SEPPIA:

Yeah, I think the comment is quite clear honestly, I think it says. If you read the plan and I read three times. There is nothing said about the Multi Stakeholder. What ICANN is doing to improve the Multi Stakeholder Model. What ICANN is doing to address the fatigue that we have already commented on in previous comments, this committee. What ICANN wants to do about the next generation. It's simply not there, so it's a fact. I'm not suggesting how it should be done because otherwise it should be paid by ICANN rather than by [inaudible], so I'm just saying this is there, it's missing. I don't find anything about that. I don't know if Rena wanted to saying something more, no? Okay, later.

The next slide please. I think this is quite an important one because it's again about the Multi Stakeholder Model and it's again about how ICANN is meeting the request of the Community. Probably it's the narrative that should be refined but if you read it, as I said three times, the message is that the Community asked and ICANN provided support. If you read the Operating Plan, there is nowhere written how ICANN is waiting the request is assessed in those requests, is making sure those

requests are valuable or at least there is a sort of dialog to explain eventually to the Community that those requests are not top priority.

I believe that the flow should be -- as ICANN is coordinating some technical matters of the internet, of the domain name system, I think the flow should be rather that the Community asked, submit a request, ICANN Org evaluates the request, eventually prioritize the different kind of requests against the resources available and eventually provides support. Again, if you read what is written now in the Operating Plan, it really reads, the Community asks, ICANN provides. It's like a supermarket, if you do not find something available on the shelf, just go to the desk, say I want this and then they say to you, we'll deliver it at home or you'll find it tomorrow on the shelf. It's really these kinds of things that should be -- and again, I don't know if it's a language issues, I don't know if it's a strategic issue, a presentation issue. I've been asking myself again for about one week but the issue is there.

Go to the next slide please. This is quite important. There is the Strategic Objective coming from the Strategy Plan is to address geopolitical issues impact in ICANN's mission to ensure a single global interoperable internet. There are three operating initiatives if you read the Operating Plan and Budget. I believe

the initiatives are quite valuable. At the same time, I think that in the spirit of Multi Stakeholder, we could propose something, so be proactive and propose something to ICANN to help ICANN to be seen as really the international organization, dealing with those matters of the internet at international level. Probably what can we add, what can we do extra to support ICANN in this sense.

Next slide please. There is another element that is quite important, that is not in the slide and it's about the new gTLD round. If we look at the entire Operating Plan Draft, these highlights, you see there is a lot of effort by ICANN to what they call align initiatives, align efforts, align strategies. At the same time, I believe that the two documents, the Operating Plan and the Financial Projections, they need alignment because in terms of new gTLD round, in one document we read and I'm quoting, "That this is going to be a significant activity for fiscal year 2021 to 2025 and it's a commitment of the Board to rollout a new gTLD round."

This is what we read in one document. If we go to the Financial Projections, it's written that there is no scenario referring to that, this is completely excluded. It looks like there is a budget for the [inaudible] part, but there is no projection of what could be possible income coming from a new gTLD round. This should

be a bit more alignment between the two parts. This is an example, there is no alignment between the Operating Plan and the Financial Projections.

That said, I leave the floor open again for comments. What you have seen on the slides is sort of some pics from the document as circulated and we'll work on the document, again it's public comment that is going to be around the 5th of August. Some sort of initial thoughts, initial input.

BARRACK OTIENO:

Thank you, Giovanni. Just to go back on one of the slides, I think the one you talked about the community needs. My understanding of the statement is, it's talking about a cause and effect, that is the Community asks and ICANN provides. I think if we emphasize that when the Community asks, we talk about the evaluation, prioritization and provision, we are creating offices politically because each of those stages, again we demand finances for each to be operationalized and so it just confirms that cause and effect that is talked about in the previous statement.

I think looking at the finances, because from the work we've been doing in the recent past, I think ICANN has been more inward looking, trying to access its systems and its processes

and we are at a place where probably we are not growing financially because we are not looking alternative options. Of course, we have a clear mission and vision that limits what we can look into but for finances to grow it means we just have to look for where this money will come from. For as long as we keep looking inwards, we'll have to eat from the same pot that we have. Just a comment.

GIOVANNI SEPPIA: Thank you, Barrack. Anybody else?

LEONIDE TODOROV: Can we get back to this slide, previous one, yes. The wording or rather the modality of these paragraphs because my reading is that basically the Community puts a lot of requests and ICANN feels over stretched because of these requests. As if ICANN's mission, were not to serve the Community. I would strongly recommend the wording should be revised so that not to create that false impression that ICANN doesn't exist for the Community or is not Community driven. Secondly, I believe that ICANN also put at some point of time, that it's going to be a data driven company, so all these surveys and other means of getting meaningful feedback from the Community is absolutely pivotal

to ensure ICANN’s robustness in terms of ability to collect and process the data.

Thirdly, I strongly believe that contravenes to some extent or it raises controversies when it comes to the previous initiatives, strategic initiative, which is to evolve ICANN’s Multi Stakeholder Model. I believe and I already dropped it a couple of times, that ICANN is in a unique position, particularly when it comes to assessing geopolitical risks, simply because it has the best intelligence network ever.

Take for example ccTLDs only, with the ccNSO members currently accounting for how many? Katrina, how many ccNSO members do we have now? 172. It’s a far better resource and pool of expertise for any international organization to collect information and ensure that feedback necessary to make wide geopolitical decisions. In that sense, that might be yet another instrument to corroborate and further evolve the Multi Stakeholder Model. I’m not talking about ccNSO’s only, GAC and the GNSO might be willing to contribute to this process as well. In other words, I believe that with this strategic initiative, we are more or less resonating with what ICANN cares or is concerned about. We need a greater consistency because some may play into others and put ICANN in the more favorable position,

including even financial position. These are very brief thoughts.
Thank you.

GIOVANNI SEPPIA: Thank you. Is there any comments from the remote participation? No.

IRINA DANIELIA: I want to turn back again to the prioritization of the goals, activities and actually all the projects which are being developed. I have asked this question to ccNSO appointed board members in Kobe and I was not happy with the answer, actually I didn't get the answer. I still failed to sit in any ICANN's documents. I wonder if there is a mechanism to reevaluate priorities during these five years and to confirm this objective, this goal, this activity is still at the high priority or probably priority has changed and it's not that important at the moment and probably it's time to stop spending time and efforts and resources on this activity and move them to another one? Also, what is the final outcome of this activity, of this project? If the initial goals are achieved or not? I cannot see this mechanism built in operations and in planning.

GIOVANNI SEPPIA: Thank you, Irina. Anybody else?

UNKNOWN SPEAKER: It looks like the Russia's have reserved this session. Now you know who are the best strategists in the industry. I would just echo Irina's concerns because to me and I also raised that issue for a couple of times, evaluation of previous initiatives and projects and make outcomes and findings publicly available is a key thing when we come about new initiatives. As you may recall, ICANN, I don't know for now I haven't checked, ICANN runs like 260 projects or so, which means that just to evaluate each of them takes at least one day a year, the organization would end up buried under these array of projects of which are we absolutely unaware at times because we don't know, any progress is not made publicly available, at least not to this community so it's hard to understand.

Indeed, prioritization and streamlining is arch essential under the circumstances. I'm not even sure if some projects are still alive but resources have been allocated and man powers has been already assigned to those projects. Without such very critical evaluation, including Community representatives, it wouldn't be possible to ensure any future success in implementing any initiatives or attaining any goals. Thank you.

GIOVANNI SEPPIA:

Thank you. I think I have to play ICANN's advocate here in the sense that we have been told and in fact there is an ICANN project dashboard that is available to the Community and other dashboards that are available for us to check the status of each project. In some cases, there is a link with finances as well, in terms of spending for that specific project or initiative. I think that there is quite a lot of information if we compare what we get now in terms of information against what we had 10 years ago, there's been major improvement in that sense. It is true that probably from time to time and overall evaluation would help the Community and again, especially at times Community to see what's going on, to see how things went and what can be done differently eventually. Is there any other comments from non-Russian members of this SOP Committee? No? Russian's are the brave ones. They are brave, we know.

As we have ICANN representatives in the room and I'm looking at Ria. I like to lead the floor to ICANN for the second part of this meeting. Thanks again for having accepted the invitation as usual, to present the update on the process, the strategy and operating plan process. Thank you, Becky, thank you Theresa. While they are taking the seat at the table, at the end of their presentation, we'll go back on the Public Comment that is now

open and we'll discuss how to move forward for submitting usual comment.

SUSANNA BENNETT:

Thank you for having us, really appreciate the time. This is a very opportune time. I'm Susanna Bennett, Chief Operating Office and my colleague Theresa, you all know her probably and also Becky, she's VP of Finance and we have Victoria, she's the Program Management person of Operations. We would like to go through these slides. These slides were presented at the June 17 Community Webinar about the Strategic and Operating Plan and I'd like to get your thoughts and ideas and questions. The main areas we'll cover will be a few. Can I manage the slides?

Theresa is here, she can help us understand the latest with the Strategic Plan and then I'll give you a quick overview of the Operating Financial Plan, particularly why we have two face approach and an overview the Public Comment One items and what we plan to have in the Public Comment Two. Then, what's the next items we are going to plan for.

Within the Public Comment One we have two elements. We have the financial assumption and projections that look at the five-year time, what type of funding we have to work with. The

Operating Initiatives are the major things we focus on to help the organization to achieve the Strategic Plan. We'll get into a bit more in the coming up slides. With that, I'll turn it over to Theresa on the Strategic Plan Update.

THERESA SWINEHART: Thank you everybody, I can't tell if you can hear me or not, so I'm going to make the assumption of a yes. I'm not from Russia but I understand. A couple things, I think as you know we had a very good dialog with the Community over the past year, looking at both the Trends Analysis and the Strategic Objectives work with the Community and the consolidation of that into a draft Strategic Plan, following discussions also with the Board. That Draft Strategic Plan was put out for public comment last December and the comments received were incorporated into the plan, a document showing how that was incorporated into the plan published together with the public comment process in a high interest session in Kobe.

With that, the Board at this meeting, has adopted the Strategic Plan contingent on obviously any adjustments that might need to be made in light of the development of the operational plan, looking at the full costing out and various other things and if that were the case, obviously coming back to the Community with any adjustments around that, that that would be made.

As you're probably aware, the Strategic Plan has five, we'll call them Strategic Objectives, we call them also Buckets of Areas of Work, with specific goals under those. Those fall into the categories of strengthening the security of the domain name system and the DNS root service system, improving the effectiveness of ICANN's Multi Stakeholder Model of Governance, the evolution of the unique identifier systems in coordination and collaboration with relevant parties to continue to serve the needs of the global internet user base, the fourth category being addressing geopolitical issues impacting ICANN's mission to ensure a single, globally interoperable internet and the fifth one, ensuring ICANN's long term financial sustainability.

The Strategic Plan serves as the overarching Strategic Objectives for the Organization, together with the Board and the Community. With that, under the specific strategic goals, also the cascading into the Five-Year Operating Plan and specific operational objectives under that, that would then tie into the goals and to the objectives of the strategic plan. How we would report out against that to the Community in a transparent way so that there's a demonstration of how that continuity is and include a mapping of the financial planning process around that.

The objective here is to make this very clear on how iteratively everything ties back into the Strategic Plan and the reporting

back into that and working closely with Susanna and her team to make sure that there's clarity on these alignments are for the Community and for the Board and the Organization and establishing a very good, consistent way of the reporting out against this.

I'm happy to take any questions, otherwise I'll turn it back to Suzanna and happy to take questions during the timeframe.

SUZANNA BENNETT: Thank you, Theresa. Are there any questions for Theresa in the meantime?

THERESA SWINEHART: I just want to thank everybody for your input and time throughout this process, I know it took time from your agendas, the participation of the Community and the insights were very, very important and reflected very strongly in the final product, so thank you.

SUZANNA BENNETT: Thank you, Theresa. Definitely I second that and look forward to your input to the Operating and Financial Plan very much.

The Operating Financial Plan we would like to go through the approach and the content of Public Comment One and Two and what's next.

You see here, we shared this slide at Kobe in March. We understand that this Financial Operating Plan is not easy because the current Five-Year Operating Plan does not take into consideration or the financial aspect, so the next one we need to do a better job. To do a combination of Operating and Financial Plan, we need time and we need the involvement of the Community. We assessed it's better to have two public comment periods, with the first one to share with the Community the financial assumptions, projects and the key operating initiatives that we need to, why we need to do them, what they are, to build the achievement of the Strategic Plan.

1Then, a general overview of how we're going to do the plan. We like to share this with the Community first, to get your feedback on these. These will drive the development of the entire plan. This period, period one started June 14 and the first week of August. It's a bit longer than the minimum requirement for public comment, the reason being it's Summer, we want to make sure that we allow time for everyone to relax over the Summer holidays with families. Then we'll take in the input

from this public comment and continue to help us to drive the development of the entire plan.

Then we target the public comment for the entire plan to be in December through February. This public comment will include two things, one is the Five Year Operating Financial Plan, with much more detail of course than what we have in the public comment period number one. We have details of what we do besides the operating initiatives, what are the day to day activities that we do to fulfill the Strategic Objectives, that will be in the December version of the entire plan. Also, we'll have the Financial Plan, not just at a high level which you see in the document we release already but more detail level but not as detailed as the annual budget. At the same time, we also will release the One Year Operating Plan and Budget for the FY20&21. We feel that and we hope by releasing these two together, it will help the Community to review the first year of the five-year plan in the context of the five year. That's how we plan to do the development of the plan.

As I mentioned, Public Comment Period One started June 14, finishes on August 5th, it contained two key elements besides the description of the plan development. First one is the Financial Assumption and High-Level Projections of the three funding scenarios, the base line scenario, the low and the high scenarios

for the five years. And [inaudible] will be joining us pretty soon to cover the Funding Assumptions. Becky is here, she can start covering that until [inaudible] comes.

Then, we'd like to share with you an overview of the Operating Initiatives, these are the major initiatives the Organization would like to prioritize to achieve the Strategic Goals and we'd like to get the Community feedback. Of course, there are tons of other activities that are what we call the Operating Activities that the Organization will continue to do to fulfill the mission and the objectives of the Organization, of ICANN. Here's the link you can go straight to the public comment documents posted already.

Let me stop here before I hand it over to Becky, any questions for me? None at this time, so please Becky.

BECKY NASH: Thank you very much. We do have a question here. Please, go ahead.

BARRACK OTINO: Just a quick question. I've been hearing about the possibilities of next round. Any indicator on how soon this could be because

it's a strategic initiative in its own right and it will also impact possible finances looking into the future?

SUSANNA BENNETT:

Thank you, very good question. Definitely, it's a very important initiative and that'd definitely one of the 60 initiatives listed in our document that we released on the 14th of June but it's a very high level. Why we feel need to do this and what it is. You also on the agenda you see for this ICANN 65 meeting, there are several meetings related to this, definitely encourage you to attend. It's going to be ongoing for a while and need to get input from the Community and many discussions before the collective decision would be made. Definitely encourage to attend the sessions, to provide your input. Theresa, do you have anything to add?

GIOVANNI SEPPIA:

Thank you, Susanna. Just to catch up on Barrack's comment. Can I ask you because this is something, we spoke in the first part of the meeting today, we've seen that this is indeed one of the initiatives that is described at high level in the Operating Plan but it's not in the Financial Highlights. So in the Financial Highlights it's clearly written we don't want to speak about this. We don't want to have any projection about that. Is there going

to be a sort of moment when the two documents at some point, make sure that they are on the same page?

SUSANNA BENNETT:

Yes, Public Comment One is for us to share with you the very beginning of the planning, to get your input. Share with you the funding assumptions that we have throughout and very high level based low and high scenarios of entire organizations funding projection, not broken down yet to major initiatives or major working within the organization or operating activities yet. To get comments, feedback from the Community on these major things, what do you think, do you think we are on the right track with these major things we should do to achieve the objectives?

If you say yes, these are, that's great, we'll continue. If you say no, perhaps there are other things we should think about, please let us know so we can consider, then that will help us to develop the entire plan for these initiative activities, to achieve the Strategic Plan along with, of course not going into detail down to the dollar amount or by individual cell, excel spreadsheet of how much for this day and that day because it's a five year plan, it will be pretty high level, a lot of assumptions in there.

We want [inaudible] about approximately when we will begin, what process of that program and then what's our expectation and what's the risk, what's the medication, how much money we think that might take or how much money we should dedicate to that, that kind of thoughts will come in pretty high level in the Operating Plan. The First Year Budget for FY21 will have to have more details. This group of the organization people will dedicate our time to SAPRO and the group will do this. This will be the money for SAPRO which will be coming from where? That will be the first year 21, will be more detail. I hope that helps.

GIOVANNI SEPPIA:

Thank you, Suzanna. To cut it short, it means that the two documents that you've just released for public comment, at some point they're not going in parallel, there are some things that will have to be filled as time goes by over the next couple years, when there's more certainty about certain actions.

SUZANNA BENNETT:

Exactly. The parallel, to expand on that a little bit, they have to be aligned. We cannot do our work in the Organization exceeding the funding we have. We have to plan our work within the funding that's allowed. If we have this amount, minus the replenishment of the reserve fund and set aside money for

contingency, we have this amount left and we have to do our work within that amount of money. I hope that helps.

GIOVANNI SEPPIA: Thank you.

BECKY NASH: If we could go to the next slide please, that would be great. This next section is for the Five-Year Operating Plan, the Financial Assumptions and Projections. This first section I'm going to cover at a high level and then we'll return back to this section and go into more detail once Xavier Calvez arrives. On slide number eight where we are, this just provides an overview of the Financial Assumptions and Projections approach, where over the five year funding process for projections we had three major activities, one is the Marketplace Horizon Scan and we'll go into more detail on that momentarily, then the Formulation of Assumptions and then Forecast Generation.

This next section of slides is addressing how we are during the Public Comment Period One, which is again, the first phase of the two phased approach, where we're providing the high-level funding that is available for expenses and that's the approach that we're taking.

If we could go to number 10 briefly. On number 10, this provides a trend and analysis of the funding, both based on recent years of actuals, current year of forecast and then actually a forecast for the next budget year where we have an adopted budget and then projections out for the five-year horizon. In this Funding Projections Process, what we did, again based on our methodology, we arrived at three cases, the first one being the base case, the middle is the low and the bottom row is the high. Basically, that's consider like a sensitivity analysis, where the base cases is our best estimate and you can see that's the line on which we have trended from our most recent actuals into two years of a forecast and then fives of a projection.

You can see that the funding is growing at very modest rate for the base case, arriving for the first year of the five-year plan at \$141 million and then increasing very slightly where by FY25 we're approximately at \$150 million. This slide also provides some of the statistics as it relates to the transactions and again the transactions are the volumes of the subscriptions that are reported but the registers and the result in the invoicing to both the registries and the registrars.

Again, these volumes just show a modest rate of growth over this horizon. The last section of this slide gives actually the number of parties or contracted parties that are invoiced. This is

actually a combination then of both the registries and the registrars. We hope that this set of assumptions provides information as to how we came at the base, low and the high. Again, momentarily at the end, we will talk a little bit more about the marketplace which completes that picture.

Here for this Public Comment Period One, again we are just stressing throughout this whole presentation that it's two periods of public comment, first with the high level funding of available for expenses and obviously the focus on the Draft Operating Initiatives and then the next phase will have the more detailed out work to be completed as part of the Five Year Operating Plan and Financial Plan. The approach for Public Comment Period One, is that ICANN's expenses will be funded from the annual funding available once an allocation to the reserve fund has been set aside.

If we look at the top of slide number 11, we have four ICANN operations and again that designation means that this excluding the new gTLD program which is finishing up during these fiscal years and then any new SAPRO is not included in this, this is ICANN operations. Using the base case, we have projected from the previous slide, the funding that's available for ICANN. The line in the middle there, the second line from the top is the contribution to the reserve fund. We have projected

contributions throughout the five years and as you know from much of our past reporting, this is based on the Board approved resolution for the reserve fund replenishment strategy. We are highlighting that sufficient reserves need be reached during this five-year operating plan.

Basically, the funding available is reduced by the contribution estimates or assumptions to achieve the levels of reserve by over this five year to reach a minimum of 12 months of operating expense and the difference there we are highlighting is funding available for operations. That gives what we would call the projection or envelope available for ICANN’s work during this five-year period.

We also complemented this slide with the reserve fund roll forward or scheduling out what we think the reserve fund will end up at using these assumptions. We have the average annual contribution and then as you can see, we’ve actually included a very, very conservative annual interest rate in this table. This is a very conservative rate at just two percent, the average has actually over a horizon of 2011 through 2018 been higher than that, closer to six percent. Using these assumptions, we have then provided what we would estimate the reserve fund to be by the end of FY25.

For the funds available for operations, as noted on this slide, we have two key principles again for ICANN’s long-term financial sustainability. The very basic principal that we do present each year to the Community as part of our annual Operating Plan and Budget, is that expenses should not exceed funding, that’s a very key principle for us. The second principle that we have been presenting since the reserve fund replenishment strategy has been effect, is that sufficient reserves need to be reached. This plan for again, Public Comment One, does fulfill these two key principles.

Annually, ICANN’s maximum expenses will be within the funding available after the reserve fund replenishment strategy as noted. We will continue to project that until we have reached a sufficient level of reserves.

The key last point is that the reserve fund balance by the end FY25 will be very close to the target level of a minimum of 12 months of operating expenses for ICANN operations.

Then we’ve just provided a link to the Board Resolution as reference and I know this group commented a lot as it relates to that reserve fund replenishment strategy, so you’re well aware of the details.

Based on that, I just wanted to pause and see if there are any questions as it related to the funds available for operations?

GIOVANNI SEPPIA:

I have one, it's sort of pandora's box because one of the funding for ICANN is the voluntary contributions from ccTLDs and in the document that you just published you do not forecast any increase and it means that you are happy with what you receive and it means that we can stop any further discussion, no? It's not what I wrote, it's written there, that there is no anticipation of any increase, on the contrary, there is anticipation that you're not going to be paid even by IDN ccTLDs. It's written there, not Giovanni, it's written there. Jokes apart, this is what it reads in the document, that's my first point.

The second point, because in order to help with forecasts and projections, there is a statement in the financial document that says that the model of TLDs, just generic one, it says that all TLDs they do sell by registrars which is not completely true because there are several of our industry peers, country codes, that do have also direct sell model. I think this should be as a matter technical accuracy this should be reflected in the document. This is just a small detail. The first one I'll happy to hear from any of you about this ccTLD contribution.

XAVIER CALVEZ: Thank you, Giovanni, I'll take that one, it's going to be fun. I'm very happy to hear that the ccTLD wants to contribute a lot more.

GIOVANNIA SEPPIA: For record I didn't say that. I said that in the plan that you wrote, not that this Community, the ccTLD Community wrote, in the plan that was written and published by ICANN, there is written that there is no forecast for an increase of contribution for ccTLD, this is what is written there.

XAVIER CALVEZ: I welcome the public comment that will come from CC's on that plan because the point of this is of course to provide the entire Community with that plan and I'm looking forward to see whether registries and registrars are going to say about the contribution of ccTLDs and what the ccTLDs will say about that level of contribution as well. What we have done is on that purpose, what I view more seriously is simply a non-assumption, it's simply to say, this is what we've been receiving over the past four or five years, this is what we're going to put in the plan, two million, three million, one million, it's not changing the

fundamental level of funding of ICANN at the level of the handwritten 40 million. It's a minor and marginal impact.

If you all think that we should something different, now is the time to say it. It's not a decision, it's your decision. It's a voluntary contribution isn't it? I think that you guys need simply to determine and provide input as to whether you think we should reflect something different. For now, we simply have taken the average historical amount that we receive per year and kept that constant throughout the five-year period. By lack of having any input to do something different, more than by decision that we don't more money, for you to determine what you want to contribute or if you want to make it contractual for example. I'm glad to have that conversation because if you think we should do something different, in that we should reflect something different, then we should but we should do it on the basis of input from either the CC's or others as well. At this point we simply had non assumption, carrying on the historical level that we received because we don't have any element that suggests otherwise.

SUZANNA BENNETT: Zavier, we didn't cover a couple of slides on Funding Assumptions, should we go back to it?

XAVIER CALVEZ:

This is simply the approach that we've attained to develop the projections. I don't know how much and I apologize for coming late, how much you've already spoken about the Marketplace Review that we've used to produce those assumptions. We wanted to be able to look at the five-year horizon differently then we look at the annual budgeting of the funding of ICANN. When you look at five horizon, some things that are fixed in one year becomes variable in five years, a lot of things can change. When you just look at the next two months, many things stay the same because they cannot change in such a short period of time.

We wanted to be able to look at the entire market that impacts ICANN's funding or at least the current structure of ICANN's funding, in order to inform then the formulation of assumptions and then of course the projections that these assumptions lead to. You have seen, if you had a chance to look at the documents that for example, we are not making the assumptions in the projections that we would have a new source of funding over the next five years but we could. That's something I hoping we'll get comments on.

We have made an assumption that there's no price increase in our fees, that's an assumption, needs to be commented on also, hopefully through the public comment. Hopefully this

Marketplace Review that we have asked someone to help us with and that we've taken as input, we wanted to make it public so that it can also be the subject of comments by the Community and weigh in whether views that are shared there are wrong, incomplete, helpful, not helpful because we feel that the rationale and input that goes into our projections is something we should be transparent about and that you all can provide input into, so that we collectively have alignment, on at least on the information that we take into account and that we can be transparent to all of you on how we use that information in order to develop those assumptions.

The number two and three, we have that on an annual basis, you've all looked at this over the past two years, you've gone through it and we receive input from the Community on it on an annual basis. Number one, we have never really done in the past and we felt that it was very important for us when we look at a much longer horizon of five years in this case, that we have a broader input relative to the marketplace that impacts ICANN's funding and that's why we've done that. Hopefully, you'll have the opportunity to comment as to the value of this and the content of that market study. Thank you.

ROELOF MEIJER: Xavier, maybe I missed it. I saw quite a few assumptions on the revenue side, roughly stable over the coming five years is your projection. On the cost side, there are evidently things that will increase, whatever you do unless you get less personnel, salary costs will increase. Unless you accept dangers, security costs will have to increase. Do we have assumptions on other cost components that will decrease in order to meet this objective that you don't spend more than you have revenues? Is it clear, my question?

XAVIER CALVEZ: We don't have yet but we will have to. It's implicit in those numbers that you've looked at. If we can go back to the funds available for operations. What Roelof is saying is that when you have a funding that increase by one percent and that you have inflation of three percent, then something else is going to have to decrease. This is why we consider this a relatively aggressive assumption from an operational standpoint is that, this means if we go by it, that we're going to need to continuously find at least two percent of cost savings per year and we will have to find that.

We will have to offset salary inflation and inflation of costs with efficiencies with maybe sometimes reducing scope of activities that we carry out. This is not innocuous set of assumptions and

you are completely right as to your conclusion of it, yes. We have not yet formulated what we're going to do to offset that inflation impact.

ROELOF MEIJER: Okay because it will not just be a few percent for the general inflation, you will have salary cost increase because of promotions, you'll have security costs increase because of increasing threat levels and higher investments in protecting.

XAVIER CALVEZ: And we'll have new activities and we'll have things we don't know that could be much different than just inflation type of impact, absolutely agree on that. All that is ahead of us, between now early December.

GIOVANNI SEPPIA: Thank you, Xavier. Any other comments because we have the last part of this presentation about the Operating Initiatives? There is one comment, Irina.

IRINA DANIELIA: Actually, the document has the section on assumptions but it misses as I just understood for Xavier, a few basic assumptions

like no other sources of funding, no price increase, etc. but it would be really good to have them. Thank you.

XAVIER CALVEZ:

Thank you. On those two examples, I'm hearing you, we will need to spell out that we've not made changes. We will make sure that in the funding document we are more explicit of those things that we have not done, rather than what we have reflected, we will try to make that happen but I think price increase or lack thereof or new source of funding or lack thereof is good to spell out because it will be useful. Thank you for that.

IRINA DANELIA:

You better spell out what are probably are the major assumptions which we are not aware of because you just hadn't mentioned them.

GIOVANNI SEPPIA:

Thank you, Irina, thank you, Xavier.

VICTORIA YANG:

Thank you everyone, good day. With this two-phase approach and the main goal is in this phase is to get your feedback on two aspects, one as we already discussed, is your feedback on the

funding assumption we used for the projection and your feedback on the projection that we divided in three scenarios. The second main objective is to get your feedback on the Operating Initiatives.

The Operating Initiative is the main initiative that ICANN Org will undertake to achieve the object and the goals set in the Strategy Plan. Of course, these are not 100 percent of the Organizations activity, this is just the main initiative that will drive the focus of a lot of the activities. They are fundamental to the development of the five-year operating plan, that's why we want to get your feedback through this public comment, to hear from you, this list of initiatives, enough for us to advance, to achieve the objective and goals set in the Strategic Plan. If there are any many things we are missing.

Secondly, we also want to inform that in the document we understand that we only published the 16 operating initiatives with high level description of why these initiatives are important for the organization and what is on a high level, the description of the work we will doing under each of the initiative. There is not cost out at this moment. We want to hear your feedback, to understand if this is enough, did we miss anything.

The next phase is with your feedback, that will help us to develop and assign cost, milestones, roadmap to all these

initiatives, which will come in the second document in December.

This is a high-level overview of what will be included in the next phase. Of course, depending on your feedback to the Financial Assumption and Projection, we will provide an updated version and together with that, we will include a consolidated statement of activity and a consolidated statement of cash flow, it will be based on the refined projection and assumption.

Second point is, a refined and updated Operating Initiative based on your feedback. In addition, we are going to add the detailed element, such as the cost, high level milestones, the roadmap, any risk or dependencies for this initiative and how to mitigate that.

The third point is we will include the Organization's activity. As mentioned earlier, the initiative is not 100 percent of what we are going to do, there are a lot of other things like HR, finance, we need to have these functions, so how are these functions going to evolve? What is the cost for those functions? We will include other activities, in the operating plan, together with the cost so that we have a comprehensive plan.

The last point I want to mention is that we know that Brian Cote is leading with the Community to get the Community's efforts on

how the Multi Stakeholder is going to evolve and how that work is going to fit into the Five Year Operating Plan, we are working together with Theresa's team and Brian Cote to make sure that the Community's work and effort, contributing to objective number two is going to be built into the Operating Plan as well. The December one is really the comprehensive plan but the first step is important because these are the key elements that help us to set the foundation to set the further development. We really hope to hear from you, your feedback will help us to develop the rest of that plan.

The next slide is a very high-level timeline of where we see the Board and the Community will collaborate with us during the development. The first two lines, we did the webinar and we published the first document for public comment. Understanding everyone is here to participate in ICANN meeting, we extend public comment to early August, so that everyone has sufficient time to look through and provide your feedback. As mentioned, with your feedback, we will continue to develop. When we have a draft we will discuss with you as well and in December, we will publish the second document which is a comprehensive Operating Plan with all details mentioned earlier, together with the annual, which fiscal year 21, the first year of the Five Year Operating Plan, that will include detail

budget in December so the Community can look at the five year together with the first year, put the two plans in context.

That's our plan and with that, I want to open up for questions. Thank you.

GIOVANNI SEPPIA: Thanks a lot Victoria. Any questions on the Operating Initiatives?

IRINA DANELIA: We have primarily discussion before you arrived to this meeting with regards to activities and I will not say for the whole group but I will just say for myself, I found myself at quite a difficult situation because these activities or at least some of them are described at such high level that I don't really understand what would be the real project behind them and what would be real scope of these activities. Do you plan to provide any additional clarification before the end of Public Comment Periods in order to receive concrete comments? Thank you.

GIOVANNI SEPPIA: Thank you, Irina. Just to clarify, what we have seen going through these high level overview of all the initiatives is that at the beginning there is written that for each initiative there is

going to be a clearer paragraph saying this initiative is important because and there is a sort of rationale but that doesn't apply to all initiatives, so some of them they do not have this kind of rationale explain. There is a sort of narrative missing, we would not proceed to have this kind of narrative for some of the initiatives. We understand it's high level, we understand it's just sort of a list and we may provide you with input of what other initiatives we deem more to achieve the strategic goals, at the same time, for those that have been selected and presented to the Community, it would be nice to have a sort of consistent narrative for all of them.

XAVIER CALVEZ:

What we were intending these initiatives to be, it's not a description of activities, not yet. Those are things that we think are going to be important over the next five year. Therefore, we think we should be doing something about the next five year and why we wanted those to be presented at this stage is so that we have the opportunity to offer that opinion of, we think this going to be important for your commenting.

So, what we would expect out your review of that information is, no we think is not important over the next five years or yes, we think it's important or anything about whether or not these activities are correctly captured by us as by impactful in the next

five years? Are we missing anything? Is there a topic that we are not covering with those Operational Initiatives that we should take into account in the development of that plan?

In the next weeks and months, on the basis of what these initiatives are and on what we do today, we are going to develop the Operating Plan. If you tell us you are missing five topics here that you should be considering, that becomes an input for us to say, okay, there's five new topics that we need to look at, determine what we do about and take into account into the plan. These initiatives are there to point out to what we think is important over the next five years and your input on whether this is adequate, incomplete, insufficient or excessive is what we're looking for.

The plans that support achieving whatever those initiatives talk about will come effectively in the Operating Plan and then you'll have then the opportunity to comment to say, we don't like how you're going about it or you're doing too much or you're not doing enough and then we'll iterate that as well. Last comment to reemphasize what Victoria was saying, for example the thoughts that you were pointing out relative to assumptions that we have spelt out or not or what Roelof was saying about the fact that inflation and other actives will increase the cost of ICANN, all those are very good input into making the public

comments, we don't want to just rely on this session. I think if you could capture those ideas and then throw them into your submission to the Public Comment that would great. I'm sure you'll have others of course. Thank you.

VICTORIA YANG:

I just want to add one last comment, that the Operating Initiative are different in nature, some of them maybe it's just to have a more focused area of our general activity. For example, one of our general activities to do engagement. In the past we could be engaging more on the transition, the first round of new G, now we could be engaging more with things as stakeholders, expand the stakeholders that we more focused on. They are different in nature compared to SAPRO, it's going to be a project with very clear roadmap, timeline, when is the time for us to implement.

They are a little bit different in nature and therefore ICANN understands there is not a very consistent in the descriptions, some has a very clear structure of this initiative is important because this and we're going to do this and some are more general, that Org is committed to do a next round of SAPRO when the PDP is complete and Board consider. They are a little bit in nature but I do understand what you mean and thank you for the feedback.

GIOVANNI SEPPIA: Thanks again, Victoria. I have to wrap up this session because it was supposed to finish at three o'clock and here we are. I'd like to thank again all the ICANN Staff, Victoria, Becky, Suzanna, Theresa, Xavier, thank you so much. You'll receive our comments soon and we look forward to continuing this constructive dialog, to help the overall process, refining and becoming better and better in the future so thanks again.

SUZANNA BENNETT: Thank you for having us, we look forward to all your comments.

GIOVANNI SEPPIA: In terms of our housekeeping, as again time is against us, what I suggest is that I'll circulate an updated version of the document which I circulated, which is going to incorporate the comments I receive from Leonid by email and those I took some notes today. Thanks a lot, it has been a very good session.

BART BOSWINKEL: If you have the chance, please send them this week, the upcoming week to you, then you do the update.

GIOVANNI SEPPIA:

I was going to say, if you have more comments, just send them to me by the end of next week but I'll send you again a message with a reminder deadline and I and Bart will draft a more consolidated version and from then we will comment on it and then by the fifth of August we will submit it to the ICANN Public Comment. Thanks again everybody and thanks to ICANN Staff, the ccNSO Secretariat for support. Bye.

[END OF TRANSCRIPTION]