

Background and Status on CCWG FY17 Budget – June 21 2016

The PCST presented its assumptions for building the FY17 budget to the CCWG at its meeting of 31 May.

After discussions with the CCWG it was agreed the assumptions should be revised as follows:

- Adobe room support and transcripts should be available for all sub-group calls.
- Staff support should be available for drafting of documents given the diversity of participants many of which do not have English as their mother tongue.
- Translation of final recommendations as per the final WS1 recommendations.
- Ensure travel support for CCWG members to all face to face meetings.

There were no objections to the assumption that legal fees could not be estimated at this point and that an amount should be made available to the CCWG to carry on its work. Any additional fees would have to be formally requested and approved.

The PCST took all of the above recommendations in preparing a draft budget for the CCWG FY17 which it then discussed with members of the Board finance committee to ensure that this would be acceptable to the Board as part of the FY17 budget (this is consistent with its overall mandate of the PCST to support the community in arriving at realistic estimates that will be approved).

In reviewing the PCST prepared CCWG budget proposal it became necessary to define an amount for external legal fees for the CCWG for FY17.

It is important to note that all of this was occurring very rapidly given the requirement to have the Board approve the FY17 ICANN budget at the Helsinki meeting and that final estimates were required well before that date to allow Board members to properly review the global budget proposal.

To support the CCWG, the PCST, with the assistance of ICANN legal, reviewed the historical costs for external legal services and produced estimates for future costs and a suggested process to utilize effectively this resource. The PCST consulted members of the BFC who provided feedback that the estimates and suggested process were reasonable and this was then transmitted to the CCWG Co-Chairs for comment.

The overall budget information in that document included all of the requests of the CCWG from the May 31st meeting and provided a base amount for external legal expenses with the exception of travel funding.

With respect to travel funding it was deemed unreasonable to expect that all Members of the CCWG would be funded to travel to all face to face meetings when considering that a number of Members are funded through other mechanisms to attend ICANN meetings. It is understood that the CCWG considers that its activities and outcomes to be very similar to some of the reviews that are undertaken by ICANN, such as ATRT, and that its recommendations have had and will have similarly critical impact on ICANN – as such CCWG Members could be similarly supported for travel. Considering this, it was agreed that a compromise position would be to allocate a general travel budget to the CCWG, equivalent to 20 seats for each of the three meetings, which would allow it to gather most of its members at its face to face meetings. This is an exception to the general approach of working group travel funding at ICANN.

Finally, a formal process was agreed to with respect to having the CCWG budget, or any additional expense requests post-budget approval, approved:

- The CCWG, with the support of the PCST, prepares a request for the Chartering SO/ACs.
- The Chartering SO/ACs review the CCWG request. If the Chartering Organizations validate the request, it is submitted to the Board for approval. If not, it will be returned to the CCWG with a detailed explanation.

Annex A to this document presents the full report of the PCST for the transition, including the analysis of historical costs, cost estimates for Q4FY16, as well as the proposed budget for the transition project FY17.

Should the CCWG find this acceptable it should forward this report to the chartering SO/ACs for validation.

ANNEX A

20 June 2016

Cost Analysis for the IANA Transition Stewardship and Accountability Work

1. Purpose of this Report

This report was produced by the Project Cost Support Team (PCST). It contains:

- a) **a historical analysis of the cost incurred by the cross community work on IANA Transition and Accountability from inception on 1 July 2014 to 31 March 2016;**
- b) **an estimate of costs for the remainder of FY16 i.e. from 1 April to 30 June 2016, and**
- c) **an estimate of costs for the remainder of the project, ie FY17.**

These estimates were produced in collaboration with the cross community working groups involved in the Transition (ICG, CWG- Stewardship and CCWG-Accountability).

2. Background

In agreement with the leaders of the SO/AC Chartering Organizations and the co-chairs of the CWG and CCWG, a Project Cost Support Team (PCST) was set up on a Pilot basis in March 2016 to develop reliable estimates of the cost of the IANA Transition and Accountability work (thereafter referred to as the Transition Project) and to gain clarity on past and future expenditures (see Annex 3 for details).

The Transition Project includes the development of the ICG, CWG-Stewardship, CCWG-Accountability (WS1 and WS2) proposals, and the implementation of these.

The agreed approach for undertaking this cost analysis was as follows: *"First we must undertake an in-depth analysis of past expenditures in FY15 and FY16 (up to Marrakech) and understand where and how money was spent. From what we will learn, we should be in a position to estimate future expenditures for the remainder of FY16 (from Marrakech to end of Financial Year in June), and for all of FY17. We must also identify potential problem areas and develop ways to address them, one-by-one"*.

The PCST is neither a decision making nor a management team. The PCST is a support function to the CCWG and CWG co-chairs.

The members of the PCST are: Bernard Turcotte (Team Leader and Project Planner), Becky Nash (Financial Planner), Steve Gwon (Legal Planner) and Nathalie Vergnolle (Project Administration).

3. Summary Costs

The summary costs for the Transition Project are as follows:

- 1 July 2014 to 31 March 2016: 23.3 M \$US (actuals)
- 1 April to 30 June 2016: 5.0 M \$US (estimates)
- 1 July 2016 to 30 Jun 2017: 8.8 M \$US (estimates)

USG Transition TOTAL = 37.1 M \$US (estimates)

4. Detailed Costs

The above summary costs have been produced after extensive analysis - first by type of projects and secondly by different categories of costs within each project.

The type of projects are:

- Stewardship Integration (ICG)
- Stewardship (names)
- Accountability WS1
- IRP Phase 2
- Accountability WS2
- Bylaws Drafting
- Transition Implementation

The categories of costs within each project are:

- Staff
- Community Travel & Meetings
- Telecom & Language Services
- Legal Services
- Other Professional Services

The analysis of historical costs allowed for development of a number of metrics which assisted in planning future expenditures for the remainder of the Transition Project.

Below are two tables providing detailed costs for:

- The overall consolidated costs for FY15-FY16.
- Estimated costs for FY 17, ie 1 July 16 till 30 June 2016.

4.1 Consolidated Costs Estimates for FY15 & FY16 – costs incurred from inception on 1 July 2014 to 30 June 2016

Amounts in USD thousands (000's)	Total Expenses FY15-FY16 (Actuals + Estimates) (3)						
	Total						
	Staff	Travel & Meetings	Telecom & Language Services (1)	Legal Services	Other Professional Services		Total
					US Gov't Affairs (Lobbying) (2)	Other (excluding contractor support)	
Proposal Development							
Stewardship Integration (ICG)	\$ 174	\$ 712	\$ 479	\$ -	\$ -	\$ 155	\$ 1,521
Stewardship (Names)	1,421	348	819	1,506	525	985	5,605
Accountability WS1	1,719	965	1,250	7,620	570	1,337	13,462
IRP Phase 2	-	-	-	-	-	-	-
Accountability WS2	-	-	-	-	-	-	-
Subtotal	\$ 3,315	\$ 2,026	\$ 2,548	\$ 9,126	\$ 1,096	\$ 2,478	\$ 20,588
Implementation							
Bylaws Drafting	\$ 342	\$ 31	\$ 157	\$ 3,629	\$ 135	\$ 405	\$ 4,698
Transition Implementation	975	214	355	1,475	-	-	3,019
Subtotal	\$ 1,316	\$ 245	\$ 512	\$ 5,104	\$ 135	\$ 405	\$ 7,717
Total	\$ 4,632	\$ 2,270	\$ 3,060	\$ 14,230	\$ 1,231	\$ 2,882	\$ 28,305

Notes

- 1) Telecom expense has not been previously reported in the Quarterly reporting (+506k). This was added to this schedule on a project to date basis through June 2016
- 2) Includes all external lobbying expenditures, not only those related to the IANA Stewardship Transition. Does not include staff allocated costs.
- 3) The forecast includes actuals for 12 months of FY 2015 (July 2014 -June 2015) and 9 months of FY16 (July 2015 - March 2016) and 3 months of a forecast (April 2016 - June 2016).

Further details are available in Annex 1: *Breakdown of FY15-FY16 costs*

- a) *Historical Analysis – Costs incurred from inception on 1 July 2014 to 31 March 2016,*
- b) *Estimate of costs for the remainder of FY16 i.e. from 1 April to 30 June 2016.*

4.2 Estimate of FY17 costs i.e. from 1 July 16 to 30 June 2017

Amounts in USD thousands (000's)	IANA Stewardship Transition FY17 Budget						
	Total						
	Staff	Travel & Meetings	Telecom & Language Services	Legal Services	Other Professional Services		Total
	(including contractor support)				US Gov't Affairs (Lobbying)	Other (excluding contractor support)	
IRP Phase 2	\$ -	\$ -	\$ -	\$ 800	\$ -	\$ 119	\$ 919
Accountability WS2 (Proposal Development, Bylaws Drafting and Implementation)	\$ 808	\$ 354	\$ 201	\$ 1,400	\$ -	\$ 225	\$ 2,988
Transition Implementation	\$ 1,713	\$ 153	\$ 629	\$ 1,130	\$ -	\$ 115	\$ 3,739
General Project Activities	\$ 869	\$ 45	\$ -	\$ -	\$ 250	\$ -	\$ 1,164
Total	\$ 3,389	\$ 552	\$ 830	\$ 3,330	\$ 250	\$ 459	\$ 8,810

Core assumptions for FY17 cost estimate:

- Core assumptions for Transition Implementation, IRP Phase 2, and general project activities:
 - Continuation of on-going effort with same level of support and same implementation team as for FY16 throughout the entire fiscal year FY17.
- Core assumptions for CCWG Accountability
 - There is a total of 9 WS2 projects + IRP “Phase 2” (completing WS1 work on IRP).
 - The expectation is that the work of the CCWG-Accountability should be completed by the end of June 2017.
 - The CCWG-Accountability would hold a one day face to face meeting prior to each ICANN meeting.
 - There is already a subgroup defined for IRP “phase 2” which expects to complete its work by the end of March 2017. A similar sub-group approach will be used for the 9 WS2 projects – each will be independent.

For further details, see annex 2: *Detailed assumptions by cost categories for FY 17 estimates for CCWG WS2 – Accountability recommendations development.*

Metrics for planning future expenses:

The following metrics, developed in the analysis of historical costs, have been used for planning future expenditures for the remainder of the Transition Project:

- Costs for dedicated staff support of a large cross community working group

- Travel and meeting costs for dedicated face to face meeting of cross community working groups (including average cost of travel support for individual members).
- Travel and meeting costs for an additional dedicated day of meeting of a cross community working group in conjunction with an ICANN meeting (including average cost of travel support for individual members).
- Costs for lawyers attending dedicated face to face meetings with the cross community working groups.
- Average cost for Adobe room meetings and transcription services
- Costs for interpretation and translation services.

4.3 Description of Labels

a) Lines - Historical costs and FY16 estimates:

- Proposal Development (lines) – Projects for developing transition recommendations.
 - Stewardship Integration (ICG) – Costs associated with the integration of the various Stewardship proposals.
 - Stewardship (names) - Costs associated with the development of the Stewardship recommendations for Names.
 - Accountability WS1 - Costs associated with the development of the WS1 Accountability recommendations.
 - IRP Phase 2 - Costs associated with completing the development of the recommendations to strengthen ICANN’s Independent Review Process
 - Accountability WS2 - Costs associated with the development of the WS2 Accountability recommendations.
- Implementation (lines) – Implementation of transition recommendations
 - Bylaws Drafting – Costs associated with the production of the new Bylaws based on the Transition proposals.
 - Transition Implementation – Costs associated with the implementation of the Transition proposals excluding producing the new Bylaws.

b) Lines - FY17 estimates:

- IRP Phase 2 - Costs associated with completing the development of the recommendations to strengthen ICANN’s Independent Review Process
- Accountability WS2 (Proposal Development, Bylaws Drafting and Implementation) - Costs associated with the development of the WS2 Accountability recommendations, the resulting revision of the Bylaws, and the implementation of the recommendations.
- Transition Implementation – Costs associated with the implementation of the Transition proposals.

- General Project Activities – General costs associated with the project, that cannot be easily assigned to a particular sub-project. E.g. Lobbying, communications, etc.

c) **Columns:**

- Staff (column) – This includes staff and contractors working for the transition. The staff costs are tracked monthly by position/employee using a percentage of time allocated to the transition projects. These percentages are reviewed by each department manager.
- Travel & Meetings (column) – This includes all travel and meeting costs in service of the transition. The historical travel and meetings costs are supported by an historical meetings cost analysis by attendee and by expense reports.
- Telecom & Language Services – This includes all costs associated with supporting the WGs for Adobe rooms, teleconferences, dial-outs, recording and transcription of calls as well as interpretation, scribing and translation services in service of the transition.
- Legal Services –These legal expenses represent the cost by law firm supported by invoices and services rendered.
- Other Professional Services – This includes all costs associated with external services and contractors in service of the transition. These fees consist of firms and contractors for services such as Education/Engagement/Advice, External Legal Advice, Root Zone Management evaluation and Graphics/media. Lobbying costs have been broken out for clarity.

Annex 1: Breakdown of FY15-FY16 costs

a) Historical Analysis – Costs incurred from inception on 1 July 2014 to 31 March 2016

Amounts in USD thousands (000's)	Total Expenses Inception to March 16 (Actuals) (3)						
	Total						
	Staff	Travel & Meetings	Telecom & Language Services (1)	Legal Services	Other Professional Services		Total
					US Gov't Affairs (Lobbying) (2)	Other (excluding contractor support)	
Proposal Development							
Stewardship Integration (ICG)	\$ 157	\$ 712	\$ 479	\$ -	\$ -	\$ 155	\$ 1,503
Stewardship (Names)	1,305	348	819	1,506	525	985	5,489
Accountability WS1	1,607	884	1,250	7,620	570	1,337	13,269
IRP Phase 2	-	-	-	-	-	-	-
Accountability WS2	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Subtotal	\$ 3,069	\$ 1,944	\$ 2,548	\$ 9,126	\$ 1,096	\$ 2,478	\$ 20,261
Implementation							
Bylaws Drafting	\$ 266	\$ 31	\$ 157	\$ 1,577	\$ -	\$ -	\$ 2,030
Transition Implementation	499	154	278	90	-	-	1,021
-	-	-	-	-	-	-	-
Subtotal	\$ 765	\$ 185	\$ 435	\$ 1,667	\$ -	\$ -	\$ 3,051
Total	\$ 3,834	\$ 2,129	\$ 2,983	\$ 10,793	\$ 1,096	\$ 2,478	\$ 23,312

Notes

- 1) Telecom expense has not been previously reported in the Quarterly reporting (+506k). This was added to this schedule on a project to date basis through March 2016.
- 2) Includes all external lobbying expenditures, not only those related to the IANA Stewardship Transition. Does not include staff allocated costs.
- 3) The total includes actuals for 12 months of FY 2015 (July 2014 -June 2015) and 9 months of FY16 (July 2015 - March 2016).

b) Estimate of costs for the remainder of FY16 i.e. from 1 April to 30 June 2016

Amounts in USD thousands (000's)	Total Expenses FY16Q4 (Estimates) (3)						
	Total						
	Staff	Travel & Meetings	Telecom & Language Services (1)	Legal Services	Other Professional Services		Total
					US Gov't Affairs (Lobbying) (2)	Other (excluding contractor support)	
Proposal Development							
Stewardship Integration (ICG)	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18
Stewardship (Names)	116	-	-	-	-	-	116
Accountability WS1	112	81	-	-	-	-	193
IRP Phase 2	-	-	-	-	-	-	-
Accountability WS2	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Subtotal	\$ 246	\$ 81	\$ -	\$ -	\$ -	\$ -	\$ 327
Implementation							
Bylaws Drafting	\$ 76	\$ -	\$ -	\$ 2,052	\$ 135	\$ 405	\$ 2,668
Transition Implementation	476	60	77	1,385	-	-	1,998
-	-	-	-	-	-	-	-
Subtotal	\$ 552	\$ 60	\$ 77	\$ 3,437	\$ 135	\$ 405	\$ 4,665
Total	\$ 798	\$ 141	\$ 77	\$ 3,437	\$ 135	\$ 405	\$ 4,993

Notes

- 1) Telecom expense has not been previously reported in the Quarterly reporting (+506k). This was added to this schedule on a project to date basis through June 2016.
- 2) Includes all external lobbying expenditures, not only those related to the IANA Stewardship Transition. Does not include staff allocated costs.
- 3) The total includes estimates for 3 months of FY 2016 (April to June 2016).

Annex 2: Detailed assumptions by cost categories for FY 17 estimates for CCWG WS2 – Accountability recommendations development

- **Staff**

Staff support for drafting of documents.

Current staffing should be adequate to the end of the calendar year:

- Karen Mulberry – part time - Management and CCWG support
- Brenda Brewer – full time - CCWG support
- Grace Abuhamad – part time – ICANN coordination
- Hillary Jett – part time – communications support.
- Bernard Turcotte – full time CCWG support and PCST

Additional CCWG support staff could be required as subgroups prepare and launch public consultations and publish finalized recommendations.

- **Telecom and Language Services**

Adobe room support and transcripts for all sub-group calls.

Use of ICANN services including Adobe Connect with PGI/Global Meet for conferencing and ICANN Language Services for transcription

Translation of final recommendations as per the final WS1 recommendations.

- **Travel and meetings**

CCWG plenary meetings: 1 call every 2 weeks until Feb 2017. 3 face-to-face meetings.

Subgroups meet once per week or as required.

A general travel budget has been allocated to the CCWG for WS2 Accountability work, equivalent to 20 seats for each of the three meetings, which would allow it to gather most of its members at its face to face meetings. This is an exception to the general approach of working group travel funding at ICANN.

- **Legal Cost Budget for WS2 Accountability Work**

- Scope of Work: it is assumed that the scope of work for the WS2 Accountability comprises the following nine work streams: human rights, SO/AC accountability, diversity, jurisdiction, ombudsman, transparency, staff accountability, CEP review, and guidelines for standards of conduct. The Legal Cost for IRP phase 2 work is the subject of a separate budget.
- During WS2 Proposal Development: it is assumed that (a) independent Legal Counsel advice will be obtained when a legal issue is raised and a specific answer is required to a tight and specific legal question, (b) independent Legal Counsel will not be required to give opinions on policy matters, (c) independent Legal Counsel will not be required to attend the meetings of the various WS2 sub-groups nor the plenary meetings, and (d) a

set of clear criteria as well as a procurement process will be developed for deciding when and how advice from independent Legal Counsel will be obtained.

- During WS2 Bylaws Drafting: it is assumed that (a) the first draft of the changes to the recently adopted new Bylaws will be produced, as in WS1, by the ICANN legal team, (b) independent Legal Counsel will be used for reviews, and (c) unlike for WS1, Bylaws drafting for WS2 will be in the form of changes to the Bylaws and not a complete re-write, and likely only require changes to small sections.

- WS2 Legal Cost Budget Split between FY17 and FY18: it is our understanding from the CCWG Co-chairs that the WS2 Accounting Work is unlikely to be completed in FY17 and that perhaps a fair amount of the Bylaws Drafting will take place in FY18. It is not possible at this stage to estimate when this work will occur between FY17 and FY18. We therefore recommend including in the FY17 ICANN Operating Plan and Budget the full US\$1.4M under the understanding that it is the full budget for the entire WS2 Accountability work as scoped above, irrespective of whether any portion of this envelope would be rolled over to FY18.

- **Specialized non-legal contractors.**

Graphics support – an amount should be available for graphics support.

Annex 3: Project Cost Support Team (PCST) Pilot Work Plan

(Project plan distributed by PCST on 24 March 2016)

Objective:

The objective of the Pilot PCST is to develop reliable estimates of the Cost of the IANA Transition and Accountability work, and to gain clarity on past and future expenditures.

The IANA Transition and Accountability work includes the development of the ICG, CWG-Stewardship, CCWG-Accountability proposals, and the implementation of these.

The PCST pilot project will undertake an in-depth analysis of past expenditures in FY15 and FY16 (up to Marrakech) and understand where and how money was spent. This analysis will then serve to estimate future expenditures for the remainder of FY16 (from Marrakech to end of Financial Year in June), and for all of FY17.

The development of cost estimates will be undertaken by a small dedicated pilot Project Cost Support Team (PCST). The PCST will consist of four members: a project manager, a legal manager, a financial planner and a project administrator.

Scope:

The scope of the PCST pilot is as follow:

- Perform an analysis of Transition historical costs to date to identify the elements which would assist in providing fact-based assumptions for the preparation of cost estimates going forward.
- Work with ICG, CWG-Stewardship, CCWG-Accountability and other relevant parties to complete Transition cost estimates with a sufficient level of detail for the last quarter of FY16 and all of FY17.
- Historical costs and future expenditure estimates will be broken down by the following projects:
 - Proposal Development
 - ICG
 - CWG-Stewardship
 - CCWG-Accountability WS1
 - CCWG-Accountability WS2 (no historical costs)
 - Implementation
 - Transition implementation
 - Bylaws drafting
 - IRP implementation
 - Infrastructure Support
- For each project, costs will be broken down by main cost elements:
 - Personnel

- Travel & meetings
- Telecommunication & Language services
- Legal Expenses
- Other professional fees

Schedule:

- March 10 - The pilot PCST was constituted at the ICANN 55 meeting and started work the week following that meeting. All team members are to consider this a priority project.
- March 14 to March 22 – prepare Pilot PCST Work Plan
- **March 24 – distribute project work plan to the leadership of the ICG, CWG-Stewardship and CCWG-Accountability as well as the SO/ACs for comments (1 week).**
- March 24 to March 31
 - Begin work on historical cost analysis and budget estimates for the last quarter of FY16.
 - Hold meeting with leadership of ICG, CWG-Stewardship, CCWG-Accountability and SO/ACs (individually or as a group to discuss the proposal, define cost categories and level of granularity expected and start scoping out planned community activities for last quarter of FY16)
- March 31 – close comments on Pilot PCST work plan and finalize.
- March 31 to April 21
 - Complete work on historical cost analysis
 - Complete future expenditure estimates for the last quarter of FY16.
- April 22 to April 28
 - Review / validate first conclusions with ICANN and cross-community working groups.
- **April 29**
 - **Publish Transition historical cost analysis**
 - **Publish Transition future expenditure estimates for the last quarter of FY16 for Board approval**
 - Note: In addition to the \$13m already approved by the Board (\$7m budget + \$4.5m approved until Marrakech + \$1.5m until 30 April). Target date of approval during Board meeting in Amsterdam: 15 May.
- April 30 to May 22
 - Work on Transition future expenditure estimates for FY17
 - Hold meeting with leadership of ICG, CWG-Stewardship, CCWG-Accountability and SO/ACs (individually or as a group) to review documents published on April 29.
- May 22 to May 29
 - Review / validate FY17 future expenditure estimates with ICANN and cross-community working groups

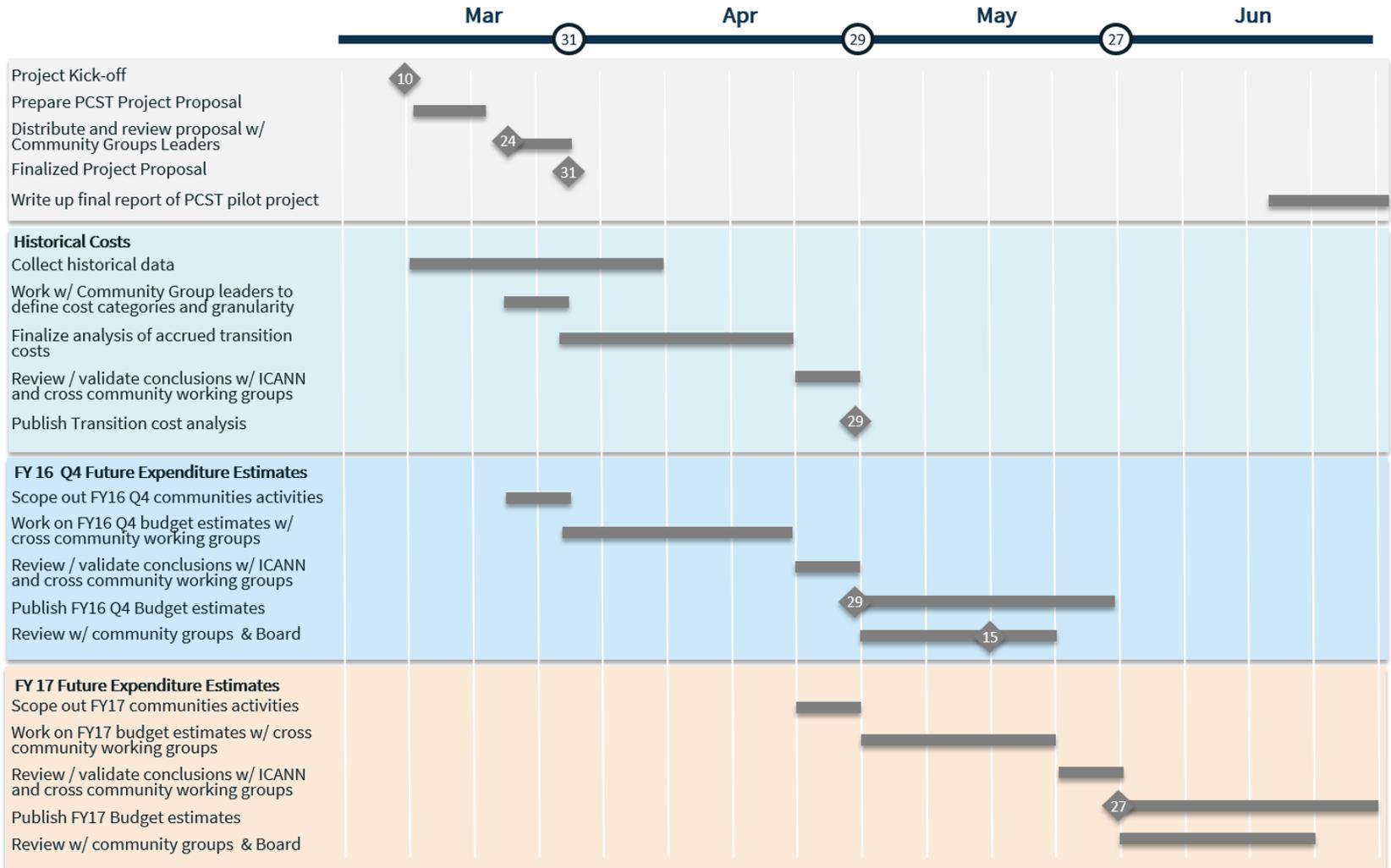
- **May 30th**
 - **Publish FY17 transition future expenditure estimates for Board approval.**
- **May 31 to June 30th**
 - Hold meeting with leadership of ICG, CWG-Stewardship, CCWG-Accountability and SO/ACs (individually or as a group) to review documents published on May 30th and perform an evaluation of the PCST pilot project.
 - Write up final report on PCST pilot project

Resourcing:

- Resources:
 - Project Planner – Bernard Turcotte (50%)
 - Project Administrator – Nathalie Vergnolle (20%)
 - Finance Planner – Becky Nash (25%)
 - Legal Planner – TBD (20%)
- Estimated cost of Pilot PCST project:
 - Weekly costs of Pilot PCST team - \$6,042
 - Weekly External - \$3,840
 - Weekly Internal - \$2,202
 - Historical cost analysis and expenditure estimates for remainder of FY16 year - 6 weeks = \$36,252
 - FY17 expenditure estimates - 4 weeks = \$24,168
 - Wrap up - 2 weeks = \$12,084

Total = \$72,504

PCST Pilot Timeline



Proposed Cost Breakdown Structure

Proposed Cost Breakdown Structure

	Staff	Travel & Meetings	Telecom and Language Services	Legal Expenses	Professional Fees
Proposal Development ICG CWG-Stewardship CCWG-Accountability WS1 CCWG-Accountability WS2					
Subtotal					
Implementation Bylaws drafting IRP implementation Transition implementation					
Subtotal					
Infrastructure Support					
Subtotal					
Total	0	0	0		0