

Sebastien Bachollet comments regarding “ICANN Reserve Fund Public Comment on Rationale and Target Level”

The document is <https://www.icann.org/en/system/files/files/draft-reserve-fund-12oct17-en.pdf>

Summary of my comments

The Target level must be defines with an amount in \$.

The Target level must be defines around \$135m.

A target date must be defines to complete the replenishment of the Reserve Fund.

A review of the situation of the Reserve Fund must be undertaken every 5 years or after each important use of the Reserve Fund, to insure that it is still the good target level.

Historic ICANN Reserve Fund

Goal of the Reserved Fund

“ICANN decided therefore to set up a Reserve Fund in 2007 in order to reduce its dependence on the timing of fee collections, as well as to provide it with sufficient financial resources to enable it to defend its multi-stakeholder governance model against possible litigation.”

The current target level

“A Target Level equivalent to “a minimum of 12 months of operating expenses” was also established for the Reserve Fund.”

No formal decision but an implicit acceptance by the ICANN Board over the time since 2007.

2012 Benchmarking of non-for-profit organizations

Risks covered

- Self insurance against a rainy day,
- Proxy for wind-down costs,
- Maintenance and/or replacement of assets,
- Pay-off of committed liabilities,
- Funding of future projects identified in the Strategic Plan.

Level of the Reserved Fund

A fraction/multiple of operating expenses from 3 months to 2 years.

New ICANN Reserve Fund Project

ICANN Board undertakes a new Reserve Fund Project (10 Board members supported by ICANN's executives).

5 scenarii are considered.

All take into account the following “list of possible Consequential Events for which the Reserve Fund is considered to be an expected source of funding includes, but not limited to, the following:

1. Replenishing Operating Fund levels depleted by unbudgeted and unmitigated short-term events or maintenance and replacement of assets, or payment of liabilities,
2. Undertaking major downsizing or significant restructuring of ICANN’s operations.
3. Mitigating major security and stability threats and attacks.
4. Covering unplanned legal costs.
5. Undertaking new and major programs resulting from a new strategic plan or exceptional unforeseen external events.
6. Continue operations after a disaster.”

Comments (possible events)

[I add number before each item for ease of comment]

1. Replenishing Operating Fund levels depleted by unbudgeted and unmitigated short-term events or maintenance and replacement of assets, or payment of liabilities,
2. Undertaking major **[unplanned and unbudgeted]** downsizing or significant restructuring of ICANN’s operations.
3. Mitigating **[unbudgeted]** major security and stability threats and attacks.
4. Covering unplanned legal costs.
5. Undertaking new and major programs resulting from a new strategic plan **[to be setup urgently]** or exceptional unforeseen external events.
6. Continue operations after a disaster.”

Considering factors specifically related to ICANN’s operational and risk profile as well **[as]** factors related to market trends, ICANN Organization estimated the cost of each of the

Consequential Events and

5 scenarii were taken into account and quantified

1. Scenario low, \$35m
 - a. Current ICANN position, \$62m
2. Scenario largest single occurrence, \$105m
3. Scenario medium, \$135m
4. Scenario shut-down, \$198m
5. Scenario high, \$255m

The proposal target is between scenario 3 (\$135m) and scenario 4 (\$198m).

Comments (scenarii)

To study and to compare ICANN scenarii and benchmark, it could have been useful to get some additional data like:

- Evolution of the annual operating expenses for the last 5 years and (if possible) the budget for the next 3 to 5 years,

- Evolution of the number of employees for the last 5 years and (if possible) the budget for the next 3 to 5 years,
- Evolution of the reserve fund for the last 5 years and (if possible) the projection for the next 3 to 5 years.

It could have been useful to have more information about the shutdown scenario. If ICANN have to shutdown, can we really see a new need for operational funds, and other expenses aside to shutdown ICANN?
If ICANN just needs the fund to shutdown the organization it is almost the same level that scenario 3 – medium.

→ First conclusion: Target level \$135m to \$140m.

Target level and link with Opex

It always seems difficult in an evolving environment and not stabilized organization to link the Reserve Fund target with the Opex.

→ Second conclusion: Define the target with a number.

ICANN needs also to setup a target date to complete the replenishment of the Reserve Fund.

→ Third conclusion: Define a target date.

To be sure that it is still the good target a review of the situation of the Reserve Fund must be undertake every 5 years or after each important use of the Reserve Fund.

→ Forth conclusion: Review regularly amount and date targets’.

Comments (general)

The multi-stakeholder part of the ICANN structure seems not to have been taken into account in this project. Part of the work is done at “no or small cost” by community members.

How it can be taken into account? It needs to be studied in more depth.

I am not commenting on how to replenish the reserve fund, as, I suppose, it will be one of the next step of the discussion about ICANN Reserve Fund.

Those are my personal comments; an ALAC statement will be made separately.