

ISOC Board Report
November 11, 2006

Introduction

2006 has been a turn-the-corner year in many ways. The RFC backlog has been eliminated through the extraordinary production of the ISI staff and supplementary copy-edit support. Meeting planning efforts have been streamlined through the establishment of standard contracts and a first-ever multi-event contract with an international hotel chain with the effect that venues are being qualified into 2008 and beyond – at the same time as we qualify, plan and hold three meetings in 2006, and qualify and plan two others in 2007. Much of the credit for this goes to NeuStar Secretariat Services and ISOC for its support and assistance.

There is more. The RFC Editor RFP resulted in a competitive procurement for the delivery of RFC Editor services, providing new ideas for greater efficiencies, transparency and IT integration, as well as a reduction in costs over the next two years; and a way forward to ensure even greater competition and a smooth transition if needed when re-bid in 2008.

And more still, as the tools development program gains traction with the commencement of the ID Submission Tool in September and the first deliverables in October, with bids for 3 other tools in process this year, and implementation of a tickets accelerated reduction program to get rid of high priority, festering problems. And, as this is written, the IAOC is just days away from concluding a service level agreement with IANA that will lead to an improvement in the delivery, tracking and transparency of services.

This budget is the result of greater insight into the true costs of conducting IETF meetings, the services necessary to support the Secretariat at a higher performance level with reduced risk, and creating the conditions needed to reach an even more competitive environment for RFC Editor services in 2008.

The good news is that even with all that expenses will rise less than 6% per year on average over the next three years. The downside is that much of that increase must take place in year one as we adjust to the realities of higher meeting costs, the need for additional personnel and less than hoped for savings in RFC Editor services in the year one of a two year contract.

2007 will be a busy one for the IAOC as it prepares for the likely issuance of an RFP for Secretariat and Meeting services in the second quarter of 2007, kicks the tools development program into higher gear for delivering four or more of its priorities, manages the copy-edit services program, nurtures a new relationship and implementation with the RFC Editor, and we become more involved with the Secretariat and its service delivery.

The IAOC is pleased to forward the IASA 2007 – 2009 budget to the ISOC Board and recommend its adoption.

Summary

Expenses are rising 6% on average for the years 2007 – 2009, with the largest increase in 2007 at 9%.

2006 Forecast	2007	2008	2009
\$ 3,757,267	\$ 4,104,107	\$ 4,180,756	\$ 4,440,565
	9.2%	1.9%	6.2%

The major drivers for this \$347k increase in 2007 over 2006 are:

1. An increase in labor costs for Secretariat and Meetings services due to the need for additional personnel and a one-time market rate adjustment. These costs are expected to rise in the out years by the cost of living.
2. Inclusion of meeting venue costs as expenses for meetings conducted outside North America (where such is not charged.) These costs are budgeted to be covered by sponsorships or hosts, and ISOC and the IAOC have agreement for the March 2007 meeting that the meeting and connectivity expenses will be covered by sponsorships.
3. Inclusion of meeting cancellation insurance as a matter of business practice.

To meet this increase in expenses the IAOC has approved a rise of \$50 in the registration fee to \$600 per meeting for 2007 and 2008, and signals a possible rise of an additional \$50 in 2009 to meet projected expenses. This \$50 fee will add \$187.5k in revenue.

ISOC's cash contribution for 2007 is proposed at \$1.3m, plus ISOC has assumed responsibility for raising \$325k in ISOC IETF Sponsorships, which, taken together, will contribute 40% towards the operation of the IETF.

Programmatic Expenses

RFC Editor

In 2006 ISI, as the RFC Editor, turned the corner on performance through the elimination of the backlog, improvements in processing time and achieving record-setting months for RFC production.

While the contract(s) for RFC Editor services is pending, it is clear that in 2007 and 2008 we have turned the corner on escalating costs. In 2006 the total cost of producing RFCs was the expense of the ISI contract and supplemental copy-edit services to eliminate the backlog. The total cost was \$909.6k.

In 2007 the total cost of the RFC Editor service is under negotiation, but it will be significantly less expensive than 2006, and there will be even greater savings in 2008.

Secretariat and Meetings

In 2006 we have come to grips with the reality of meeting expenses and learned a great deal about the labor requirements needed to deliver services in support of the IETF. This reality has been addressed this year with a realignment of the 2006 budget to address significantly higher than anticipated food and beverage, audio visual and other meeting-related expenses.

In 2007 two thirds of the meetings have been contracted and thus have expenses known under current assumptions; so there is significant confidence in the numbers. The necessary labor increase buys the IETF additional support in meetings; contracting and operational areas, improvements in IT support processing, and reduces the risk of employee turnover with its concomitant adverse impact on service.

Other Meeting Expenses

This is a new category whose purpose is to aggregate the budget elements previously scattered throughout other budget categories that support IETF meetings, but are not part of the NeuStar Secretariat Services contract. This category includes cancellation insurance, meeting venue costs, credit card processing fees, travel by IETF volunteers for meeting site tech qualification and other expenses. Significant expenses include meeting venue fees at (an aggressively negotiated) \$100k at non-North American venues, which are expected to be covered through Host sponsorships, and about \$70k per year in credit card fees.

IASA Support

This category includes salaries, short term contracts, tools development, phone, travel, D&O insurance, legal, retreats, etc. In 2006 funds were cut from tools development and short term contracts to meet needs in meeting expenses. By mid-September the business process and tool development delivery issues had been completed to begin the ID Submission Tool development, and while specs, proposals and bids are underway, additional tool development could not begin before year's end, thus obviating the need for additional funding. In 2007 short term contracts funding has been reduced 75% from 2006 to \$50k; and tools funding reflects non-capitalized development of \$20k compared to \$200k in 2006. Capitalized tools development is amortized over three years and is reflected as part of the ISOC G&A in 2007 and in the Tools Depreciation category in 2008 and 2009. Actual cash outlays for tools development, including capitalized and non-capitalized software development are \$250k, \$225k and \$200k for years 2007 – 2009. Other expenses reflect cost of living increments.

IETF and IAB Support

These categories include phone, travel, D&O insurance, travel, retreats/workshops, etc. Increases above cost of living include the provision of funds adequate to cover expenses of two retreats per year.

Trust Expenses

The trust has two expense categories, legal and insurance. The legal is higher than originally forecast, but is based upon this year's experience and anticipated requirements for 2007.

Conclusion and Recommendation

While expenses are rising 9% in 2007 over 2006, over the three year period 2007 – 2009, the average increase is less than 6% per year – directionally into a state of stability with reduced risk of surprise and manageable increases close to a cost of living pace.

Sixteen months after formation, the IAOC has greater insight into IETF service requirements and a high degree of confidence in its expense and revenue estimates. The IAOC and IAD recommend the ISOC Board approve the 2007 – 2009 IASA Budget.