



2018 Budget Narrative

Executive Summary

2018 IETF expenses are budgeted to be the same as 2017 - \$7 million. However, the IETF 2018 meeting revenues are budgeted to be roughly \$300,000 less, which reflect the impact of the declines in attendance over the past two years and recalibration of sponsorship expectations.

The IAOC is reconsidering aspects of the IETF budget model. While that process begins, the IAOC is considering modifying the meeting registration categories and the timing of early-bird (\$700) versus full registration (\$875) fees. No overall all meeting registration fee increase is planned in 2018. There is a \$360,396 increase in the Internet Society direct contribution in 2018.

Registration revenue is currently forecast to increase more than 10% in 2019, and 3%+ in 2020 and annually thereafter. Sponsorship targets are forecast to be increased \$250,000 each in 2019 and 2020. The IASA 2.0 review of the IETF's administrative structure as well as the budget model reconsideration may impact these forecasts and next year's actual budget.

The following summarizes 2017 actuals, the 2018 budget and projections for 2019 and 2020: *(Note, the 2017 numbers are unaudited and numbers may be adjusted based on the 2017 annual audit.)*

IASA 2017 Actuals, 2018 Budget & 2019-2020 Advice				
	2017	2018	2019	2020
Meeting Revenue	\$4,205,690	\$3,908,825	\$4,153,950	\$4,419,028
ISOC Direct Contribution	\$2,647,378	\$3,007,774	\$2,932,599	\$2,702,260
In-Kind Contribution		\$113,000	\$113,000	\$113,000
Total Revenue	\$6,853,068	\$7,029,599	\$7,199,549	\$7,234,288
Total Meeting Expenses	\$2,994,744	\$3,089,369	\$3,170,545	\$3,213,560
Total Operating Expenses	\$3,858,323	\$3,940,230	\$4,029,004	\$4,020,728
Total In-Kind Contribution		\$113,000	\$113,000	\$113,000
Total Expenses	\$6,853,067	\$7,029,599	\$7,199,549	\$7,234,288
ISOC Direct Contribution w/Cap Invest	\$2,713,004	\$3,320,771	\$3,145,552	\$2,925,294

2018 Revenues

Registration revenue for 2018 is expected to be \$2.1M. This 2018 projection falls in line with the actual 2017 registration of \$2.163M received last year. Paid attendees averaged

175 lower than anticipated at the three meetings in 2017 and in 2016. For example, IETF 100 was budgeted for 1,240 paid registrations; however, only realized 975 of the projected number. The reasons behind the decline in attendance are not completely understood, but we have seen a reduction in the number of attendees from certain companies and an increase in the number attending sessions remotely.

The sponsorship revenue target for 2017 had been increased from prior years in anticipation of corporate interest in supporting IETF 100 and new 'precious medals' sponsorships, neither of which materialized. A change was made in mid-2017 from ISOC staff to employ a community member to acquire sponsors. The IAOC also established a Sponsorship Committee consisting of sponsors and community members to assist in developing and identifying sponsorship opportunities and in the crafting of a narrative in support of corporate sponsorships. The sponsorship revenue estimate for 2018 has been recalibrated to more closely reflect the amount of sponsorship revenue the IETF has received in prior years, and also in consideration of this being a transitional time for the sponsorship staff, the IAD, and the administrative structure of the IETF.

2019 & 2020 Revenues

Absent a change in the budget and registration fee model, Registration fees are projected to increase \$75 for all registration categories, except Students, which is about 11% on the Early Bird Fee. In 2020 the fees will increase 3.2%, and is anticipated to increase annually thereafter at about the same percentage. The IAOC expects to revisit registration fees as part of supporting IASA 2.0 changes.

Although the program of sponsorship opportunities is expected to change before 2019, sponsorship targets have been set for an increase of \$250,000 for each year in 2019 and 2020.

2018 Expenses

Meeting expenses are \$3.1M in 2018, changing little from 2017. However, there are significant changes within that area. Specifically, the cost of Secretariat labor attributed to meetings has increased from 25% to 37%, or by \$300K, from \$487K to \$793K. (This increase also includes a contractual increase of 2.25% in Secretariat labor costs). This is the result of a recalibration of Secretariat labor utilization and is intended to provide a truer picture of meeting costs. This change is offset in 2018 by a reduction in costs for meeting food and beverage, AV costs and space, which may vary significantly year-to-year. The provision of remote attendance services and the production of session audio and video archives are budgeted for \$150,000 in 2018.

Operating expenses are \$4M in 2018, also changing little from 2017. Contractual increases of 2% for Secretariat and 2.25% for RFC Production Center costs are reflected in the \$4M, as well as an increase of .5 FTE in RFC Production Center staff. These increases are offset by the shifting of an additional \$300K in Secretariat costs to meeting expenses mentioned above.

Additional changes of note include an estimated increase in administrative costs associated with the hiring of a law firm to replace Jorge Contreras, who retired as IETF counsel after twenty years of service; as well as an estimated expense of replacing the IETF Administrative Director who retired in October. Transition expenses for 2018 have also been increased from 2017 to cover the possible costs of transitioning legal and interim IAD responsibilities.

Noteworthy in the 2018 Budget is the reflection of the assumption and expansion of support being provided by AMS to IASA for administrative and accounting support, which had previously been provided by the Internet Society. This is reflected in the reduction in the cost of ISOC Support Services in the budget and the further breakout of services being provided by AMS to improve transparency.

2019 - 2020 Expenses

Meeting expenses for 2019 and 2020 increase about 2.5% per year due to contractual increases, as well as changes in variable meeting expenses.

Operating expenses increase 2.3% in 2019 and hold steady in 2020. Contract costs for the Secretariat and the RFC Editor function increase by 2.25 % each year, with the exception of the RFC Series Editor, which costs hold steady for 2018 and 2019. In 2020 the RFC Format Tools transition should have been completed, which should result in a reduction in 1 FTE editor for the RFC Production Center. This is the primary reason why the operating costs hold steady in 2020. Capital investment increases in 2018 to support development of new RFC Format Tools which are scheduled to complete in 2019.

The IASA 2.0 recommendations and their implementation timing are unknown but will likely have a significant impact on Operating Expenses for 2019 and 2020.