

[RCC-2] July 1, 2022 - September 30, 2022 Budget Request

The next period of funding for the RCC, Q3, begins July 1st (being applied retroactively i.e., we are late on this proposal). We are beginning proceedings for a proposal and vote to fund the RCC starting on that date, starting with this initial proposal to effect initial comments for a short period of time before beginning a Snapshot vote.

For a detailed breakdown of considerations taken into preparing the year's budget as well as a breakdown of the operational procedure for committee members, please see the first RCC budget proposal [here](#).

Proposal Itemized

- \$1,117,380.00 in ETH is supplied to the RCC multisig wallet from the ETH treasury to allow the RCC to fulfill its need within this 3-month budget period.
- Increase the Master of Validators' base compensation from 10,000 DAI to 16,666.67 DAI per month, to be paid at the end of every calendar month, effective as of July 1, 2022 (i.e. will be reflected in updated mid-year RCC budget).
- 67,017.32 LDO is supplied to the RCC Multisig wallet to disburse LDO LTI rewards that are due within this budget period to persons contributing to Lido via the RCC.

Detailed Proposal

For the past quarter, contributors working directly under the Lido DAO have been doing so via the Resourcing and Compensation Committee (RCC), [formed via a Snapshot vote](#) and then [funded via a Snapshot](#) and [Aragon vote](#) with the Lido DAO for one quarter. The RCC has been an astounding success in achieving what it was created for: allowing the Lido DAO to engage and retain exceptional talent for the three departments (Node Operator Management, Business Development, and Marketing) that currently sit under the Lido DAO. This helped team leads for these departments execute on and progress towards their OKRs, and for the Lido DAO to continue to maintain its status as the leading, most credible, and most well-integrated Liquid Staking (LS) protocol.

Retrospective of prior funding period

We noted in our first proposal that "This budget was designed to ask for too much budget and not spend it, rather than ask for too little and need constant topping up."

This proved to be an accurate description of how the budget turned out in practice. After final disbursements were made for the end of June, ~\$345K/~\$1050K remains on the [RCC multisig](#) address, and as of now, \$164K is still there. This amount is being rolled over and will be used to fund legal costs, marketing expenditure, and general OpEx items that were not spent in the prior quarter. The proposed budget takes big ticket items into account, so spend isn't equal across quarters and the full scope of funds in the budget are needed.

Funds were primarily used to pay salaries for a now 11 FTC base under the three departments, events & marketing costs (engaging with new PR agencies, marketing agencies), some operational and legal costs.

Some bullet points below offer a high-level summary / some insight into how funds were actually used in practice. Credits to Utopia Labs for offering an intuitive interface over Gnosis Safe that has allowed us to easily track everything with a slick metadata overlay :-).

A very rough summary of the expenditure (we're hiring for finance personnel and are in talks with two outside parties who may take on the work, so that's when we'll have more comprehensive but still privacy-preserving retrospective reports on expenditure):

- Contributor Compensation

: ~\$200K was paid out to contributors on the BD team, ~\$80K to contributors on the MKTNG team, and ~\$60K to contributors on the NOM team

- Departmental + FTC OpEx

: ~\$30K-35k was spent on legal fees, ~\$50K-60K was spent on various expense reimbursements that we processed, \$40k on other consulting needs

- Marketing Expenditure

: ~\$170K was spent on sponsorships (i.e., Bankless, events like ETH Barcelona), ~\$26K was spent on merchandising, ~\$60K was spent on Lido-hosted event venues

- there is more, but we're keeping this summary high level

Q3 Budget for NOM, BD, MKTNG, LEGAL

The RCC will need \$1,117,380.00 to fulfill its need within this 3-month budget period.

If this proposal is passed via Snapshot, a proposal to withdraw an amount of ETH shall be made via Aragon with a 5% premium to account for potential slippage and/or price fluctuations.

Likewise, a proposal to move 67,017.32 LDO to the RCC will also be made.

RCC Budget vs. Lido Core Contributors Provisional Budget

Lido DAO contributors published a post on the Lido governance research forum detailing the master budget across the entirety of the Lido DAO core contributor workstreams (WSs). The post discussed the fact that the RCC only covers 3-4 out of the 20 total workstreams that are actively contributing to the Lido DAO, and that the RCC will eventually be disbanded in favor of a more comprehensive, decentralized core units framework that can suitably accommodate for the entirety of Lido DAO's anticipated 83 full-time contributors (FTCs).

This means that this quarter, Q3, will most likely be the final quarter of operation for the RCC, though we could also bleed into Q4 depending on how things move along on the meatspace side of things.

Where that brings us is at the crosshairs between how the RCC Yearly Budget passed via Snapshot vote is different from the numbers allotted to the 3-4 main workstreams under. In the Lido Core Contributors Provisional Budget, we reduced sponsorship expenses from the Marketing Expenditure budget slot, and; so whereas in the RCC Yearly Budget which was passed via Snapshot vote, that was at \$1.8M, in the Lido DAO Core Contributors Provisional Budget, that is at \$1.6M.

The budget model below accommodates for all changes, so it acts as a fractal of the bigger budget with the 20 workstreams. The only thing to watch out for is the LDO totals provided here which are heavily dependent on LDO TWAP used, and is still based on the formula detailed in the Lido DAO Core Contributors Provisional Budget document.

Change to compensation for Master of Validators

[This document on HackMD](#) details the proposal in greater detail.

LDO Long-Term Incentive Scheme

Thus far, the Lido DAO has been giving contributors like the Master of Validators and the Head of Business Development long-term incentive packages in the form of LDO tokens that vest over the course of three years. However, other DAOs like MakerDAO have mechanics in place that allow contributors to reprice their LDO LTI schemes to capture a more attractive price, under the sacrifice of forgoing their current vesting period and token grant package. We're looking at adopting a similar mechanic, though our soon-to-be finance team will make a formal proposal.

Annual Budget

for NOM, BD, MKTNG, LEGAL

A slightly updated budget table is detailed below for the month that only includes minor changes.

Annual

Monthly

Quarterly (Budget Period)

Total budget (USD)

5,350,800.59

445,900.05

1,337,700.15

Anticipated Number of FTCs

16.00

Base comp (USD)

2,141,520.00

178,460.00

535,380.00

NOM (USD)

646,520.00

BD (USD)

795,000.00

MKTNG (USD)

450,000.00

LEGAL (USD)

250,000.00

Token comp, normalized (LDO)*

503,588.91

41,965.74

125,897.23

NOM (LDO)

125,051.43

BD (LDO)

175,195.48

MKTNG (LDO)

84,294.38

LEGAL (LDO)

119,047.619

16 FTCs Total OpEx (USD)

248,000.00

20,666.67

62,000.01

Hardware; laptops, phones, etc; one-time (USD)

48,000.00

Software / Subscriptions (USD)

24,000.00

Continuous Education (USD)

40,000.00

Travel & Expenses; ~2-3 trips / yr (USD)

80,000.00

Gas reimbursements (USD)

8,000.00

Legal costs / reimbursements (USD)

40,000.00

Miscellaneous (USD)

8,000.00

Departments Total OpEx (USD)

420,000.00

35,000.00

105,000.00

Legal costs (USD)

100,000.00

Operations & Gas Costs (USD)

15,000.00

Recruiting/Referral/Sign-On Bonus (USD)

45,000.00

Contingency (USD)

70,000.00

Team off-site (USD)

70,000.00

Operational Management Consulting (USD)

120,000.00

Marketing Expenditure (USD)

1,660,000.00

138,333.33

415,000.00

Sponsorships and Advertising

700,000.00

Community Management

150,000.00

Events

350,000.00

Marketing Agency Support

200,000.00

PR Agency

180,000.00

NOM & BD Department Marketing (Misc)

10,000.00

Merchandise Production

50,000.00

Localization

20,000.00

Budget line item descriptions can be described the same way as in the RCC-1 proposal. Please see below, a repost of the same items from the RCC-1 proposal.

A more detailed budget breakdown is maintained internally by Lido contributors.

Budget Details

*Compensation: For purposes of forecasting a budget only, token grants assume an LDO 120d TWAP of \$1.75 as of 01/08/2022.

Recruiting/Referral/Sign-On Bonus:

Recruiters are going to be critical for discovering talent, and commission for successful hires is often high, especially for more senior roles. We also want to have flexibility with offering significant sign-on bonuses to top candidates. Keep in mind many of these are one-time costs. We will also be looking to the Lido community for self selecting candidates.

Travel:

Conferences and team off sites are going to be critical for Lido in fostering relationships and generating trust in the community. These are vital qualities in a culture that improves collaboration, productivity, and retention.

Conferences in particular also serve a multitude of purposes. DAO members are educated about new developments in the industry, and can apply that knowledge within the RCC and the rest of the DAO. They also are a way for the members to present seminars, giving visibility to potential customers and attracting new talent. Additionally, they serve as hotspots which can be used to connect with potential clients in a much more personal (read effective) manner.

This budget would cover logistics, travel, room, board, team-activities, and conference passes.

Legal:

Coverage for legal costs including entity creation, legal officer/company insurance, as well as monthly and annual financial reporting. This will be highly variable depending on a member's legal jurisdiction.

Operations and Expenses:

General operational overhead including reimbursement for expenses related to the role. This will include things such as gas costs for transaction signing and for currency swaps as different third-parties have different requirements.

Tools/Services/Devices/Software:

New team members will be provided with licenses for essential productivity software as well as equipment, if necessary to complete their roles.

Contingency:

With the pace of change and many unknowns as a new protocol, it is important to account for unexpected costs that arise or prepare for estimates that are off in any particular category. The contingency represents 5% of the total budget and is there to act as a safety buffer.

Marketing Expenditure:

Lido needs to lean hard into its early mover advantage by investing heavily in brand strategy and development, content creation and event sponsorship opportunities. At the same time as standing up an expanded marketing function, we will be looking to improve our efficiency of spend and find scalable repeatable actions that drive measurable results.

Defining Leadership & Oversight Team

The RCC shall also define a leadership & oversight team that participates in the process of voting and achieving social consensus on a token grant multiplier (k), as part of a new 3-year vested token grant option calculation that will be used in the compensation structure for future role proposals and contributor hires. The formula and details of the token grant multiplier will be detailed in role proposals themselves. The RCC's Leadership & Oversight Team shall consist of:

- Isidoros Passadis, Master of Validators
- Jacob Blish, Business Development Lead
- Vasiliy Shapovalov, founding member of Lido

- Konstantin Lomashuk, founding member of Lido

Benefits to Lido

- Streamline the onboarding and operational process of bringing onboard new full time members
- Increase transparency about efficiency of the hiring process and use of funds
- Lower the operating overhead for initiating new teams in the future
- Allow flexibility to try new decentralized governance methods
- Increase community feedback