



**Nechako-Kitamaat  
Development Fund Society**

**- Business Plan -**

**2006 – 2007**

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**NKDF BUSINESS PLAN**

# 2006 – 2007 NKDF Business Plan

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## EXECUTIVE SUMMARY

Nechako-Kitamaat Development Fund Society (NKDF) was incorporated on August 18, 1999 for the purpose of supporting sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The Society spends the income from its long-term investments on programs and projects that meet each community's goals for sustainable economic development and community stability.

The government of British Columbia and Alcan Inc. each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. Of the \$15 million, \$5 million was allocated to a working fund and \$10 million was used to establish an economic development Legacy Fund in perpetuity.

Local governments and legally incorporated non-profit organizations are eligible to apply for NKDF funds. While remaining open to partnering in larger regional projects, the Society encourages applications from the following communities and surrounding areas:

District of Vanderhoof	Stellat'en First Nation	Skin Tye Band
Saik'uz First Nation	Village of Burns Lake	Cheslatta Carrier Nation
Fort Fraser	Ootsa Lake	Kitamaat Village
Nadleh Whut'en Band	Burns Lake Band	
Village of Fraser Lake	Nee Tahi Buhn Band	

Since its inception, NKDF has approved more than \$3.4 million for economic and community development projects in the communities across the investment area. This year's goal is to invest a further \$600,000 in grants while maintaining administration costs at a low level.

The Society requests that an appropriation in the amount of \$300,000 from the BC Investment Management Corporation be transferred to the Society prior to the end of the fiscal year.

This business plan details how the Directors will continue to keep program uptake at a high level while maintaining the legacy investment fund in perpetuity.

## INTRODUCTION

### ***Mandate***

The Nechako-Kitamaat Development Fund (NKDF) Society's mandate is:

To support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. NKDF spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability.

### ***Background of the Fund***

In 1997, as part of a resolution of legal issues surrounding the cancellation of the Kemano Completion Project in northwestern British Columbia, the government of British Columbia and Alcan Inc. each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. The *BC-Alcan Northern Development Fund Act* was passed, setting up a legal structure for the Fund.

Following advice from a regional advisory Board, the NKDF Society was incorporated on August 18, 1999 with a mandate as set out above. The Minister for Economic Development appoints Board members to represent the communities of the Nechako-Kitamaat area.

### ***How and Where the Fund Invests***

Any legally incorporated non-profit organization or community government in BC is eligible to apply for funding from the NKDFS.

The investment area for the NKDF is normally limited to those communities with evidence of impacts from Alcan's Nechako Reservoir and Kemano power project. Eligible applicants are local governments and legally incorporated non-profit organizations. The Society encourages applications from the following communities:

District of Vanderhoof	Stellat'en First Nation	Skin Tyee Band
Saik'uz First Nation	Village of Burns Lake	Cheslatta Carrier Nation
Fort Fraser	Ootsa Lake	Kitamaat Village
Nadleh Whut'en Band	Burns Lake Band	
Village of Fraser Lake	Nee Tahi Buhn Band	

Applications may be accepted from other areas of Northwestern BC, provided the listed communities receive direct economic benefits from the project and demonstrate their support for the project.

***Nechako-Kitamaat Development Fund Society Guiding Principles***

COMMUNITY ECONOMIC DEVELOPMENT	The NKDF will invest in community economic development projects and/or programs that are supported by the community, as long as they do not subsidize private business.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of the NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between communities. Consideration will be given to proposals from outside the Nechako Region and Kitamaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The majority of NKDF Directors will reside in the investment area. The Board will determine the ongoing management of the Fund consistent with provincial government policy.
BENEFITTING FUND	The Fund is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The Fund can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The Fund will not duplicate but may augment existing economic development programs.
WORKING FUND	\$5 million from the original \$15 million Fund is in a working fund to invest in current grant programs.
LEGACY FUND	\$10 million from the original \$15 million Fund is in a legacy fund, which will be invested to reach \$15 million. * Income from this \$15 million will finance activities into the future.

\* Fund investments are managed by the British Columbia Investment Management Corporation. Monies of the Northern Development Fund – to be used in support of the programs of the NKDF Society – are in investment vehicles that are generally conservative but that also provide some opportunities for growth.

## **MANAGEMENT STRUCTURE**

### ***Managing the Society's Operations and Projects***

The Manager is responsible for overseeing the operations of the Society, and takes direction from the Chair between Board meetings. The Manager's detailed job description is in Appendix B, sections 7.4- 7.5.

### ***Managing the Society's Finances***

The Chair, the Secretary-Treasurer and the Manager will have signing authority on chequing accounts for administration and grants, on term deposits and on the investments held with Phillips, Hager and North. The balance of the Northern Development Fund is held and managed by the British Columbia Investment Management Corporation.

Chequing accounts are interest-bearing in local credit unions, with amounts surplus to 90-day requirements to be invested in higher-earning but cashable term deposits. All cheques require two signers.

The Manager maintains all NKDF financial records on a monthly basis using Simply Accounting software and the Board will appoint an accounting firm at each Annual General Meeting to perform an independent review of year-end finances. The firm chosen to conduct the annual reviews since the Society's incorporation is Edmison Mehr of Smithers, BC.

A Finance Committee (convened as required) develops and reviews investment policies and select investment vehicles in a competitive process to ensure NKDF funds are invested conservatively and with the best rates of return possible. The Board will provide input to and final approval for these decisions. The Board will receive quarterly reports from investment firms and review them regularly for compliance with the investment policy.

The only private investment firm still holding NKDF funds is Phillips, Hager & North (PHN), selected in August 2001 to be the investment Manager for \$1.4 million of the \$2.5 million transfer from the BCIMC. In keeping with the post-performance review strategy, the Board has shortened the investment time frame on PHN-managed funds. Accordingly, PHN fund Managers are maintaining approximately half of the Society's funds in money market vehicles and are preparing to liquidate the fund as-needed.

### ***Managing the Society's Meetings and Decision-Making Processes***

The Board holds up to 6 meetings each year, with additional meetings or conference calls as required. Meetings will be rotated throughout the communities in the investment area, with parts of each meeting open to the public. The decision-making method is consensus. (For more details, see Appendix B, Policies and Procedures)

Public accountability is created by:

- Allowing delegations and visitors to portions of each Board meeting.
- Making decision records publicly available upon request.

- Having a representative of the provincial government at each Board meeting and maintaining communication between the Manager and this representative between meetings regarding significant issues as they arise.
- Providing an Annual Report to the funding partners (the Provincial Government, Alcan and the public), both by distributing individual copies on request and by posting it on the Society's web page. [www.nkdf.org](http://www.nkdf.org)
- Preparing an annual Business Plan with performance measures and targets, also to be available to the public on the web page.
- Having a public process for selecting Board members, consisting of a minimum of two weeks of advertising in local papers, and sending an invitation to all local, municipal and aboriginal governments to nominate Directors to the Board whenever a vacancy occurs. All candidates are then ranked according to objective criteria listed in the Director's job description and sent to the Provincial Government for consideration.

### ***Managing Evaluation of the Society's Operations and Programs***

Measuring the Society's performance goals will be done annually. There will continue to be an annual internal evaluation of NKDF operations and programs by the end of March with results to be summarized in the Annual Report. The Society Chair will lead the evaluation with participation from the Board and Manager. The evaluation will be based on the following:

- What is working well?
- What is not working well?
- Are we achieving the goals stated in the year's business plan?
- If not, what obstacles are we encountering and how might they be removed?

The annual report will evaluate the adherence to the Guiding Principles and accomplishments in funding economic development projects.

There will be an annual evaluation of management services three months prior to contract expiry. The Chair will lead the evaluation, with participation from the Board and Manager. The evaluation will be based on the contract deliverables, with each deliverable being reviewed according to the following:

- Was each deliverable completed as expected?
- If not, how did the outcome differ from expected?
- What can we learn from our experiences?
- What is working well?
- What is not working well?
- How can we improve our administration?
- What can we do about those obstacles?
- What can we do to make improvements or changes?

The Board will reconsider the need for an independent evaluation in 2006-2007.

***Managing the Society's Communications***

The Manager develops and implements a communications strategy, using media releases, a web-site ([www.nkdf.org](http://www.nkdf.org)) and by direct contact with local, provincial and federal agencies. This strategy has six goals:

- a) To create an identifiable regional image for the Nechako-Kitamaat Development Fund Society and its funding partners, the Provincial Government and Alcan;
- b) To inform prospective applicants about the Fund, its purpose, priorities and how to apply for funding;
- c) To inform related agencies / individuals about the economic development projects financed by the Fund;
- d) To raise and maintain the profile of the Board members in their home communities and throughout the Fund area;
- e) To comply with provincial government reporting requirements;
- f) To track and evaluate the effectiveness of all communications.

## **PROGRAM ADMINISTRATION**

While the amount spent on administration during 2005-2006 was lower than the previous fiscal, the ratio of administration costs to the value of approved grants increased to 11.6%. This is because of the reduced grant investment of \$623,169. Although much smaller in size, the Society strives to maintain the ratio of administrative costs to grants consistent with performance targets of similar funding organizations, such as the Columbia Basin Trust and the Gwaii Trust.

### ***Business Loans Program***

The former business loan program has been cancelled. While the program is no longer offering any new loans, principal and interest amounts are still receivable from one lending partner, the Community Futures Development Corporations of Stuart-Nechako (Vanderhoof).

The repaid principal and interest will be used to support the Society's grant and administration programs. The outstanding principal receivable as of April 1, 2006 is \$33,228.

### ***Community Grant Programs***

The Society approved \$623,169 in grants during the 2005-2006 fiscal, bringing the three year average to \$885,742. In order to preserve the fund's perpetuity, this target may have to be reduced in future years. The goal for 2006-2007 is to make \$600,000 in grants available to qualifying community organizations throughout the investment area. For further information on this factor, please see the fiscal plan on page 12.

This success can be attributed to several steps:

- 1) We have expanded the direct investment area to include Burns Lake and Fraser Lake, increasing the number of communities directly eligible for funding.
- 2) We have responded to the communities' request for assistance in developing proposals by allocating more of the Manager's time and setting up a special program allowing us to share the cost of hiring professional assistance. This removes barriers faced by less experienced proponents
- 3) We have improved awareness of the fund over time with repeated visits to and correspondence with the communities in the investment area.

Based on current enquiries to the Society, the Board anticipates a continued high demand for grants. In addition to the policy changes noted above, the Board has instructed the Manager to take several further steps to seek out new economic development opportunities for the Fund. For example, the Manager monitors local newspapers for other funding announcements and invites the proponents to apply for matching funds from the NKDF. The Manager also speaks directly to Managers of other funding sources to discover emerging projects.

Grants will be awarded to a range of community economic development projects in a timely and fair manner, based on evaluation criteria provided in the guidelines. The Manager will evaluate the proposals using the review tool (see next page), giving the proponents every reasonable opportunity to revise the proposal before the final deadline.

Grants criteria will be reviewed at the first Board meeting of the fiscal year, to respond to concerns raised over the past few years about clarity, consistency and fairness. Directors will discuss the merits of setting limits on certain kinds of projects (e.g. recreational or social) and explore new categories of funding to respond to emerging needs in the area.

At the same meeting, Directors will discuss ways of measuring outcomes of funded projects. This will assist internal or external evaluators to determine the return on investments made to NKDF-sponsored programs.

Cheques will be issued only after both parties sign a legally binding contribution agreement, spelling out the terms and conditions of project evaluation, proponent reporting and NKDF funding. This contribution agreement was revised last year to include performance measures and to be more consistent with the legal documents in other provincial programs. The Manager or a sub-contractor approved by the Board will evaluate all funded projects before releasing a final 10% value of the grant to ensure that the project meets the terms of the contribution agreement.

The entire grant program will be evaluated annually before the end the fiscal year with results to be summarized in the Annual Report. The evaluation will cover:

- How many, what types and what dollar value of projects were approved and actually funded?
- How many proposals were rejected and why?
- Were the overall results/benefits achieved or not achieved?
- If anticipated results were not achieved, what happened? What can we learn?
- Did we achieve regionally equitable distribution?
- Is the reporting/communications from successful applicants adequate?
- Have the funded projects met the Guiding Principles and Mandate of the Society?
- If not, what happened? What can we learn? Should the Guiding Principles and Mandate be refined to reflect emerging needs in the investment area?
- Has anyone complained about a grant because it appeared to be subsidizing a business, or for any other reason? If so, what adjustments need to be made, if any?
- What can we do to improve program delivery and effectiveness?

*For more information on the grants program, see Appendix C, Program Guidelines.*

**Proposal Evaluation Tool (Confidential When Complete)**

*(Completed by the Manager and attached to each proposal to assist the Board in its deliberations.)*

- 1. Project benefits / strengths**
- 2. Project weaknesses / risks**
- 3. Communications opportunities for NKDF**
- 4. How does this address regional equity?**
- 5. Linkages with other agencies' funding**
- 6. Other considerations:** (e.g. links to other projects or strategies, previous planning in a community, current issues, catalyst for other activities, proponent history, etc.)

<b>Priority Area</b>	<b>Yes</b>	<b>No</b>	<b>Indicator</b>
Did the Society assist with project development?			Type and amount of Director / Manager support
Does the project subsidize business?			No competitive advantage to one firm or individual over another.
Does the project have measurable outcomes?			See specific indicators below
Does the project create new long-term jobs?			# of jobs: Direct & indirect Seasonal/ Full-time / part-time
Does the project help community acquire investment?			Description - what and how? Dollar estimate Potential results and spin-offs
Does the project increase competitiveness of business sector?			Description - how? Dollar estimate Potential results and spin-offs
Does the project help to remove constraints to development?			What constraints? Dollar estimate Potential results and spin-offs
Does the project help to promote economic activity?			What activity - new / augment existing? Dollar estimate Potential results and spin-offs
Does the project create social benefits?			Long-term benefits: Short term benefits:
Does the project build community capacity?			For what? Dollar estimate Potential results and spin-offs
Is the project sustainable?			Long-term plan included? Realistic projections? Potential impact

**Options for Board Consideration:**

1. Do not fund. (Describe the up and downsides of this option)
2. Fund as requested. (Describe up and downsides to this option)
3. Fund with conditions.

**Community Legacy Fund**

In 1998, after extensive consultation with the communities, the Advisory Board recommended that a permanent Northern Development Fund, which is sustained through investment, will fund programs and projects with goals of economic development and community stability.

The Advisory Board recommended that the \$15 million Northern Development Fund be managed through two pathways:

- 1) \$10 million becomes a legacy fund, invested on a long term horizon to grow the fund to a minimum value of \$15 million. The Legacy Fund is solely managed by the British Columbia Investment Management Corporation.
- 2) The remaining \$5 million would serve as the operating fund for the Society. The \$500,000 appropriation to the Society in March 2006 brings the total transferred to the original \$5 million goal.

**2006 – 2007 FISCAL PLAN**

The Board has set a target of approving \$600,000 for community economic development grants in the region this year. The market value of funds remaining in the Society’s accounts as of April 1, 2006, was \$2,873,446 including the value of outstanding loans receivable from the former business loans program. The total spending expected during the 2006-2007 fiscal year is \$1,572,540.

**Table 1 (summarizes the spending plan for 2006-2007)**

<b>Item</b>	<b>2006-2007 Projected Expenses</b>	<b>2006-2007 Projected Income</b>	<b>2006-2007 Net Income</b>
Administration Costs	\$ 79,747		
Prior Year Grant Program Commitments	\$ 1,082,793		
New Grant Program Expenditures	\$ 400,000		
Project Development Assistance	\$ 10,000		
Investment Income		\$ 93,987	
Transfer From BCIMC		\$ 300,000	
Loan Program Receivable		\$ 33,228	
<b>TOTAL</b>	<b>\$1,572,540</b>	<b>\$427,215</b>	<b>-\$1,145,325</b>

For more detail on expenses, see Appendix A: 2006-2007 Budget Projections.

### **Five Year Fiscal Plan**

The Fund was established with the purpose of benefiting communities in the investment area for as long as the Alcan-Kemano power project continued to affect the region.

To meet that objective, the Board of Directors has to balance two “bottom lines” in their spending strategy: one bottom line is to invest in and support current economic development activities in the investment area and the other is to establish an economic development Legacy Fund in perpetuity. This five-year plan represents a compromise between the needs of the area for immediate investment and the need to honour the principle of perpetuity established by the Advisory Board.

The goal for this year’s grant program is to award \$600,000 in new grants for community projects. (see Table 2 below).

This plan will be reviewed on an annual basis to incorporate new information on operating account interest rates and rates of earnings on British Columbia Investment Management Corporation investments. As rates change, the spending plan can shift accordingly to maintain at least a \$15 million balance.

We are proposing that the \$300,000 appropriation made this year in the government’s budget process be transferred during this fiscal year, and that the projected annual payments are made to provide clarity and predictability for the BCIMC fund Managers.

**Table 2: 5 Year Plan (assuming annual transfers from BCIMC as indicated)**

	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2009-11</b>
Opening Balance NKDF Assets	\$2,873,446	\$1,724,001	\$1,416,361	\$1,096,415	\$763,672
Transfers from BCIMC	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Prior Year Grant Commitments	(\$1,082,783)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
New Grant Expenditures	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)
Administration	(\$80,000)	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)
Investment Income Assumption	4.00%	4.00%	4.00%	4.00%	4.00%
NKDF Earnings	\$113,338	\$67,360	\$55,054	\$42,257	\$28,947
<b>Closing balance NKDF funds</b>	<b>\$1,724,001</b>	<b>\$1,416,361</b>	<b>\$1,096,415</b>	<b>\$763,672</b>	<b>\$417,619</b>
Opening Balance BCIMC	\$14,678,620	\$14,818,979	\$14,963,548	\$15,112,454	\$15,265,828
Investment Income Assumption	3.00%	3.00%	3.00%	3.00%	3.00%
BCIMC Earnings	\$440,359	\$444,569	\$448,906	\$453,374	\$457,975
Transfers from BCIMC to NKDF	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)
<b>Closing Balance BCIMC Fund</b>	<b>\$14,818,979</b>	<b>\$14,963,548</b>	<b>\$15,112,454</b>	<b>\$15,265,828</b>	<b>\$15,423,803</b>
<b>Total BCIMC / NKDF Assets</b>	<b>\$16,542,980</b>	<b>\$16,379,909</b>	<b>\$16,208,870</b>	<b>\$16,029,500</b>	<b>\$15,841,422</b>

## Appendix A: Budget Projections

<b>PROJECTED OPERATING BUDGET</b>	<b>2005-06</b>	<b>2006-2007 Projected Expenses</b>
	<b>Actual 2003-05</b>	<b>Expenses</b>
Accounting/legal Services	2,827	2,700
Communications / Advertising	1,633	1,800
Bank Fees	32	50
Goods and Services Tax	2,701	0
Directors' Fees and Expenses	9,714	15,000
Board Meeting Costs (food, room rental)	1,998	2,200
Insurance	1,137	1,200
Office (p'copy, courier, supplies)	1,710	2,000
Manager (fees, travel)	50,593	51,282
Contractor Fees and Expenses	0	500
Telephone Costs (incl. Conf. Calls)	1,913	2,500
Society Act Costs	25	25
Admin on Loans Program	0	0
<b>Total Operations Expenses/Income</b>	<b>74,283</b>	<b>79,257</b>