



**Nechako-Kitamaat
Development Fund Society**

- Business Plan -

2012 – 2013

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NKDF BUSINESS PLAN

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 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:

- | | | |
|-----------------------------|----------------------------|----------------------------|
| 1. Kitamaat Village | 6. Village of Burns Lake | 11. Nadleh Whut'en Band |
| 2. Southside | 7. Burns Lake Band | 12. Fort Fraser |
| 3. Nee Tahi Buhn Band | 8. Lake Babine Nation | 13. District of Vanderhoof |
| 4. Cheslatta Carrier Nation | 9. Stellat'en First Nation | 14. Saik'uz First Nation |
| 5. Skin Tyee Band | 10. Village of Fraser Lake | |

Since inception, NKDF has approved \$7,247,343 for economic development and community stability projects across the investment area. The following table shows the dollar value of approvals for each year of operation (adjusted for slippage and cancelled projects).

Year	Approvals
1999-2003	\$748,331
2003-2004	1,172,097
2004-2005	986,959
2005-2006	623,169
2006-2007	600,000
2007-2008	730,517
2008-2009	711,590
2009-2010	727,998
2010-2011	547,043
2011-2012	399,639
All Years	\$7,247,343

In the 2012-2013 fiscal year, the Society plans to make \$500,000 available for grants while keeping administration costs low. The Society will request a transfer in the amount of \$500,000 from the BC Investment Management Corporation.

This business plan details how the Board of Directors will maintain a rigorous grant program uptake across the NKDF investment area, while continuing to grow the legacy investment fund at a modest rate.

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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 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 Jobs, Tourism and Innovation 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:

- | | | |
|-----------------------------|----------------------------|----------------------------|
| 1. Kitamaat Village | 6. Village of Burns Lake | 11. Nadleh Whut'en Band |
| 2. Southside | 7. Burns Lake Band | 12. Fort Fraser |
| 3. Nee Tahi Buhn Band | 8. Lake Babine Nation | 13. District of Vanderhoof |
| 4. Cheslatta Carrier Nation | 9. Stellat'en First Nation | 14. Saik'uz First Nation |
| 5. Skin Tyee Band | 10. Village of Fraser Lake | |

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.

Of the original \$15 million, \$5 million was provided to NKDF to be used as a working fund to invest in grant programs. The remaining \$10 million of the original \$15 million was placed into a legacy fund with the goal of investing and growing the fund to \$15 million, and the income from the legacy fund to be used to finance NKDF grant programs into the future.

Fund investments are managed by the provincial government, through the Office of the Chief Investment Officer. Monies of the Northern Development Fund—to be used in support of the programs of the NKDF Society—are in investment vehicles which are generally conservative but which 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 appoints an accounting firm at each Annual General Meeting to perform an independent review of year-end finances. Edmison-Mehr Chartered Accountants of Smithers, BC has conducted the annual reviews since the Society's incorporation.

The Finance Committee (convened as needed) 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 makes the final decisions on all Finance Committee recommendations. The Board receives quarterly reports from investment firms and reviews 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 maintain approximately half of the invested funds in money market vehicles and are prepared 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.
- Maintaining communication between the Manager and a representative of the provincial government between meetings regarding significant issues as they arise.
- Providing an Annual Report to the funding partners (the Provincial Government, Rio Tinto Alcan and the public), both by distributing individual copies on request and by posting it at the Society's website. www.nkdf.org
- Preparing an annual Business Plan with performance measures and targets, also to be available to the public at the website.
- 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?

Managing the Society's Communications

The Manager develops and implements a communications strategy, using media releases, a web-site (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

The amount spent on administration during 2011-2012 was once again lower than projected, due in part to a decision by the Board to conduct more meetings via teleconference to reduce travelling during the winter months. This year the ratio of administration costs to approved grants, at 20%, was a little higher than it has been historically. This was due to the lesser amount in approved grants for the fiscal. Although much smaller than the other Trusts, the Board of Directors strives to maintain the ratio of administrative costs to grants in line with comparable costs of similar funding organizations.

Community Grant Programs

The Society approved \$399,639 in grants during the 2011-2012 fiscal, bringing the grants approved since inception to a total of \$7,247,343. During the 2012-2013 fiscal year, the Society will make \$500,000 available for grants to qualifying organizations throughout the investment area. For further information on this projection, please see the fiscal plan on page 12.

The success of the grant program can be attributed to a number of factors:

1. Improved awareness of the fund over time with regular visits to and correspondence with the communities in the investment area.
2. Promotion in the local media by highlighting successful projects, people and organizations throughout the investment area.

Based on current enquiries to the Society, the Board anticipates a continued high demand for grants. In addition to the factors noted above, the Board is creating a framework for ongoing evaluation of NKDF as an organization, and the grant program. The framework will identify the evaluation points, methods and processes for measuring and reporting results into the future.

Nechako-Kitimaat Development Fund Society Business Plan 2012 - 2013

Grants will be awarded to a range of community and 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 page 10), giving the proponents every reasonable opportunity to revise their proposals before the final deadline.

Cheques will be issued only after both parties sign a legally binding contribution agreement, detailing the terms and conditions of project evaluation, proponent reporting and NKDF funding. The contribution agreement was revised in 2005 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 refer to *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.)

Priority Area	Yes	No	Indicator
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.

2012–2013 FISCAL PLAN

The Board has set a target of \$500,000 for community economic development grants in the region this year. At April 1, 2012, NKDF assets are valued at \$1,738,515.

Table 1 (summarizes the spending plan for 2012-2013)

Item	2012-2013 Projected Expenses	2012-2013 Projected Income	2012-2013 Net Income
Administration Costs	\$96,521		
Prior Year Grant Program Commitments	551,619		
New Grant Program Expenditures	500,000		
Investment Income		33,970	
Transfer From BCIMC		500,000	
TOTAL	\$1,148,140.00	533,970	(614,170)

For more detail on expenses, see *Appendix A: 2012-2013 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 balance between the needs of the area for immediate investment and the need to honour the principle of perpetuity established by the Advisory Board.

This year the Society plans to make \$500,000 available for 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.

The Board of Directors will request a transfer in the amount of \$500,000 for 2012-2013, as well as requesting that \$500,000 be appropriated for the 2013-2014 fiscal year.

Table 2: 5 Year Plan

5-YEAR FINANCIAL PLAN	2012-13	2012-14	2012-15	2012-16	2012-17
Opening Balance NKDF Assets	\$1,738,515	\$1,124,345	\$1,048,511	\$970,160	\$889,243
Transfers from BCIMC	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Prior Year Grant Commitments	(\$551,619)				
New Grant Commitments	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Administration	(\$96,521)	(\$97,521)	(\$98,521)	(\$99,521)	(\$100,521)
Investment Income Assumption	2.00%	2.00%	2.00%	2.00%	2.00%
Earnings - PHN, Integris, Other	\$33,970	\$21,687	\$20,170	\$18,603	\$16,985
Closing balance NKDF funds	\$1,124,345	\$1,048,511	\$970,160	\$889,243	\$805,707
Opening Balance BCIMC	\$15,692,004	\$15,960,912	\$16,242,997	\$16,538,904	\$16,849,310
Investment Income Assumption	4.90%	4.90%	4.90%	4.90%	4.90%
BCIMC Earnings	\$768,908	\$782,085	\$795,907	\$810,406	\$825,616
Transfers from BCIMC to NKDF	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Closing Balance BCIMC Funds	\$15,960,912	\$16,242,997	\$16,538,904	\$16,849,310	\$17,174,926
Total BCIMC / NKDF Assets	\$17,085,258	\$17,291,508	\$17,509,064	\$17,738,553	\$17,980,633

Appendix A: Budget Projections

OPERATING BUDGET	2011-2012	2012-2013
	Actual	Projected
Accounting and Audit Services	3,292	4,783
Advertising and Promotion	3,490	1,500
Bank Fees	66	100
Honorariums	5,996	9,500
Insurance	817	1,100
Office	3,002	3,100
Other		5,000
Subcontract - Manager	55,049	53,438
Subcontract - Other		
Telephone	1,816	2,000
Travel and Meetings - Board	4,368	6,000
Travel and Meetings - Manager	4,010	10,000
Total Operations Expenses/Income	82,906	96,521

GRANT BUDGET	2011-2012	2012-2013
	Actual	Projected
Community Grants	391,746	600,000
Total Grant Expenses	391,746	500,000