



**Nechako-Kitamaat  
Development Fund Society**

**- Business Plan -**

**2019– 2020**

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The Society can be reached c/o Manager, Dan Boudreau, Britta Boudreau  
E-mail: [manager@nkdf.org](mailto:manager@nkdf.org)  
Mail: 7142 Guelph Crescent, Prince George, BC, V2N 4A4  
Phone: 250.964.4066. Toll-free 877.478.3863  
Web-site: <http://www.nkdf.org/>

**NKDF BUSINESS PLAN**

# 1. EXECUTIVE SUMMARY

Nechako-Kitamaat Development Fund Society (NKDF) incorporated on August 18, 1999 for the purpose of supporting sustainable economic activity in northern communities affected by the Kitimat-Kemano project and 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 Aluminum Limited (Rio Tinto) 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 a Legacy Fund.

Local governments and legally incorporated non-profit organizations are eligible to apply for NKDF funds. This year the Board will remain open to partnering in larger regional projects within the investment area, and continue to encourage applications from the following communities:

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

Since inception, NKDF has approved 355 grants to a total of \$10,909,025 in grants for economic development and community stability projects across the investment area.

During the past 20 years, NKDF has established a proven track record when it comes to all aspects of funding administration, including evaluation of project applications and working closely with recipients from project concept through to completion. For the past number of years, the demand for funds has exceeded the amount available for grants. At the same time, the "legacy" portion of the Northern Development Fund, held in investments with BC Investment Management Corporation (BCI), barely returns enough interest to keep pace with the Board's annual grant funding targets of \$500,000. The conservative rates of return do not allow any opportunity to increase the amount of grants to communities or to keep pace with inflation. Other than reducing the grants to the affected communities, there is no opportunity to grow the legacy fund to meet its objective of funding economic development and community stability initiatives in the impacted Haisla and Nechako regions in perpetuity. This year, the Board will seek ways and means to raise capital in order to increase NKDF's economic impact in the investment area.

While Directors work toward securing more capital, the Board plans to invest \$500,000 in grants for projects across the investment area during the 2019-2020 fiscal. The Board of Directors have requested a transfer in the amount of \$500,000 from the Provincial Government.

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## 2. INTRODUCTION

### ***Mandate***

The Nechako-Kitamaat Development Fund Society's funding programs are designed to support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The NKDF Society spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability, as defined in the strategic and economic development plans.

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

Nechako-Kitamaat Development Fund Society was founded as a result of an out-of-court settlement (the BC-Alcan 1997 Agreement). Signed on August 5, 1997, the BC-Alcan 1997 Agreement settled the legal issues between Alcan Aluminum Limited and the BC Government that arose from the cancellation of the Kemano Completion Project. In 1997, the Government of British Columbia and Alcan Aluminum Limited each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. In January 1998, an advisory Board for the Northern Development Fund was formed to advise the government on how to best manage the \$15 million most effectively.

In April 1998, the legislature passed Bill 5, the "BC-Alcan Northern Development Fund Act." Enabled by this Act, and by the recommendations of the advisory Board, the NKDF Society was incorporated on August 18, 1999. The Minister of Jobs, Trade and Technology appoints Board members to represent the communities of the Nechako-Kitamaat area. The following is a timeline of events leading up to the incorporation.

- The cancellation of the Kemano Completion Project led to a conflict between the Province of BC and Alcan Aluminum Limited.
- BC-Alcan 1997 Agreement arose from an out-of-court settlement between the Province of BC and Alcan Aluminum Limited.
- The BC-Alcan 1997 Agreement led to the enactment of the BC-Alcan Northern Development Fund Act.
- The BC-Alcan Northern Development Fund Act led to the formation of the Advisory Committee to advise the Minister with respect to payments from the fund.
- Nechako-Kitamaat Development Fund was founded in 1999 to promote sustainable economic development in communities that were directly impacted by the creation of the Nechako Reservoir.

Of the original \$15 million, \$5 million was provided to NKDF to be used as a working fund to invest in projects and 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 investments into the future.

**Guiding Principles**

**Economic Impact**

COMMUNITY ECONOMIC DEVELOPMENT	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 businesses.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.

**Administrative**

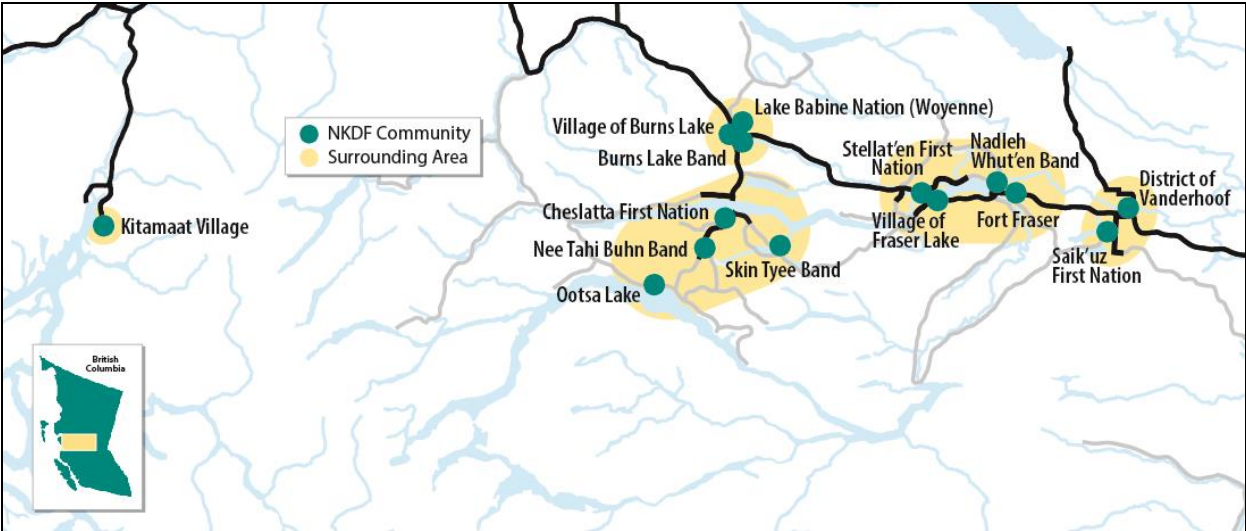
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between eligible communities.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund 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.

Fund investments are managed by the provincial government through the British Columbia Investment Management Corporation (BCI), a provincial Crown Corporation. Monies of the Northern Development Fund—to be used in support of the programs of the NKDF Society—are in low-risk investments which provide little opportunity to grow the legacy fund, but which also protect the fund against significant loss in the event of volatile markets.

**The Investment Area**

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

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



**Meetings and Decision-Making**

The Board meets in person or via conference call a minimum of four times each year, with additional meetings convened as needed. Meetings are held in various communities throughout the investment area, with portions of meetings open to attendance by the public.

Public accountability is created by:

- Encouraging local representatives to attend portions of Board meetings.
- Making decision records publicly available upon request.
- Posting annual reports, audited financial statements, and business plans at the NKDF website.
- Having a public process for selecting Board members, consisting of a minimum of two weeks of advertising and inviting local governments to recommend director candidates whenever a vacancy occurs.

### 3. STRATEGIC PLAN

#### ***Strategic Plan for 2019-2020***

The Board has adopted the following strategies for the 2019-2020 fiscal:

- 1) To fund projects that maximize economic benefits for communities, giving priority to projects that include a regional, connectivity component.
- 2) To canvas communities and organizations to solicit feedback and determine the effectiveness of NKDF programs and potential new initiatives and measure success.
- 3) To explore ways to target funding toward more diverse, collaborative, and regional projects.
- 4) To create a business plan in order to facilitate efforts to increase the capital and investment returns for NKDF programs.

#### ***Funding Program Criteria for 2019-2020***

The funding program supports projects that address one or more of the following key aspects of economic development in the NKDF investment area:

**Infrastructure:** the public facilities, equipment or installations needed to support businesses, jobs, community stability, including items that enhance the quality of life and develop communities' ability to attract and retain residents and businesses. Examples: lighting, transportation, telecommunications, recreation facilities and beautification.

**Planning and Research:** the background information a region or industry sector requires for making sound decisions about future investments. Examples: product testing, market research, needs assessments, surveys and strategic planning.

**Human Development:** the skills training that enable people and organizations to increase employment and economic activity. Examples: workshops and courses.

**Promotion and Brokering:** the process of building new organizations, partnerships and markets. Examples: marketing plans and joint ventures.

#### **Priority will be given to projects that:**

- Fit in the context of long-term community economic development plans that include an implementation plan.
- Enable a community to acquire public or private investment.
- Lead to long-term jobs in the region.
- Promote economic activity and remove constraints from the business sector in the investment area, without subsidizing any individual business.
- Have community buy-in, demonstrated by support letters and donations from local government and other organizations within the local community.
- Have benefits continuing after the funding is invested and the project completed.

### **Costs eligible for NKDF funding**

The fund will not normally cover more than 50% of project costs.<sup>1</sup> In-kind donations are acceptable at market rates and must be verifiable and documented by written commitments from donors. NKDF funds can be used towards:

- Contracted goods and services.
- Capital costs, materials and supplies, excluding the costs of land.
- Incremental labour (wages plus employer costs) and related costs such as supervision, travel, training and skill development.<sup>2</sup>
- Rent or lease of facilities and equipment dedicated to the project.
- Specific administrative costs to a maximum of 10% of a request.

### **Ineligible projects and costs**

Funds cannot be used to:

- Subsidize or compete with private enterprise.
- Pay wages of employees doing their regular jobs.
- Pay GST.
- Pay for any costs incurred prior to a project's start date.
- Pay for sponsorships, such as travel costs for teams or individuals to attend events or prize money for festivals.
- Fund projects which should be funded through municipal or regional district taxation, such as sewer, water, etc.

### **Communications**

The Manager is responsible for developing and implementing a communications strategy, including media releases, a website, a Facebook page, and direct contact with local, provincial and federal agencies.

The Communications Strategy is comprised of six goals:

1. To create an identifiable regional image for the Nechako-Kitimaat Development Fund Society and its funding partners, the Province of BC and Rio Tinto;
2. To inform prospective applicants about the Fund, its purpose, priorities and how to apply for funding;
3. To inform related agencies and individuals about the economic development projects financed by the Fund;
4. To raise and maintain the profile of the Board members in their home communities and throughout the investment area;
5. To comply with provincial government reporting requirements;
6. To track and evaluate the effectiveness of all communications.

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<sup>1</sup> Note: Ineligible costs cannot be used to leverage NKDF funds.

<sup>2</sup> Incremental costs are those expended toward completion of a project, but which would not occur if the project did not exist.



## **4. PROGRAM ADMINISTRATION**

### ***Funding Programs***

The Society approved \$499,303 in funding assistance during the 2018-2019 fiscal, bringing the total approved since inception to \$10,909,025. During the 2019-2020 fiscal, the Society will make \$500,000 available for grants to qualifying organizations throughout the investment area. Of that amount, \$50,000 is targeted for collaborative, regional projects that involve two or more groups and benefit two or more communities. For more information on this projection, refer to [Table 1, page 12](#).

The success of the NKDF funding program over the past two decades has led to considerably more demand than the Society can provide grants for under the current financial structure. The success can be attributed, in part, to the following eight factors:

1. The broad-based structure of the Board of Directors, including eight representatives from communities throughout the investment area, one from the Province of BC, and one from Rio Tinto.
2. The diverse makeup of the Board in terms of experience, expertise, and community-based perspectives, combined with a transparent and candid decision-making process that leads to sound decisions about which projects to support and how much funding to provide.
3. Sound administrative practices, including management of investments, working with applicants and recipients, and overseeing projects from concept to fruition.
4. Responding directly to the needs as prioritized by the people and organizations in each community.
5. Maximizing investment of available dollars back into the communities of the Nechako and Kitimaat regions.
6. Directors create public awareness and profile by attending NKDF events (cheque presentations, grant writing workshops, grand openings, project tours, and visits with local governments) and by promoting the Society within their communities.
7. Residents throughout the investment area are aware of the Society because of ongoing visits by the Manager and Directors, and the promotion of the NKDF brand and logo via signage posted at each funded project location.
8. Promotion on the NKDF website, NKDF Facebook page, and in local media, highlighting successful projects, people and organizations throughout the investment area.

### ***Highlights of 2018-2019***

A total of 355 projects have been approved since 1999 and at March 31<sup>st</sup>, 2019 the total amount approved since inception is \$10,909,025.

It was a significant year for NKDF with requests for funding for eligible projects exceeding the grant budget for the fiscal. The year was characterized by scaling back the amounts requested by applicants in order to stretch scant dollars and partner in as many projects as possible. The Board prioritized projects that maximized economic benefits, while addressing the issues most important to the communities.

Directors and management reached out to and visited local governments in a number of communities, including key representatives for Stelat'en First Nation, Vanderhoof, Fraser Lake, and Burns Lake. Plans are to continue reaching out to key people and organizations throughout the region.

Directors were proud to note that many of the projects partially funded by NKDF played key roles in residents' efforts to battle wildfires across the region. The Fraser Lake Fire Rescue Society Sprinkler Protection Unit was deployed immediately upon arrival and remained on the front lines for most of the 2018 wildfire season. The Unit successfully protected homes, docks, vehicles and outbuilding from the Island Lake Wildfire. Wistaria Hall and the surrounding grounds were used every day by BC Wildfire Service for morning meetings to coordinate the crews, for equipment drop off and pick up, for helicopters to land, and by EMT crews as a base of operations.

The Lakes District Airport was a hub of fire-related activity. The terminal building at the Baker Airport was used as a fire dispatch center. Additionally, the Lakes District Fall Fair Ground was host to more than 400 displaced farm animals through the hottest part of the Southside residents' battle with wildfires.

### ***Annual Evaluation of Grant Program***

The entire funding program will be evaluated at the end of the fiscal and the results will be summarized in the Annual Report. The evaluation will cover:

- How many, what types and what dollar value of projects were approved and funded?
- How much funding was leveraged, and how many jobs were created or maintained?
- 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 of funds?
- Are the reporting/communications from successful applicants adequate?
- Did the funded projects meet the Guiding Principles and Mandate of the Society? If not, why? Should the Guiding Principles and Mandate be refined to reflect emerging needs in the investment area?
- Has the organization received any complaints, and if so, what adjustments need to be made?
- What can we do to improve program delivery and effectiveness?
- How many projects were completed on-time and on-budget?

## 5. 2019–2020 FISCAL PLAN

### *Preparing to Meet Increasing Demand*

August 2019 will mark 20 years since NKDF was established and made responsible to carry out the mandate of the Northern Development Fund Act. During that time, NKDF has established a proven track record, when it comes to all aspects of funding administration, including evaluation of project applications and working closely with recipients from project concept through to completion.

For the past number of years, Directors have observed that the demand for funds exceeds the amount available for grants. At the same time, the “legacy” portion of the Northern Development Fund, held in investments with BCI, scarcely returns enough interest to keep pace with the Board’s fund targets for communities. The conservative rates of return do not allow any opportunity to increase the amount of grants or even the ability to keep pace with inflation. With this in mind, the Board is considering different options to meet the rising demand for funding assistance for community projects, while maintaining the legacy fund in perpetuity, and fulfilling the NKDF / Northern Development Fund mandate. Options under consideration include:

1. Building a business case with which to actively pursue increasing the amount of capital for the legacy fund.
2. Petitioning Ministry of Finance and BCI to increase the amount of transfer payments to NKDF.
3. Tightening guidelines so that only economic criteria are used to evaluate projects.
4. Narrowing the scope of eligible projects (for example, by limiting the size, number, or type of municipal projects, or by raising the amount or percentage of investment in each project by the applicants).
5. Lowering the percentage of assistance for projects.
6. Reducing the amount of funding for grants.

The Board has established a committee to explore ways and means to increase the amount of capital for the legacy fund, with the ultimate goal of making more funding available to communities across the investment area.

### **Five Year Fiscal Plan**

The Fund was established with the purpose of benefiting communities in the investment area for as long as the Kemano power project continued to affect the region. To meet that objective, the Board of Directors must balance two bottom lines in their spending strategy—one bottom line is to invest in and support current economic development activities and the other is to maintain an economic development Legacy Fund in perpetuity.

This business plan is reviewed annually and updated to incorporate new information on operating account interest rates and rates of earnings on BCI investments.

The following five-year plan represents a balance between the needs of the area for immediate investment while maintaining the legacy fund in perpetuity.

This year the Society plans to make \$500,000 available to assist community organizations with matching funding (See Table 1). The Board of Directors has requested a transfer in the amount of \$500,000 for 2019-2020, and that \$500,000 be appropriated for the 2020-2021 fiscal year.

**Table 1: Five Year Financial Plan**

<b>5-YEAR FINANCIAL PLAN</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2020-22</b>	<b>2021-23</b>	<b>2023-24</b>
Anticipated New Grant Targets	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Opening Balance NKDF Assets	\$2,335,066	\$2,316,963	\$2,294,584	\$2,267,630	\$2,235,787
Transfers from BCI	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Grant Payments In Year	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Administration	(\$134,856)	(\$138,227)	(\$141,683)	(\$145,225)	(\$148,856)
Investment Income Assumption	5.00%	5.00%	5.00%	5.00%	5.00%
Earnings - PHN, Integris, Other	\$116,753	\$115,848	\$114,729	\$113,382	\$111,789
<b>Closing balance NKDF funds</b>	<b>\$2,316,963</b>	<b>\$2,294,584</b>	<b>\$2,267,630</b>	<b>\$2,235,787</b>	<b>\$2,198,720</b>
Opening Balance BCI	\$15,349,460	\$15,309,944	\$15,269,242	\$15,227,319	\$15,184,139
Investment Income Assumption	3.00%	3.00%	3.00%	3.00%	3.00%
BCI Earnings	\$460,484	\$459,298	\$458,077	\$456,820	\$455,524
Transfers from BCI to NKDF	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
<b>Closing Balance BCI Funds</b>	<b>\$15,309,944</b>	<b>\$15,269,242</b>	<b>\$15,227,319</b>	<b>\$15,184,139</b>	<b>\$15,139,663</b>
<b>Total BCI Plus NKDF Assets</b>	<b>\$17,626,907</b>	<b>\$17,563,826</b>	<b>\$17,494,950</b>	<b>\$17,419,926</b>	<b>\$17,338,383</b>

## 6. APPENDIX A: BUDGET PROJECTIONS

<b>OPERATING BUDGET</b>	<b>2018-2019</b>	<b>2019-2020</b>
	<b>Actual</b>	<b>Projected</b>
Accounting and Audit	5,765	5,500
Advertising and Promotion	1,762	1,800
Conferences <sup>3</sup>	3,964	5,000
Honoraria	12,850	13,500
Insurance	775	840
Office	1,144	1,200
Server Maintenance	4,905	4,950
Subcontract - Manager	64,613	65,906
Subcontract - Other	414	800
Supplies and Equipment <sup>4</sup>	0	4,500
Telephone	2,259	2,400
Consultant <sup>5</sup>		15,000
Travel and Meetings - Board	9,856	10,000
Travel and Meetings - Manager	2,369	3,500
<b>Total Operations Expenses/Income</b>	<b>110,676</b>	<b>134,896</b>

<b>PROJECT FUNDING BUDGET</b>	<b>2018-2019</b>	<b>2019-2020</b>
	<b>Actual</b>	<b>Projected</b>
<b>Total Project Funding Expenses</b>	<b>\$436,906</b>	<b>\$500,000</b>

<sup>3</sup> To cover costs of attending and representing NKDF at conferences.

<sup>4</sup> To cover the cost of replacing the server during this fiscal.

<sup>5</sup> To hire a consultant to evaluate NKDF and build a business case to increase capital.