

Northern Development Fund Advisory Board Recommendations Document

July 20, 1998

Background

The Northern Development Fund – Nechako Region was created as a result of the BC-Alcan 1997 Agreement which resolved the legal issues associated with the cancellation of the Kemano Completion Project (KCP). Bill 5, the "BC-Alcan Northern Development Fund Act," to promote sustainable economic development in Northwestern BC was approved by the legislature in April, 1998. The Advisory Board for the Northern Development Fund – Nechako Region was established in January, 1998, to provide the Minister responsible for the Northern Development Fund with recommendations for how the fund should be managed and used to stimulate economic development.

The Northern Development Fund Advisory Board consists of:

- Janine Elo, Chair
- Dan Bouillon, Alcan (Vanderhoof)
- June Clark, J.B. Clark & Co (Vanderhoof)
- Charlett Diston (Fort St. James)
- Bill Goodacre, Bulkley Valley-Stikine MLA (Smithers)
- Allan Hewitson, Alcan (Kitimat)
- Dave Merz Rancher (Fort Fraser)
- Keith Jackson, Community Futures Development Corporation of Stuart-Nechako (Fort Fraser)
- George Jalava, United Brotherhood of Carpenters and Joiners of America (Prince George)
- Frank Read, Mayor, District of Vanderhoof (Vanderhoof)
- Deborah Sargeant, Northwest Planning Group (Smithers)
- Glen Saunders, Kermodie Trading (Terrace)
- Keith Spencer, Vanderhoof Specialty Wood Products (Vanderhoof)
- Vina Starr, Lawyer (Kitamaat)

The Advisory Board met six times over the period from February to September of 1998. Public input was solicited by a brochure mail out in June. A public review of the board's recommendations was facilitated at community meetings in September. The Northern Development Fund Advisory Board used the public input to fine tune these recommendations for presentation to the Minister responsible for Northern Development. An appendix of Public Input is available. The recommendations have been developed by a consensus of the members of the advisory board at the meetings.

The recommendations made by the Advisory Board to the Minister relate directly to the management of a \$15 million development fund established as part of the agreement between BC and Alcan in 1997. The fund receives matching deposits of \$2.5 million from Alcan and the provincial government, annually over the three year period from 1998 to 2000, to accrue the full capital base of \$ 15 Million dollars. The recommendations would need to be revisited should the Minister decide to invest additional moneys into the Northern Development Fund. The principles and criteria associated with this fund will be reviewed periodically to ensure the Fund is achieving its mandate.

Naming of The Northern Development Fund

It became apparent with both the Advisory Board deliberations and the public review process, that the name of the Northern Development Fund created expectations throughout Northern BC that were not consistent with the mandate, as expressed by the Government of BC and Alcan, as well as the recommendations of the Advisory Board.

The Advisory Board therefore recommends that the Fund be referred to as the **Northern Development Fund-Nechako Region**, which assists in communicating the intent, while also allowing for the provision of other regional benefiting funds in the future.

Mandate for NDF – Nechako Region

The mandate of the Northern Development Fund – Nechako Region is to promote sustainable economic activity in northern communities impacted by the Kitimat-Kemano Project and by the creation of the Nechako Reservoir. . A permanent Northern Development Fund which is sustained through investment will fund programs and projects with goals of economic development and community stability that are consistent with each community’s values.

The Advisory Board recommends that the Northern Development Fund – Nechako Region be managed through a legacy fund of \$10 Million, invested to grow to protect the purchasing power of \$15 over time. There would be an initial \$5 Million in a working fund to invest in the loan and grant programs of the Northern Development Fund. Future growth of the legacy fund and the working fund will be used to provide additional economic and social benefits over time.

Specifically, the Advisory Board recommends that the investment area for the Northern Development Fund be the Nechako Region and the lands traditionally used by the Haisla people. This would include the communities and rural settlements associated with the Nechako Region; Vanderhoof, Ft. Fraser, Nautley (Nadleh Whut’ en First Nation), Stoney Creek (Saik’uz First Nation), Cheslatta First Nation, as well as the settlements south of Grassy Plains in the Ootsa Lake area and Kitamaat Village. It is recognized that there are economic relationships between the Nechako Region and Fort St James, Fraser Lake, Burns Lake and other communities in the Northwest. Accordingly, investments by the NDF may be made in Northwestern BC outside the investment area, providing there is direct economic and/or job creation benefit to the Nechako Region.

Guiding Principles

The Advisory Board recommends the management of the Northern Development Fund – Nechako Region be guided by the following principles:

Community Economic Development	The NDF – Nechako Region will invest in community economic development projects and/or programs that are supported by the community.
Job Creation & Enhancement	Creating new jobs and enhancing existing jobs are priorities of the Northern Development Fund.

Sustainable Employment	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 of communities. Consideration will be given to proposals that originate 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 Nation participation in the fund will not prejudice the First Nation land claim process.
Local Control	The Northern Development Fund Management Board will be made up of people who live in Northwestern BC with the majority of Board members residing in the Nechako Region or Kitamaat Village. The Board will determine the ongoing management of the fund.
Benefitting Fund	8. The Northern Development 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 Northern Development Fund can be utilized in cooperative ventures along with other funding sources.
No Duplication	The Northern Development Fund will not duplicate but may augment existing economic development programs.
Legacy Fund	The Northern Development Fund will be managed through a legacy fund of \$10 Million invested to grow to protect the purchasing power of \$15 Million over time.
Working Fund	The Northern Development Fund will place an initial \$5 Million in a working fund to invest in loan and grant programs of the Fund.
Future Opportunities	Future growth of the legacy fund and working fund will be used to provide additional economic and social benefits over time.

Fund Governance

The Advisory Board recommends decisions on Northern Development Fund investments and expenditures, be made by a nine member Management Board, comprised of seven members who are nominated through a public process, one from Alcan and one from the provincial government, all appointed through order in Council by the Minister Responsible for Northern Development. The majority of the board members must reside in the Nechako Region or Kitamaat Village.

Initial Management Board

- The first NDF Management Board will be made up of at least 4 or 5 of the members of the NDF Advisory Board, with remaining board membership to be appointed for one year terms, based on a list of qualified nominees identified through a public process. Consideration of the additional members will address the required Board representation.

The board will contract a manager as required, to receive applications and provide management/secretariat services to the Board.

Further recommendations by the Advisory Board include:

Scope of Authority

- The Northern Development Fund Management Board shall have the authority to develop policies, procedures and programs.
- The Board will continue to refine the Northern Development Fund and enhance the mandate as required, staying true to the intent of the fund.

Conditions of Appointment

- The Minister Responsible for Northern Development will appoint board members for consecutive one-, two- and three-year terms, to a maximum of six years, with provisions for staggered starting terms. Nominations will be solicited by the Northern Development Fund Management Board through a public process for consideration and confirmation by the Minister.
- In the interests of efficiency and continuity, if a Board member misses two consecutive meetings without notifying the chair of extenuating circumstances, or if annual attendance of an individual board member falls below 66%, the board will request a replacement appointment.
- The Advisory Board recommends against the appointment of alternates.
- The Board Chair should be elected by the Board for an annual term.
- The Board members should receive an honorarium plus travel expenses to attend meetings.

Characteristics of Representation

- Board membership shall strive for equitable representation over time from the communities most directly impacted by the original Kitimat-Kemano hydro electric development, including First Nation communities.
- Board appointments are required to have successful experience, leadership, knowledge, skills and training in one of the following areas: small business, labour and /or economic development; local government; small business financing or financial management.
- Board members shall demonstrate collective accountability to the communities affected by the Fund, and shall strive to be accessible to the public.

Accountability

- The Board and expressly its Chair, will communicate with the Northern Development Commissioner regarding the Board's policies and programs
- The Board will report annually and with appropriate communications to the public and the Minister Responsible for Northern Development to ensure accountability.

Board Operations

- There should generally be six Northern Development Fund Board meetings a year, with additional meetings or conference calls as required.
- Meetings will have a publicly available record of decision, and may be held in the various communities affected by the Northern Development Fund. The meetings shall provide opportunities for public access.

The Board shall use consensus as a working procedure to reach decisions.

The principles of consensus are:

- The purpose of negotiations is to seek terms upon which agreement is reached, focusing on interests and concerns rather than positions and demands.
- Participants agree to act in good faith in all aspects of the process.
- Participants accept the concerns and goals of others as legitimate and will listen carefully, ask questions and educate themselves regarding the interests of others whether they agree with them or not.
- Participants commit to fully explore issues, searching for solutions in a problem solving atmosphere.
- Participants agree to make a good faith attempt to share information on matters related to the decision making process to facilitate board considerations of options and solutions. All suggestions and offers will be regarded as tentative until general consensus is achieved.

Procedures in the event of a disagreement:

- If general consensus cannot be achieved, the board members who do not agree will provide a written submission of their interests that are not accommodated, including the measures or initiatives that could be undertaken to satisfy their interests and the other interests represented on the board. If in a further meeting utilizing the written submission, consensus cannot be reached, then a majority vote is acceptable, and the dissenting submission will accompany the record of decision.

The procedure for an applicant to receive a rationale of the Board's decision and the avenues for appeal or resubmission of an application, should be determined by the Management Board.

Fund Management

The Advisory Board recommends the NDF board be given the authority to select, by proposal call, an investment manager as well as the authority to appoint a financial institution to hold cash assets. The Advisory Board further recommends the NDF board pursue the following actions:

- develop policy and procedures to ensure fiscal and program accountability;
- develop a long term investment plan consistent with the Fund
- contract with an actuary firm to advise and educate board members regarding investment management;
- contract Management/secretariat services to a) ensure the completeness of applications presented to the Board, b) provide advice to the Board, c) assist in developing programs and d) provide public information.
- ensure Northern Development Fund earnings are tax exempt;
- contract for services to seek additional funds and partners (for example, Community Futures, Forest Renewal BC, native development corporations, and other sources of leveraged money);
- annual reporting/audits should ensure the full purchasing power of the legacy fund is retained;
- consider the creation of a "Foundation" to permit donors to add to the fund by bequest or special deposit and allow for the issuing of tax receipts if possible;
- Cost effective administration (projected as a percentage of the fund assets) which is evaluated and publicly documented.

Funding Programs and Criteria

With the Guiding Principles providing overall direction, the Advisory Board recommends that four programs be put in place:

- Business Loans
- Community infrastructure Loans
- Community Grants
- Economic Development Capacity Grants

A. Business Loan Program Criteria

- Business loans will generally only be provided in partnership with other funding sources and/or personal equity.
- Business plans and proposals must be viable based on sound business practices
- A solid viable business plan must identify technical, managerial, and financial capacity, any required skills training as well as a passion for the business.
- The investment plan for the Northern Development Fund will identify appropriate interest rates to protect the capital against loss and inflation and cover administration costs
- Projects must create new long-term jobs or enhance existing jobs.
- Individual loans may be approved up to \$250,000.00 dollars.
- Lending criteria will endeavor to avoid giving economic advantages to any proposal over existing enterprises.

Program administration

- The Management Board may contract with agencies or local financial institutions to administer business loans.
- The Management Board will explore innovative ways of assessing collateral for First Nations applicants.

B. Community Infrastructure Loan Program Criteria

- Loans may fund infrastructure proposals from legal non-profit organizations or communities from Northwestern BC that demonstrate economic or social benefits to the primary investment area. Priority will be given to a) projects that enable a community to acquire investment and b) projects that create long-term sustainable jobs in the region.
- The community must demonstrate capacity to sustain operations and maintenance (viability test).
- A proposal must demonstrate community support through a letter of endorsement from local government.

C. Community Grant Program Criteria

- Grants may fund community projects proposed by a legal non-profit organization or local government from Northwestern BC that demonstrate economic or social benefits to the primary investment area.. A key principle is that these projects would not normally be undertaken, nor be the responsibility of local or provincial or federal government funding. These are projects which improve the basic facilities, equipment, services or installations needed for growth, jobs, community stability and quality of life. They may include telecommunications, transportation, water, hydro and sewer, recreational infrastructure, beautification, and community services.
- Matching funds or "in kind" contributions should equal the amount of the grant application. Matching funds cannot be from the Northern Development Fund. Matching funds may be in the form of labour, capital assets, or funds from a lending institution, level of government or private contribution.
- Priority will be given to a) projects that enable a community to acquire investment and b) projects that create long-term jobs in the region. Initiatives which increase competitiveness of the business sector, remove constraints and promote economic activity are also a priority.
- A community or society must demonstrate capacity to sustain operations and maintenance (viability test).
- A proposal must demonstrate community support through a letter of endorsement from local government.
- Local government or legal non-profit organizations are limited to a maximum of two approved projects per fiscal year. Only one grant per project would be approved.
- The evaluation of the project would be based on the Northern Development Fund's guiding principles, with additional weighted criteria developed for the project's potential effect on community stability and quality of life.

D. Economic Development Capacity Grant Program Criteria

- Grants must be used to develop community and regional capacity to generate economic development.
- A key principle is that these projects would not normally be undertaken, nor be funded by local or provincial, or federal government funding.
- Eligible activities will include workshops and seminars to develop business management skills, enterprise facilitation or economic development skills, in communities of Northwestern BC, where economic or social benefits to the Nechako Region or Kitimaat Village can be demonstrated.
- Grants must be time-limited.
- Projects must provide matching funds or "in kind" contributions.

E. Application procedures

The approval process should be divided into two steps. In Stage 1, the applicant/proponent would submit a letter of intent and proposal summary to the NDF board under one of the four following programs. Following a review by the Board, the manager contracted by the board will advise the applicant whether to proceed to develop an application/ business plan for Stage 2. The manager would then review the application/business plan for clarity, and completeness, as well as consistency with the applicable program criteria, and submit it for consideration at the next board meeting.

F. Program evaluation

The Advisory Board recommends that the Northern Development Fund Management Board set measurable goals and develop an evaluation process with weighted criteria for each program. The evaluation standards should be) publicized in grant and loan application forms. Measurable goals should be developed for each program. Program effectiveness should be evaluated annually and reported in a public manner. The Northern Development Fund Management Board should further consider on an annual basis whether the programs offered collectively meet the mandate of the Northern Development Fund. This evaluation process would determine whether a program should be continued, expanded, modified, or discontinued. If a program is discontinued by the Board, existing program commitment will be honoured.

G. Other Programs

The Northern Development Fund Board may develop other programs including:

- A local deposit program with community based financial institutions.
- A program to address the impediments to small business resulting from the costs of bonding.
- Other programs the Board may deem desirable.

GLOSSARY

Purchasing power: Purchasing power equals capital and accrued annual inflation)

Long Term Jobs: Sustainable, seasonal or part-time or full-time employment

Community: A population centre with services.

Local Government: Municipal Councils, First Nations Councils and Regional District Boards