



**Nechako-Kitamaat
Development Fund Society**

- Business Plan -

2020– 2021

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NKDF BUSINESS PLAN

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.

NKDF provides grants to local governments and legally incorporated non-profit organizations located within the investment area, including 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 376 grants to a total of \$11,409,025 for economic development and community stability projects across the investment area.

NKDF has a proven track record in all aspects of funding administration, including evaluation of project applications and working closely with recipients from project concept through to completion. The success of the NKDF funding program over the past two decades has led to more demand than the Society can provide funding for under the current financial structure. The "legacy" portion of the Northern Development Fund investments held with BC Investment Management Corporation (BCI), while providing safety during times of market volatility, do not allow any opportunity to provide more funding to communities. In order to provide more funding to the communities in the investment area, the Board is working toward attracting more capital.

This year the Board of Directors will build on the findings of the recently completed economic impact analysis to develop a business case to aid efforts to attract more capital to serve the mandate of NKDF.

NKDF is known within the investment area as a responsive, community-focussed organization. Eight of the Directors appointed by the Minister live and work in the communities throughout the service area. Within the NKDF mandate, Directors generally opt to support the projects within the mandate that are identified by residents as most important to their communities.

Recognizing the severity of the COVID-19 pandemic, the Board of Directors will reach out to businesses and individuals in each community across the investment area to determine what the needs are. Surveys will be carried out via social media and remote conferences. Once needs and priorities are clear, the Board will determine NKDF's role in COVID-19 recovery.

While Directors work to secure more capital for the communities across the investment area, the Board plans to set the grant budget at \$500,000 for the 2020-2021 fiscal. The Board of Directors have requested a transfer in the amount of \$500,000 from the Provincial Government.

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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, Economic Development and Competitiveness 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

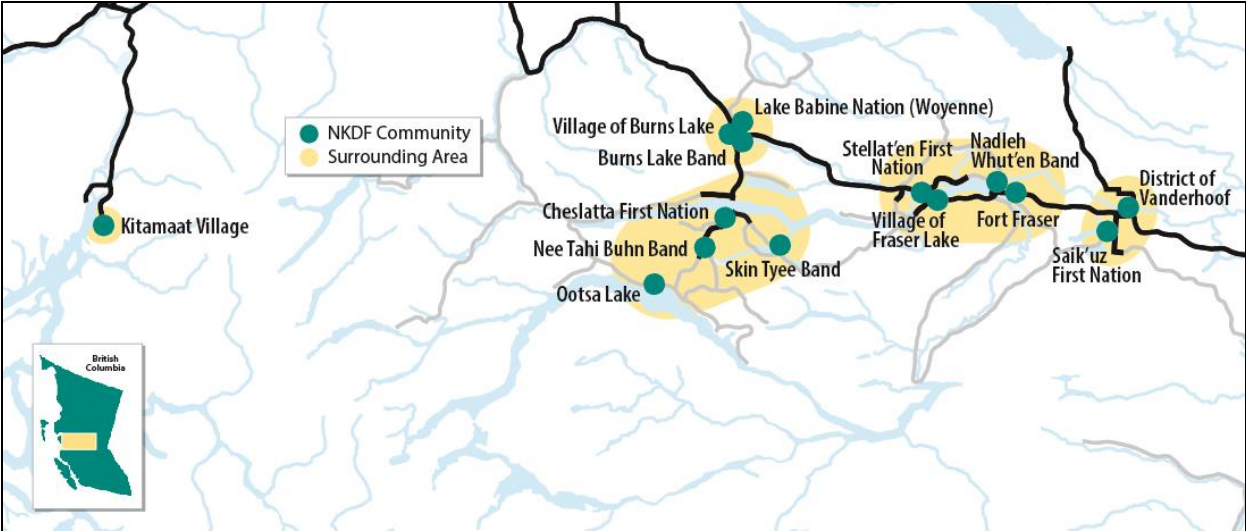
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between eligible communities.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund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

The Board meets in person or via online conference a minimum of four times each year, with additional meetings convened as needed. During the COVID-19 recovery-BC Restart process, meetings and site visits will be managed in keeping with guidelines and directives of the provincial and federal health authorities. Once the details of the New Normal – post-COVID-19 are clearer, meetings may once again be 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.

STRATEGIC PLAN

Strategic Plan for 2020-2021

The Board has adopted the following strategies for the 2020-2021 fiscal:

- 1) Prioritize support for projects that aid in COVID-19 economic recovery measures.
- 2) Follow through on the recommendations from the Economic Impact Report.
- 3) To create a business plan to facilitate efforts to increase the capital and investment returns for NKDF programs.
- 4) To canvas communities and organizations to solicit feedback and determine the effectiveness of NKDF programs and potential new initiatives and measure success.
- 5) To explore ways to target funding toward more diverse, collaborative, and regional projects that maximize economic benefits for the communities, giving priority to projects that include a connectivity component.

Funding Program Criteria for 2020-2021

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:

- Promote economic activity and remove constraints for 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.

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-Kitamaat Development Fund Society and its funding partners, the Province of BC and Rio Tinto.
2. To inform prospective applicants about the Fund, its purpose and 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.

PROGRAM ADMINISTRATION

Funding Programs

The Society approved \$500,000 in funding assistance during the 2019-2020 fiscal, bringing the total approved since inception to \$11,409,025. During the 2020-2021 fiscal, the Society will make \$500,000 available for grants to qualifying organizations throughout the investment area. 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 well thought-out 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 Kitamaat regions.
6. Directors create public awareness and profile by participating in 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 2019-2020

NKDF has approved a total of 376 projects since inception, bringing the total funded amount to \$11,409,025 as of March 31, 2020.

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

In November 2019 NKDF retained Vann Struth Consulting Group Inc. to prepare an analysis of the economic and social impacts created by the organization in its time in operation. The analysis is a step toward developing a business case to aid the Board's efforts to attract more capital for the legacy fund.

Among the highlights are the Village of Fraser Lake Innovation Centre that provides new amenities to support business, the Stellat'en Trails development project that increases recreation and tourism, the District of Vanderhoof Wayfinding Signage project Plan that expands tourism opportunities.

In order to encourage organizations to collaborate on regional projects, the Board of Directors set aside \$50,000 in funding for projects that, in addition to meeting the regular grant criteria, involved a collaboration of two or more organizations and provided benefits to two or more communities within the NKDF investment area.

One project was approved for regional funding. The Fraser Lake Fire Rescue Society Live Burn Building project involved a collaboration between the Fraser Lake Fire Rescue Society, the Village of Fraser Lake, Nadleh Whut'en First Nation and Stellat'en First Nation. The facility is used to train firefighters and industry first responders from rural northern BC communities.

Connectivity bandwidth and coverage continues to be an issue in the rural and often remote communities that make up the NKDF investment area. Directors continue to monitor the efforts and needs of the communities in this area and seek ways in which NKDF can participate in the future.

The report by Vann Struth recognizes customer's appreciation for NKDF's ability to be the "first funder" for many projects, enabling applicants to leverage funding from local and other funders, such as Northern Development Initiative Trust, provincial associations or Crown corporations, other provincial or federal grant programs, and major corporations. On average, NKDF has funded 21% of total project budgets and each NKDF dollar has leveraged \$3.72 funding from other sources. Once in-kind contributions are included, this number increases to \$3.85 for each dollar invested.

2021–2024 FISCAL PLAN

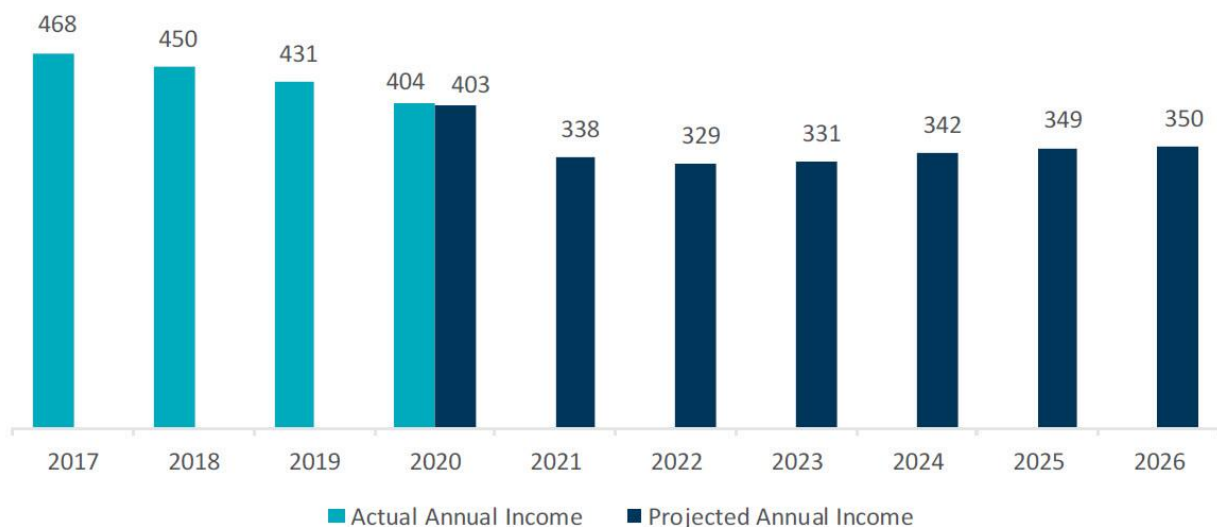
Five Year Fiscal Plan

The Fund was established to benefit the 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.

NKDF has two sources of funds: the *legacy* fund (held with BCI) and the *working* fund (held with NKDF and invested with Phillips, Hagar & North). As of March 31, 2020, the legacy fund had a market value of \$14,317,775, and the working fund was valued at \$1,938,244.

The following table¹ shows the projected income from the legacy fund to 2026.

ACTUAL & PROJECTED FISCAL YEAR INCOME (\$'000)



Projected Income Disclosure

Projected income is an estimate of future portfolio returns less expenses. A number of assumptions are made, including yields of future purchases, general market conditions, that all bonds are held to maturity, and that average client withdrawals maintain capital preservation of the fund.

¹ From the March 31, 2020 Northern Development Fund quarterly performance report held with BCI.

Table 1: Five Year Financial Plan

5-YEAR FINANCIAL PLAN	2020-21	2020-22	2021-23	2023-24	2024-25
Anticipated New Grant Targets	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Opening Balance NKDF Assets	\$2,070,787	\$1,981,501	\$1,926,501	\$1,868,751	\$1,808,182
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	(\$104,996)	(\$110,000)	(\$112,750)	(\$115,569)	(\$118,458)
Special Project - Economic Impact Study & Business Plan	(\$39,290)				
Projected Earnings PHN, Integris	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000
Closing balance NKDF funds	\$1,981,501	\$1,926,501	\$1,868,751	\$1,808,182	\$1,744,724
Opening Balance BCI	14,219,699	\$14,057,699	\$13,886,699	\$13,717,699	\$13,559,699
Projected BCI Earnings	\$338,000	\$329,000	\$331,000	\$342,000	\$349,000
Transfers from BCI to NKDF	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Closing Balance BCI Funds	\$14,057,699	\$13,886,699	\$13,717,699	\$13,559,699	\$13,409,699
Total BCI Plus NKDF Assets	\$16,039,200	\$15,813,200	\$15,586,450	\$15,367,881	\$15,154,423

APPENDIX A: BUDGET PROJECTIONS

OPERATING BUDGET	2019-2020	2020-2021
	Actual	Projected
Accounting and Audit	4,766	5,500
Legal		2,500
Advertising and Promotion	1,340	1,000
Conferences	2,921	0
Honorariums	9,875	10,000
Insurance	840	840
Office	1,716	1,000
Server Maintenance	4,906	5,250
Subcontract - Manager	73,694	71,106
Subcontract - Other		800
Supplies and Equipment	4,622	2,000
Telephone	2,000	2,000
Travel and Meetings - Board	7,517	2,000
Travel and Meetings - Manager	1,773	1,000
Total Operations Expenses/Income	\$115,970	\$104,996

SPECIAL PROJECT	2019-2020	2020-2021
	Actual	Projected
Economic Impact Study and Business Plan	\$25,710	\$39,290

GRANT FUNDING BUDGET	2019-2020	2020-2021
	Actual	Projected
Total Grant Funding Payments	\$502,957	\$500,000