



**Nechako-Kitamaat  
Development Fund Society**

**- Business Plan -**

**2021– 2022**

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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 391 grants to a total of \$11,716,126 for economic development and community stability projects across the investment area.

NKDF is known within the investment area as a responsive, community-focused 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.

NKDF has targeted an annual grant amount of \$500K; however, even without considering inflation, the fund is currently not generating sufficient income to support this level of investment in the community.

The legacy fund is being eroded in real terms, because of inflationary pressures and lower-than-expected investment returns, threatening the long-term viability of NKDF.

The legacy portion of the Northern Development Fund investments is held with BC Investment Management Corporation (BCI). While providing safety during times of market volatility, this does not allow any opportunity to provide more funding to communities.

In addition, the annual grant amounts have not increased since 1999, meaning the original annual grant of \$500,000 is only worth \$359,000 today.

There is currently a \$4.6M gap in the legacy fund value after adjusting for inflation.

The demand for NKDF funding outstrips the annual grant value, resulting in projects being declined funds or approved at a reduced level. While other funding bodies operate in the area, NKDF is the only funding body focusing on economic development in the region specifically impacted by the Kitimat-Kemano project.

If no action is taken, NKDF must either reduce the annual grant or accept an erosion of the capital base in the Legacy Fund. Neither of these outcomes is acceptable.

Additional funding is sought at this time from Rio Tinto and the Province of BC to increase the capital base of the Legacy Fund and/or to supplement the grants distributed each year to ensure NKDF can continue to provide critical support to local communities and assist communities with recovery from the social and economical impacts of COVID-19.

Directors continue to work to secure more capital for the communities across the investment area, in order to restore grant funding to the level intended.

The Board of Directors have requested a transfer in the amount of \$500,000 from the Provincial Government and have set the grant budget at \$500,000 for the 2021-2022 fiscal.

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# INTRODUCTION

## ***Mandate***

Nechako-Kitamaat Development Fund (NKDF) Society grants are designed 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 projects that meet each community's economic development and community building goals and contribute to overall community health, development, and stability.

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

Nechako-Kitamaat Development Fund Society was founded following an out-of-court settlement called 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.

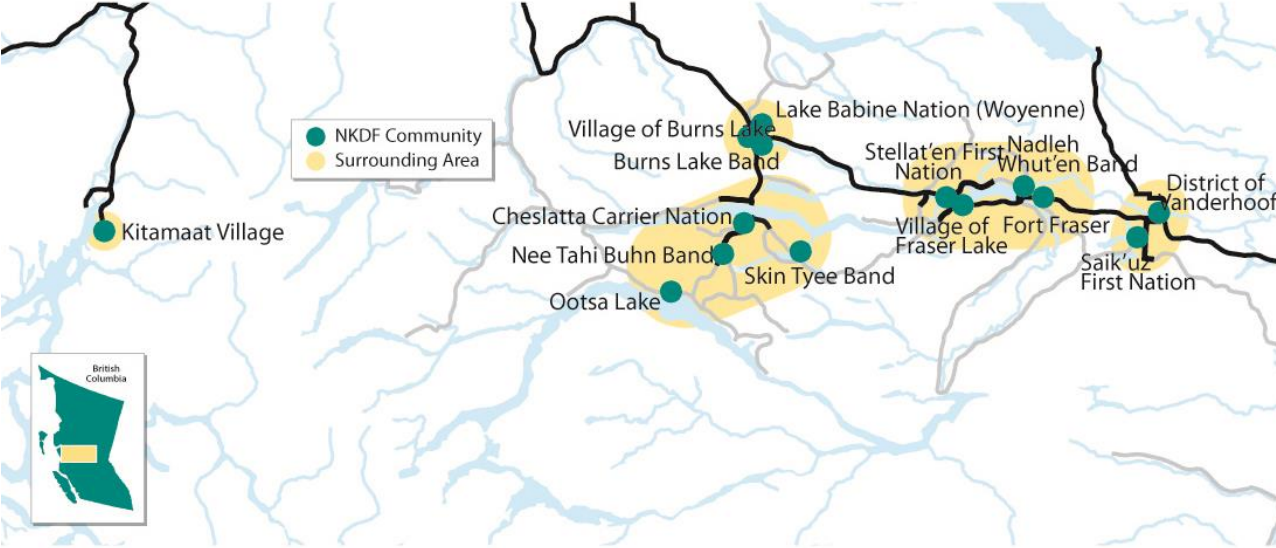
**The Investment Area**

The investment area for NKDF is normally limited to those areas with evidence of impacts from Alcan’s (Rio Tinto) Nechako Reservoir and Kemano power project. We encourage applications from local governments, First Nations and legally incorporated non-profit organizations serving the following communities and nearby rural areas:

Kitamaat Village  
Southside  
Nee Tahi Buhn Band  
Cheslatta Carrier Nation  
Skin Tyee Band

Village of Burns Lake  
Burns Lake Band  
Lake Babine Nation (Woyenne)  
Stellat’en First Nation  
Village of Fraser Lake

Nadleh Whut’en Band  
Fort Fraser  
District of Vanderhoof  
Saik’uz First Nation



**Meetings and Accountability**

The Board meets a minimum of four times each year, with additional meetings convened as needed. In keeping with guidelines and directives of the provincial health authorities, meetings are currently held virtually, and site visits and projects tours managed as safety orders allow. Once it is safe to do so, 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 2021-2022***

The Board has adopted the following strategies for the 2021-2022 fiscal:

- 1) To vigorously pursue efforts to increase the capital and investment returns for NKDF programs.
- 2) To fund projects that maximize economic benefits for communities, giving priority to projects that include a regional component.
- 3) Support for projects that mitigate the social and economic impact of COVID.
- 4) To Continue to implement the recommendations of the economic impact report.

## **FUNDING PROGRAM CRITERIA FOR 2021-2022**

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

### **Infrastructure:**

- That strengthens the local and regional economy and increases the ability of local business to compete in the marketplace such as airports or communications infrastructure.
- That contributes to a healthy and economically vibrant downtown including downtown revitalization and lighting.
- That attracts tourism and/or resident attraction including cultural infrastructure, museums, heritage sites, and parks.
- Recreational infrastructure that encourages resident attraction and retention, along with increased opportunities for recreation and sports tourism including trail networks, exhibition grounds, and sports fields.
- That improves the condition of an asset that contributes to community development including community halls.

**Planning and Research:** Projects that provide the background information and pre-planning required to make decisions about future investments. Types of projects include feasibility studies, market research, needs assessments, surveys, strategic plans, and tourism plans.

**Human Development:** Projects that provide skills training that enables people and organizations to increase employment, economic activity, and capacity. Types of projects include job skills training and workshops and courses for volunteers and small business owners.

**Promotion and Brokering:** Projects that support economic diversification and development of new markets, and serve to facilitate business attraction initiatives,



investment attraction initiatives, resident recruitment initiatives, and visitor attraction initiatives. Types of projects include branding development, marketing campaigns, web-based strategies, digital strategies, and signage.

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

- Fit in the context of long-term economic development goals.
- Enable a community to acquire public or private investment.
- Lead to long-term jobs in the region.
- Contribute to COVID-19 economic recovery efforts.
- Promote economic activity in the investment area.
- Involve a collaboration among two or more organizations and benefit two or more communities within the NKDF investment area.
- Include a connectivity component aimed at delivering high-speed internet to rural and remote areas.
- 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 complete.
- Include a financial or in-kind contribution from the proponent toward the project.

***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 and provincial, 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. Raising awareness about the need for additional capital for the legacy fund.
6. To comply with provincial government reporting requirements.
7. To track and evaluate the effectiveness of all communications.

**PROGRAM ADMINISTRATION**

***Funding Programs***

The Society approved \$307,101 in funding assistance during the 2020-2021 fiscal, bringing the total approved since inception to \$11,716,126. During the 2021-2022 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 13.

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 working fund 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 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 2020-2021***

NKDF has approved a total of 391 projects since inception, bringing the total funded amount to \$11,716,126 as of March 31, 2021.

The past year was defined by COVID-19. Communities were faced with cancelling long standing community events including Fall Fairs and Exhibitions. The impact of closures of recreation facilities, community halls, and restaurants were felt by everyone. Now, more than ever, it is important to build resilience in local communities.

To support the communities, assist with social and economic recovery, and help businesses navigate the changing landscape, the Board dispersed \$28,000 as part of a one-time grant. One organization in each of the nine First Nation Communities, three Municipalities, and two rural regions in the NKDF service area were selected to receive funding, with the intention that recipients spend the funds as they could best help local businesses and the economy.

As a result of inflation and lower-than-expected investment returns, the Legacy Fund has eroded in real terms, reducing the amount of NKDF funding available for grants. Additional funding is sought at this time to increase the capital base of the Legacy Fund and to supplement the grants distributed each year to ensure NKDF can continue to provide critical support to local communities.

In September 2020, The Board retained Amanda Wright Management Consulting to build on the work of the economic impact study conducted previously and develop a Business Case.

Additional funding is sought at this time from Rio Tinto and the Province of BC to increase the capital base of the Legacy Fund and/or to supplement the grants distributed each year to ensure NKDF can continue to provide critical support to local communities.

A Business Case was submitted to Rio Tinto, requesting a one-time cash payment of \$2,300,000 to top up the legacy fund.

A second Business Case was submitted to the Ministry of Finance and Ministry of Jobs, Economic Recovery and Innovation requesting a review of the Legacy Fund the investment portfolio with the aim of increasing returns and a lump sum of \$2,300,000 from the Province to help close the gap in the legacy fund.

A Business Case was submitted to the Ministry of Jobs, Economic Recovery (JERI) and the Ministry of Forests, Lands, Natural Resource Operations (FLNRO) and Rural Development requesting a portion of the water license revenues paid annually by Rio Tinto to the Province of BC from use of water from the Nechako River be re-distributed to NKDF as ongoing annual funding in the amount of \$750,000.

We look forward to furthering the dialogue on these requests in the upcoming year.

## 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, 2021, the legacy fund had a market value of \$13,993,531, and the working fund was valued at \$ 2,206,703.

The following table<sup>1</sup> 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.

<sup>1</sup> From the March 31, 2021 Northern Development Fund quarterly performance report held with BCI.

**Table 1: Five Year Financial Plan**

<b>5-YEAR FINANCIAL PLAN</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Anticipated New Grant Targets (BCI Funding)	\$500,000	\$750,000	\$750,000	\$750,000	\$750,000
Opening Balance NKDF Assets	\$2,406,703	\$2,365,541	\$2,820,918	\$3,284,689	\$3,756,992
Transfers from BCI	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Transfers from Province (Water Rights Revenue)*		\$750,000	\$750,000	\$750,000	\$750,000
Grant Payments In Year	(\$500,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)
Administration	(\$98,923)	(\$101,396)	(\$103,931)	(\$106,529)	(\$109,192)
Projected Earnings PHN, Integris	\$57,761	\$56,773	\$67,702	\$78,833	\$90,168
<b>Closing balance NKDF funds</b>	<b>\$2,365,541</b>	<b>\$2,820,918</b>	<b>\$3,284,689</b>	<b>\$3,756,992</b>	<b>\$4,237,967</b>
Opening Balance BCI	13,993,531	\$13,738,531	\$18,170,458	\$17,952,101	\$17,755,491
Capital infusion to the Legacy Fund (Province of BC)*		\$2,300,000			
Capital infusion to the Legacy Fund (Rio Tinto)*		\$2,300,000			
Projected BCI Earnings	\$245,000	\$331,927	\$281,642	\$303,390	\$323,150
Transfers from BCI to NKDF	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
<b>Closing Balance BCI Funds</b>	<b>\$13,738,531</b>	<b>\$18,170,458</b>	<b>\$17,952,101</b>	<b>\$17,755,491</b>	<b>\$17,578,641</b>
<b>Total BCI Plus NKDF Assets</b>	<b>\$16,104,072</b>	<b>\$20,991,376</b>	<b>\$21,236,789</b>	<b>\$21,512,483</b>	<b>\$21,816,608</b>

\*Assumes funds are transferred to NKDF as requested.

## APPENDIX A: BUDGET PROJECTIONS

<b>OPERATING BUDGET</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>
Accounting and Audit	\$5,765	\$5,000	\$5,253	\$5,500
Legal	\$0	\$0	\$2,060	\$0
Advertising and Promotion	\$1,762	\$1,800	\$805	\$500
Conferences	\$3,964	\$3,300	\$26	\$0
Honorariums	\$12,850	\$10,000	\$8,425	\$10,000
Insurance	\$775	\$840	\$765	\$800
Office	\$1,144	\$900	\$1700	\$1,000

Server Maintenance	\$4,905	\$4,920	\$3,756	\$2,000
Subcontract - Manager	\$64,613	\$73,682	\$70,963	\$72,523
Subcontract - Other	\$414	\$800	\$0	\$600
Supplies and Equipment	\$0	\$4,622	\$0	\$1,000
Telephone	\$2,259	\$2,020	\$1,554	\$2,000
Travel and Meetings - Board	\$9,856	\$10,000	0	\$2,000
Travel and Meetings - Manager	\$2,369	\$2,000	\$0	\$1,000
<b>Total Operations</b>	<b>\$110,676</b>	<b>\$159,884</b>	<b>\$95,307</b>	<b>\$98,923</b>

<b>SPECIAL PROJECTS</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
			<b>Actual</b>	<b>Projected</b>
<b>Economic Impact Study</b>	-	\$12,590	\$12,590	\$0
<b>Business Case</b>	-	-	\$25,584	\$0
<b>Total Special Projects</b>		\$12,590	\$38,174	

<b>GRANT BUDGET</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>
	\$436,906	\$502,957	\$542,857	\$500,000