



Nechako-Kitamaat Development Fund Society

- Business Plan -

2023– 2024

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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	Ts'il Kaz Koh	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 Tye Band	Village of Fraser Lake	

Since inception, NKDF has approved 425 grants to a total of \$12,217,067 for economic development and community stability projects across the investment area.

Increasing the NKDF capital in order to increase the amount of grant dollars available for community projects remains a critical priority. 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 annual dollars granted has dropped from \$500,000 to \$250,000.

While other funding bodies operate in the area, NKDF is the only funding body focusing on economic and community development in the region specifically impacted by the Kitimat-Kemano project.

The NKDF Board of Directors will continue to execute the Engagement Plan developed last year for increasing awareness of the financial constraints with leaders. NKDF will leverage these partnerships to lobby the Province of BC for additional funds to increase the annual amount of grant dollars available.

In 2023-2024 we anticipate a transfer of \$250,000 from the Legacy Fund held with BCI. With these funds we project partnering in approximately 25 new community projects. The focus this year will be to expedite funds to the communities by promoting and encouraging applications through the NKDF Under \$5,000 program.

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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 Innovation 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.

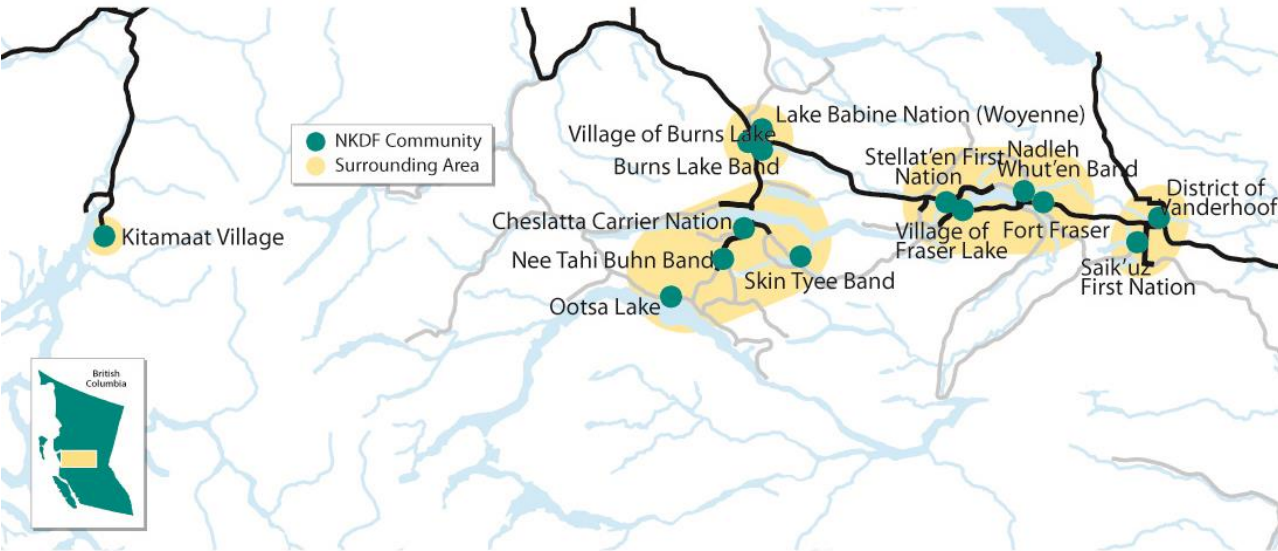
Fund investments are managed by the provincial government through the British Columbia Investment Management Corporation (BCI), a provincial Crown Corporation. Monies of the Northern Development Fund—to be used in support of the programs of the NKDF Society—are in low-risk investments which provide little 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 | Village of Burns Lake
Ts’il Kaz Koh
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 2023-2024 meetings will be held in-person and include site visits and project tours. Meetings are rotated throughout the communities of the investment area, with portions of meetings open to attendance by the public. Committee meetings and the occasional board meeting will continue to be held via video conferencing to provide cost effective meeting options.

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.

Increasing the Capital

Increasing the NKDF capital in order to increase the amount of grant dollars available for community projects remains a critical priority. 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 annual dollars granted has dropped from \$500,000 to \$250,000. In 2020-2021 NKDF commissioned an economic impact study, developed business cases and requested additional funds from both Rio Tinto and the Province. The Province of BC and Rio Tinto have yet to commit any additional funding.

While other funding bodies operate in the area, NKDF is the only funding body focusing on economic and community development in the region specifically impacted by the Kitimat-Kemano project. Our communities continue to be negatively impacted by the Kitimat-Kemano project which drastically diminished the Nechako River and created the Nechako Reservoir. NKDF and the grants it provides are critical to the development, vitality and stability of our communities.

NKDF is known within the investment area as a responsive, community-focused organization that supports projects identified by residents as most important to their communities. NKDF Directors reside in the affected region and understand the dynamics and the unique challenges of small rural communities in Northern BC.

NKDF is respected throughout the communities it serves and has developed strong partnerships throughout the investment area. To date, NKDF has worked with the local government to advocate for increases. NKDF will build on the previous year efforts and continue to advocate for an increase in funds.

The NKDF Board of Directors will develop a proposal to submit to the Province requesting a portion of the Nechako River Water Rental Revenues be redistributed back into the region through the NKDF.

Strategic Priorities

One Year Strategic Plan

The Board has adopted the following strategies for 2023-2024:

- 1) To pursue efforts to increase the capital and investment returns for NKDF programs.
- 2) To expedite funds to the communities by promoting and encouraging applications through the NKDF Under \$5,000 program.
- 3) To support social and community projects that bring people together.

Measuring Success

Priority 1: To pursue efforts to increase the capital and investment returns for NKDF programs.

The Community Engagement Plan that outlines the common message we want to share with the broader community and leaders will be further developed. NKDF will continue to leverage established relationships and partnerships to support and advocate alongside us for increased capital. The Minister for Jobs, Economic Development and Innovation has announced 30M in new funding for rural economic development. This includes 10M for each of the trusts. We will

approach the Minister and request consideration for NKDF to receive 10M in new funding for as well.

Measurements:

- Number of conversations with residents of the investment area.
- Number of engagements with local leaders.
- Number of requests for funding submitted.
- Additional dollars added to the Legacy Fund.
- Increase in amount of investment returns.
- Increase in grant dollars approved for projects.

Priority 2: To expedite funds to the communities by promoting and encouraging applications through the NKDF Under \$5,000 program.

NKDF will run a social media and in-person awareness campaign to promote the Under \$5,000 program. The marketing will showcase and highlight past projects approved through this program and encourage applications. The slogan of the program is “No Project is Too Small.” We will encourage funding requests in this category from \$100 up to \$5,000. The Under \$5,000 Grant Program allows for applications to be submitted on a continuous in-take. Applications are vetted, processed and funding decisions made within three weeks.

For the 2023-2024 year, the requirement to match NKDF funding at 50% is waived for requests in this category.

Measurements:

- Number of inquires about the Under \$5,000 program.
- Number of applications received in this category.
- Number of projects approved in this category.

Priority 3: To support social and community projects that bring people together.

NKDF will launch a social media campaign to bring awareness to the NKDF grant programs, solicit applications and encourage innovation from organizations to create projects that include components that bring the community together while creating economic opportunities.

Criteria:

- New events that encourage the community to come together.
- Recreational opportunities that support quality of life.
- Events/projects that support tourism and promote the region as a destination for tourists.
- Projects that support opportunities for non-profit organizations to restore revenue streams that were impacted by COVID.

Measurements:

- Number of projects approved under these criteria.

Funding Program Criteria for 2023-2024

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, 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 \$262,514 in funding assistance during the 2022-2023 fiscal, bringing the total approved since inception to \$12,217,067. During the 2023-2024 fiscal, the Society will make \$250,000 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 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 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.

2023–2028 Fiscal Plan

Five Year Fiscal Plan

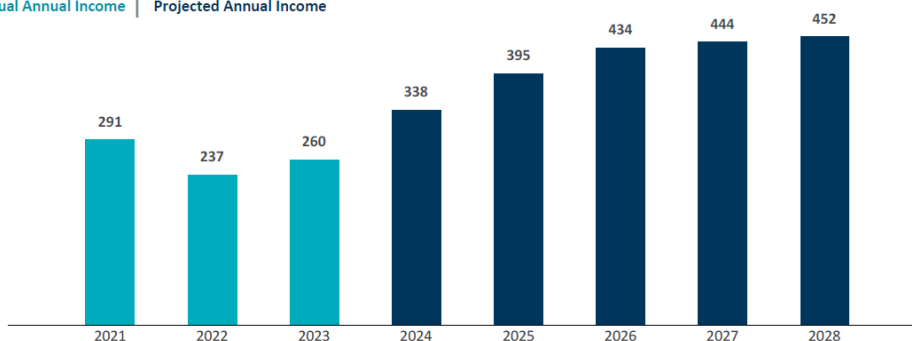
The Fund was established to benefit the communities in the investment area for as long as the Kemano power project continued to affect the region. To meet that objective, the Board of Directors must balance two bottom lines in their spending strategy—one bottom line is to invest in, and support current 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, 2023, the legacy fund had a market value of \$13,288,462.54, and the working fund was valued at \$2,074,551.29

The following table¹ shows the projected income from the legacy fund to 2028.

Return Summary

Actual & projected fiscal year income (\$'000)
 Actual Annual Income | Projected Annual Income



Projected Income Disclosure

¹ From the March 31, 2023 Northern Development Fund held with BCI March 31, 2023 Positions Report

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.

Table 1: Five Year Financial Plan

5-YEAR FINANCIAL PLAN	2023-24	2024-25	2025-26	2025-27	2025-28
Opening Balance NKDF Assets	\$2,074,551	\$2,012,909	\$1,947,618	\$1,878,568	\$1,805,646
Transfers from BCI	\$250,000	\$320,000	\$360,000	\$400,000	\$400,000
Anticipated New Grant Approvals	(\$250,000)	(\$320,000)	(\$360,000)	(\$400,000)	(\$400,000)
Administration	(\$121,642)	(\$125,291)	(\$129,050)	(\$132,921)	(\$136,909)
Projected Earnings PHN, Integris	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Closing balance NKDF funds	\$2,012,909	\$1,947,618	\$1,878,568	\$1,805,646	\$1,728,737
Opening Balance BCI	\$12,800,000	\$12,800,000	\$12,796,000	\$12,799,000	\$12,795,000
Projected BCI Earnings	\$250,000	\$316,000	\$363,000	\$396,000	\$404,000
Transfers from BCI to NKDF	(\$250,000)	(\$320,000)	(\$360,000)	(\$400,000)	(\$400,000)
Closing Balance BCI Funds	\$12,800,000	\$12,796,000	\$12,799,000	\$12,795,000	\$12,799,000
Total BCI Plus NKDF Assets	\$14,812,909	\$14,743,618	\$14,677,568	\$14,600,646	\$14,527,737

* If the transfer from the Province is more, the grant target will also be increased.

Appendix A: Budget Projections

OPERATING BUDGET	2020-2021	2021-2022	2022-2023	2023-2024
	Actual	Actual	Actual	Projected
Accounting and Audit	\$5,293	\$5,500	\$6,329	\$6,000
Legal	\$2,059	\$0	\$40	\$50
Advertising and Promotion	\$805	\$500	\$4,916	\$5,000
Conferences	\$26	\$0	\$0	\$1,000
Honorariums	\$8,425	\$10,000	\$9,975	\$10,000
Insurance	\$765	\$800	\$0	\$0
Office	\$0	\$1,000	\$946	\$1,000
Server Maintenance	\$3,755	\$2,000	\$0	\$0
Subcontract - Manager	\$70,963	\$72,523	\$70,089	\$76,192
Subcontract - Other	\$486	\$600	\$475	\$500
Supplies and Equipment	\$1,172	\$1,000	\$545	\$1,000
Telephone	\$1,553	\$2,000	\$1,545	\$1,400
Consultant	\$38,173	\$0	\$0	\$7,500
Travel and Meetings - Board	\$0	\$2,000	\$9,614	\$10,000
Travel and Meetings - Manager	\$0	\$1,000	\$833	\$2,000
Total Operations	\$133,475	\$98,923	\$105,308	\$121,642

*GRANT BUDGET	2020-2021	2021-2022	2022-2023	2023-2024
	Actual	Actual	Actual	Projected
New Grants Approved	\$307,101	\$238,427	\$262,514	\$250,000

*The 2022-2023 budget is based on a transfer of \$250,000 from the Legacy Fund held with BCI and a withdrawal of \$100,000 from PHN investment funds. If the Province transfers a higher amount from BCI the grant budget will be increased.