



# **Nechako-Kitamaat Development Fund Society**

## **- Business Plan -**

**2026– 2027**

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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:

Haisla	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 a total of \$13,139,310 for 492 economic development and community stability projects across the investment area.

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.

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.

To mitigate this, NKDF requested the province review the portfolio asset mix of the legacy fund which is managed by the British Columbia Investment Management Corporation (BCI). A review with the Ministry of Jobs and Economic Growth (JEG) BCI and NKDF has been completed. For the next steps, BCI, JEG and the Ministry of Finance (FIN) will collaborate on possible changes to the Statement of Investment Policies and Procedures, consistent with the recommended portfolio based on the review.

In 2026-2027 we anticipate a transfer of \$515,000 from the Legacy Fund. With these funds we project partnering in approximately 30 new community projects. For the upcoming year we will continue to expedite funds through the under \$7,500 program while also partnering on larger projects.

As well, The NKDF Board of Directors will continue to pursue additional opportunities to increase the capital, specifically we will continue lobbying the province to redistribute a portion of the Nechako River Water Rental Revenues back into the region through the NKDF.

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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 and Economic Growth 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**

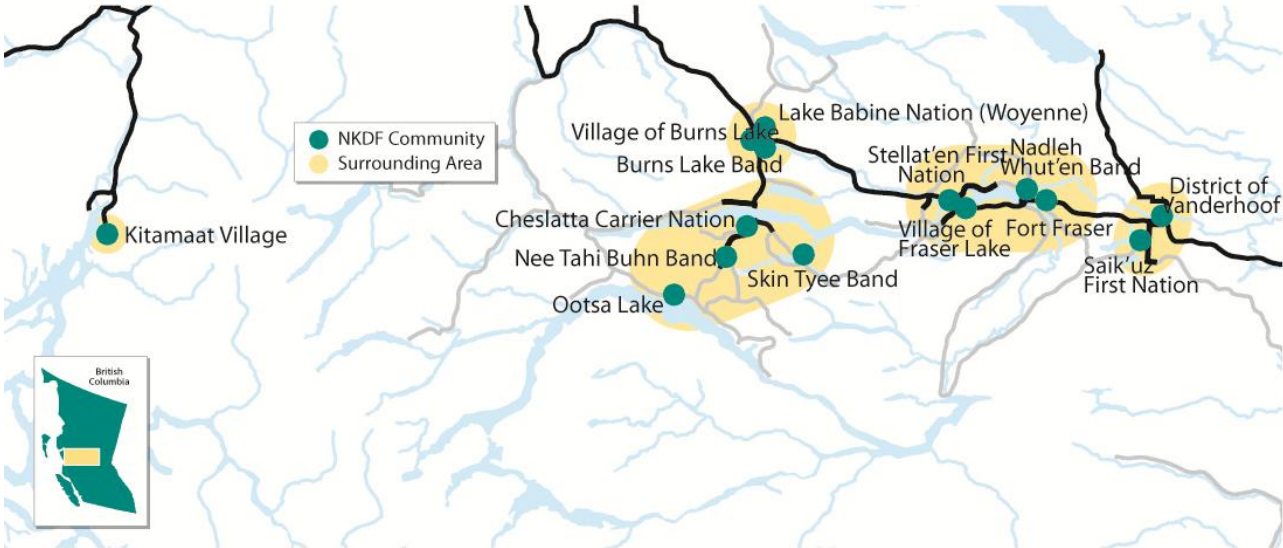
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between eligible communities.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The majority of members of the NKDF Board 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 currently 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:

- |  |  |  |
|--|--|--|
| Haisla<br>Southside<br>Nee Tahi Buhn Band  | Village of Burns Lake<br>Ts’il Kaz Koh<br>Lake Babine Nation<br>(Woyenne)<br>Stellat’en First Nation<br>Village of Fraser Lake | Nadleh Whut’en Band<br>Fort Fraser<br>District of Vanderhoof |
| Cheslatta Carrier Nation<br>Skin Tyee Band |  | Saik’uz First Nation   |



**Meetings and Accountability**

The Board meets a minimum of four times each year, with additional meetings convened as needed. In 2026-2027 meetings will be held in-person and include project tours and outreach to local governments and residents. Meetings are rotated throughout the communities of the investment area. Committee meetings and the occasional board meeting are held via video conferencing.

Public accountability is created by:

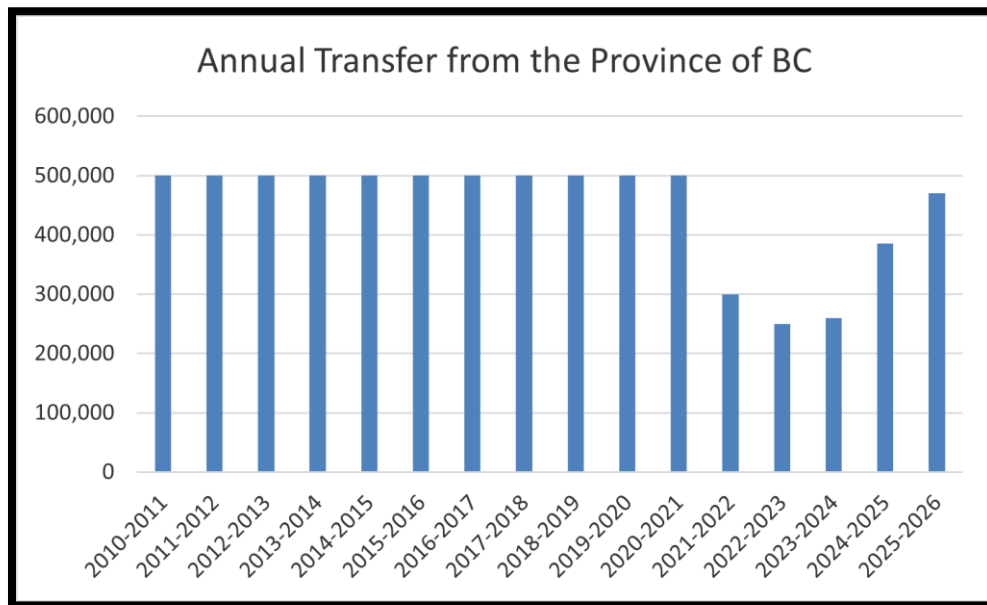
- Encouraging local representatives to attend portions of Board meetings.
- Making decision records publicly available upon request.

- Posting annual reports, audited financial statements, and business plans at the NKDF website and on social media.

### Increasing the Capital

Our vision: That the Nechako-Kitimaat Development Fund Society remains a sustainable, reliable, and adaptable source of funding for community development.

To realize this vision, increasing the NKDF capital in order to increase the amount of grant dollars available for community projects remains a critical priority, and the review of the BCI Statement of Investment Policies and Procedures (see below) has been a vital step toward this. 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. In 2021 the annual dollars granted dropped from \$500,000 to \$300,000 and then in 2023 to a historical low of \$250,000.



While the fund has rebounded with the annual transfer from the province for grants increased to \$515,000 for the upcoming year, NKDF remains committed to continuing efforts to increase the capital to grow the annual income of the legacy fund to an amount that will take inflation into account. The NKDF Board of Directors will continue lobbying the province to redistribute a portion of the Nechako River Water Rental Revenues back into the region through the NKDF.

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.

While other funders 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.

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.

Meetings with Municipal Leaders and each of the First Nations we serve, and engagement efforts throughout the investment area will continue, with the goal of sharing the history of NKDF, promoting the projects supported by the grant contributions of the Society, bringing awareness of available grants and highlighting the need to increase the capital in order to allow NKDF to provide the necessary level of support to the communities.

## **Review of BCI Statement of Investment Policies and Procedures**

As part of ongoing efforts to increase the capital, NKDF requested that the Province review the Statement of Investment Policies and Procedures.

The Ministry of Jobs and Economic Growth (JEG) initiated a review with NKDFS, BCI and the Ministry of Finance (FIN) to develop a shared understanding of performance expectations and risk exposure.

There is currently a mismatch between the investment strategy and investment horizon, as the current asset mix implies a near-term focus that is inconsistent with the Fund's long-term nature. The current strategy prioritizes certainty over the level of returns with the result that the Fund will fail to meet its objectives.

JEG is supportive of a new asset allocation framework to:

- Increase the Fund's expected return through exposure to growth,
- Build a capital base that can withstand weak segments of the business cycle
- Improve the likelihood that an annual allocation of \$500,000 can be met, and
- Provide modest protection against inflation over the long-term.

### **Objectives**

- Preserve initial deposit of \$15 million in real terms
- Generate investment income to support annual community grants
- Ensure short term liquidity needs are met.

Three alternative portfolios options have been modeled by BCI:

# Alternative Portfolios Explored

The portfolios modeled were anchored to three themes

Theme 1	Position portfolio to provide sustainable level of spend Over-shoot the real spend rate of 3.7% to increase the likelihood of preserving capital over the long term	ASSET CLASS	CURRENT ASSET MIX	A 3.0% REAL (60 FI / 40 EQUITY)	B 4.0% REAL (40 FI / 60 EQUITY)	C 4.2% REAL (25 FI / 75 EQUITY)
Theme 2	Introduce allocations to public equity and credit Allocate to different types of asset classes to introduce diversification and enhance the return and risk profile	Money Market	5%	5%	5%	5%
		Government Bonds	95%	40%	15%	10%
		Corporate Bonds	-	15%	20%	10%
		Canadian Equity	-	-	15%	20%
		Global Equity	-	40%	30%	35%
		Emerging Market Equity	-	-	15%	20%
Theme 3	Reduce excess liquidity Invest excess liquidity into asset classes with higher growth potential	<b>Total Portfolio</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
		Expected Net <u>Nominal</u> Return (15-year) <sup>1</sup>	3.9%	5.1%	6.2%	6.4%
		Expected Net <u>Real</u> Return (15-year) <sup>1</sup>	1.7%	3.0%	4.0%	4.2%
		Expected Volatility <sup>2</sup>	5.3%	7.6%	10.1%	12.0%
		Nominal Return 95% CTE <sup>3</sup>	-6.4%	-12.7%	-19.1%	-23.6%
		Liquidity Coverage Ratio	23.0x	8.4x	3.5x	3.2x

Due to the inclusion of asset classes that are growth-oriented, there is a commensurate increase in the potential downside risk; however, adequate liquidity and the long-term investment horizon allow time to recover from adverse markets (i.e., not forced to sell and recognize any losses).



1. Based on BCI's 2025 capital market expectations. Returns are net of fees.  
2. Annual standard deviation of returns.  
3. Average annual 95% Conditional Tail Expectation.

- The current asset mix has virtually no chance of achieving a return that exceeds the spending rate of 3.7%
- While the alternative portfolios take more investment risk, they offer much higher probabilities of achieving the objectives.
- Because of the Fund's long investment horizon, NKDF is positioned to take more investment risk, as risk is rewarded over the long-term.
- Portfolio B has a similar likelihood of achieving a 15-year annualized real return greater than 3.7% compared to Portfolio C, but with less downside risk.
- While Portfolio A has better downside protection in any one year (vs B and C), the likelihood of achieving real returns greater Current Goal-5% than the spending rate is half of what it is for the other two alternatives

BCI recommends that the Province/NKDFS select Portfolio B (4.0% Real).

The NKDF Board of Directors passed a special resolution on March 11, 2026 stating that the members of the Nechako-Kitamaat Development Fund Society support BCI and the Ministry of Jobs and Economic Growth, and the Ministry of Finance to revise the Statement of Investment Policies and Procedures consistent with the recommended portfolio B.

## Strategic Priorities

The Board of Directors participated in a facilitated strategic planning session in March 2025 as a way of improving the Society's focus. The Strategic Plan created out of this session, identifies three key strategic priorities, Financial Stability, Effective Communication and Organizational

Excellence, designed to maintain the Board's vision of remaining a reliable source of grants for community development. The Board will consider these priorities when deliberating the expenditure of funds and other decision making:

### **Five-Year Strategic Plan**

The Board adopted the following strategy for 2025-2029:

- 1) Financial Stability
  - a. Grow the Legacy Fund
    - i. Wait for a provincial response on a request to review the investment portfolio asset mix
    - ii. Continue to pursue a share of water royalties paid to the Province by Rio Tinto.
    - iii. Consider revenue diversification.
  - b. Release Updated Funding Guidelines
- 2) Effective Communication
  - a. Increase Community Profile
    - i. Make presentations to local and indigenous governments.
    - ii. Consider "pathfinding" ideas
    - iii. Record a history of NKDF to use in presentations and onboarding of new Board members.
- 3) Organization Excellence
  - a. Maintain an effective and reliable administration
    - i. Develop a measurement framework (key performance indicators)
  - b. Maintain an effective Board
    - i. Educate Board members of the fund
    - ii. Provide regular board training and education.
    - iii. Provide quarterly reporting on the Strategic Plan

### **Funding Program Criteria for 2026-2027**

NKDF grants will support projects that address one or more of the following key aspects of economic and community 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.

**Capacity Building:** 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, signage, community events and workshops.

**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.

**Note:** Normally the maximum granted for feasibility studies is \$5,000.

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

- Fit in the context of long-term economic development goals.
- Include a financial or in-kind contribution from the proponent toward the project.
- Enable a community to acquire public or private investment.
- Lead to long-term jobs in the region.
- Source local, Canadian materials and labour.
- 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.
- 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.

**Under \$7,500 program**

In 2012, the under \$5,000 program was created to streamline the application process for smaller projects and create a process that could respond in a timely manner and distribute money into the communities faster. Applications are accepted on an ongoing basis with funding decisions made by the Chair and a second Director, chosen from the applicant's community.

In the past year, the under \$5,000 program was expanded to an under \$7,500 program to better serve the communities as needs arise and expedite funds to the communities. Since inception of the program in 2012, 88 have projects have received a total of \$361,782. The program will continue as an under \$7,500 for the upcoming year.

## **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 community and 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 \$431,306 in grants during the 2025-2026 fiscal, bringing the total approved since inception to \$13,261,800. During the upcoming 2026-2027 fiscal, the Society will make \$615,000 available for grants. For more information on this projection, refer to Table 1, page 14.

The success of the NKDF funding program over the past twenty-seven years 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, 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.

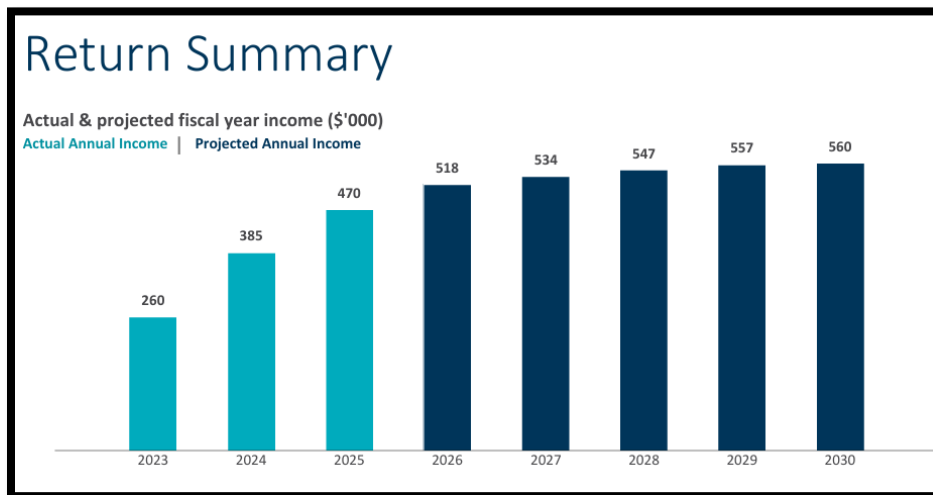
**2024–2029 Fiscal Plan**

**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, 2026, the legacy fund had a market value of \$13,547,100 and the working fund was valued at \$2,616,675

The following table shows the projected income from the legacy fund to 2030.



<sup>1</sup> From the December 31, 2025 Northern Development Fund held with BCI Positions Report

**Projected Income Disclosure**

Projected income at December 31, 2025. Project 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 April 1, 2026-March 31, 2031**

<b>5-YEAR FINANCIAL PLAN</b>	<b>2026-2027</b>	<b>2027-2028</b>	<b>2028-2029</b>	<b>2029-2030</b>	<b>2030-2031</b>
Opening Balance NKDF Assets	\$2,812,692	\$2,723,444	\$2,738,602	\$2,758,504	\$2,783,066
Transfers from BCI	\$515,000	\$534,000	\$545,000	\$554,000	\$556,000
Anticipated New Grant Approvals	(\$615,000)	(\$534,000)	(\$545,000)	(\$554,000)	(\$556,000)
Operational Expenses	(\$127,157)	(\$130,336)	(\$133,594)	(\$136,934)	(\$140,358)
Projected Earnings PHN, Integris	\$137,909	\$145,494	\$153,496	\$161,496	\$169,496
<b>Closing balance NKDF funds</b>	<b>\$2,723,444</b>	<b>\$2,738,602</b>	<b>\$2,758,504</b>	<b>\$2,783,066</b>	<b>\$2,812,204</b>
Opening Balance BCI	\$13,875,166	\$13,875,166	\$13,875,166	\$13,875,166	\$13,875,166
Projected BCI Earnings	\$515,000	\$534,000	\$545,000	\$554,000	\$556,000
Transfers from BCI to NKDF	(\$515,000)	(\$534,000)	(\$545,000)	(\$554,000)	(\$556,000)
<b>Closing Balance BCI Funds</b>	<b>\$13,875,166</b>	<b>\$13,875,166</b>	<b>\$13,875,166</b>	<b>\$13,875,166</b>	<b>\$13,875,166</b>
<b>Total BCI Plus NKDF Assets</b>	<b>\$16,598,610</b>	<b>\$16,613,768</b>	<b>\$16,633,670</b>	<b>\$16,658,232</b>	<b>\$16,687,370</b>

**Appendix A: Budget Projections**

<b>OPERATING BUDGET</b>	<b>2023-2024 Actual</b>	<b>2024-2025 Actual</b>	<b>2025-2026 Budget</b>	<b>2025-2026 Actuals</b>	<b>2026-2027 Budget</b>
Accounting and Audit	\$6,581	\$7,319	\$7,500	\$7,688	\$10,000
Bank Charges		\$420	\$400	\$405	\$400
Legal	\$40	\$90	\$50	\$55	\$50
Advertising and Promotion	\$2,637	\$1,456	\$2,500	\$2,901	\$2,500
Conferences	\$0	\$0	\$2,500	\$0	\$0
Honorariums	\$6,990	\$8,125	\$10,000	\$8,400	\$10,000
Office	\$1,434	\$793	\$600	\$327	\$500
Subcontract - Manager	\$66,195	\$68,092	\$80,054	\$71,720	\$82,057
Subcontract - Other	\$0	\$0	\$500	\$398	\$450
Supplies and Equipment	\$0	\$374	\$500	\$0	\$500
Telephone	\$1,628	\$1,072	\$700	\$669	\$700
Consultant		\$8,479	\$0	\$0	\$0
Travel and Meetings - Board	\$7,878	\$7,532	\$10,000	\$5,533	\$10,000
Travel and Meetings - Manager	\$3,526	\$1,474	\$3,500	\$2,501	\$5,000
Community Engagement		\$1,188	\$5,000	\$4,847	\$5,000
<b>Total Operations</b>	<b>\$96,910</b>	<b>106,414</b>	<b>\$123,804</b>	<b>\$105,443</b>	<b>\$127,157</b>
<b>Grants - New Approvals</b>	<b>\$286,752</b>	<b>\$364,597</b>	<b>\$490,363</b>	<b>\$431,306</b>	<b>\$615,000</b>