THE COLUMBIA BASIN
MANAGEMENT PLAN

Approved by the Board of Directors
of the Columbia Basin Trust
with amendments to July 19, 1997.
MISSION

The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.
# COLUMBIA BASIN MANAGEMENT PLAN

## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREFACE</td>
<td>iii</td>
</tr>
<tr>
<td>CHAPTER 1 – INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 The Purpose of the Plan</td>
<td></td>
</tr>
<tr>
<td>1.2 The Trust’s Mandate</td>
<td></td>
</tr>
<tr>
<td>1.3 Core Functions</td>
<td></td>
</tr>
<tr>
<td>1.4 Visions for the Future</td>
<td></td>
</tr>
<tr>
<td>CHAPTER 2 - INVESTMENT PROGRAM</td>
<td>5</td>
</tr>
<tr>
<td>2.1 Preamble</td>
<td></td>
</tr>
<tr>
<td>2.2 Investment Goals and Objectives</td>
<td></td>
</tr>
<tr>
<td>2.3 Investment Program Delivery Guidelines</td>
<td></td>
</tr>
<tr>
<td>CHAPTER 3 - SPENDING PROGRAM</td>
<td>9</td>
</tr>
<tr>
<td>3.1 Preamble</td>
<td></td>
</tr>
<tr>
<td>3.2 Spending Goals and Objectives</td>
<td></td>
</tr>
<tr>
<td>3.3 Spending Program Delivery Guidelines</td>
<td></td>
</tr>
<tr>
<td>CHAPTER 4 –IMPLEMENTATION, DEVELOPMENT AND ACCOUNTABILITY</td>
<td>15</td>
</tr>
<tr>
<td>4.1 Preamble</td>
<td></td>
</tr>
<tr>
<td>4.2 Guiding Principles</td>
<td></td>
</tr>
<tr>
<td>4.3 Evaluation Criteria</td>
<td></td>
</tr>
<tr>
<td>4.4 Plan Monitoring and Amendment</td>
<td></td>
</tr>
<tr>
<td>4.5 Public Involvement</td>
<td></td>
</tr>
<tr>
<td>ATTACHMENT – INVESTMENT PROGRAM, SUPPLEMENTARY INFORMATION</td>
<td>23</td>
</tr>
</tbody>
</table>
PREFACE

The Columbia Basin Trust is a corporation that was established by provincial legislation in 1995. Its purpose is to benefit the region most adversely affected by the Columbia River Treaty. The Treaty, ratified by the U.S. and Canada in 1964, led to the construction of storage dams which improved flood control and power production capacity in both countries. Most of the negative consequences of the Treaty, however, were felt and continue to be borne by the Canadian portion of the Basin which is shown on the back cover of this Plan.

This document is the first Basin Management Plan approved by the Trust. It was written by the Trust’s Board of Directors with the assistance of its Advisory Committee. Members of the Board and the Committee are residents of the region. The process for preparing the Plan is shown in the following chart. The process included extensive public input to help ensure that the Plan supports, and is supported by, the people of the Basin. To be sure that the Plan remains relevant and responsive to the interests and needs of the Basin, the Trust will amend it periodically. Amendments will be based on public input and the experience gained by working with the Plan.

PLANNING PROCESS

1993 – 1995

PUBLIC MEETINGS AND SYMPOSIA

JUNE 1996

INFORMATION ANALYSIS

PUBLIC INVOLVEMENT

TECHNICAL CONSULTATION

APRIL 1997

FIRST DRAFT

REFINEMENT

JULY, 1997

FIRST PLAN APPROVED

IMPLEMENTATION

FUTURE AMENDMENTS
INTRODUCTION
CHAPTER 1 -- INTRODUCTION

1.1 THE PURPOSE OF THE PLAN

The purpose of the Columbia Basin Management Plan is:

To describe the Trust’s objectives, priorities and programs

The Plan satisfies section 15 of the Columbia Basin Trust Act. The programs presented in the Plan include long-term goals and short-term objectives which will guide the Trust’s annual work plan and budget. Wherever appropriate the more specific management decisions made through the goals and objectives describe outcomes which integrate, social, environmental and economic considerations.

Goals describe positive outcomes which can be approached but may never be fully realized. Objectives describe more specific outcomes designed to move towards a goal. The objectives listed in this Plan are to be accomplished within three to five years.

The objectives under each goal are arranged in a general order of priority, with the most important first. The Trust will be responsible for determining specific priorities within the next three to five years, and the Trust may postpone some objectives if they are not attainable within that planning period. The Trust may also respond to other Basin issues and opportunities which are not addressed in the Plan.

First Nations residents are included in all references to Basin residents, communities, people and similar terms used throughout the Plan.

1.2 THE TRUST’S MANDATE


Together the Act and the Binding Agreement describe the Trust’s mandate. A summary of the mandate is:

To manage the Trust’s assets, including money allocated by the Province for power projects and other investments, for the ongoing economic, environmental and social benefit of the region, without relieving governments of their obligations.

To include the people of the Basin in planning for the managing of these assets.

To work with others to coordinate activities related to the corporate purpose of the Trust.
1.3 **CORE FUNCTIONS**

To achieve its mandate the Trust is committed to working with the public and other agencies and organizations in the Basin to carry out two core functions:

- **To invest the capital and manage the assets of the Trust.**
- **To spend the income earned from the Trust’s investments to deliver benefits to the region.**

The remainder of the Plan describes how the Trust will carry out these interrelated core functions.

1.4 **VISIONS FOR THE FUTURE**

A. **A Vision for the Basin**

The Trust will be guided by a long-term vision for the future of the Basin. This future is described by the following statements:

- **The Columbia River Basin is a place where social, environmental, and economic well-being is fostered.**

- **Collaborative relationships and partnerships are established across the Basin.** Communities work together in a spirit of mutual support and respect for each other’s differences. Residents identify with a Basin culture and feel a sense of belonging to a Basin community. Residents are involved in community decision making.

- **A healthy environment is the basis for social and economic activities.** Residents are committed to long-term and enduring stewardship of the Basin’s natural resources.

- **The economy of the Basin is diverse, resilient and energized.** Communities are responsive to both the needs of the present and the future. Community enhancement initiatives are widely supported and residents share responsibility for their implementation. Practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

B. **A Corporate Vision for the Trust**

The Trust will be guided by a long-term vision of itself as a corporation. According to this vision the Trust will have:

- **A successful portfolio of investments in the Basin** which help to stimulate the regional economy and which provide a reliable stream of income for use in the Trust’s spending activities.

- **A proven track record** in delivering social, economic and environmental benefits to the Basin and its residents.
Well-established and productive working relationships with others in the Basin whose activities relate to the Trust’s mandate.

Consistent and widespread public support for the Trust’s activities based on meaningful public input and the Trust’s responsiveness to the needs of the Basin and its people.
INVESTMENT PROGRAM
CHAPTER 2 -- INVESTMENT PROGRAM

2.1 PREAMBLE

The Trust’s Investment Program will fulfill the first of its two core functions which is:

To invest the capital and manage the assets of the Trust.

The Trust’s endowment capital has been contributed or committed to the Trust under the Binding Agreement with the Province. It is made up of the following amounts:

- Power Project Construction Financing $ 250 million
- Regional Benefit Program Payment $ 45 million
- TOTAL ENDOWMENT CAPITAL $ 295 million

The $45 million is a lump-sum, one-time payment which was received on April 1, 1996. The $250 million will be received over a ten-year period, with the final payment due on April 1, 2005. The Province has committed to transfer an additional $250 million over the same time to its agent, the Columbia Power Corporation, for power project investments which will be made jointly and equally with the Trust. This joint capital of $500 million will be combined with borrowed money to create up to $1 billion in power project investments in the Basin.

2.2 INVESTMENT GOALS AND OBJECTIVES

GOAL 1: To ensure that the Trust becomes a financially self-sufficient corporation, capable of delivering benefits in the Basin on an ongoing basis.

OBJECTIVES:

(a) Earn an overall rate of return on the Trust’s investments equivalent to returns expected of Canada’s major insurance companies and pension funds.

(b) Earn individual investment returns which reflect the level of risk taken by the Trust and provide returns to the Trust similar to those expected by private sector investors considering a similar investment.

(c) Keep the full purchasing power of the original capital for the benefit of future generations. Annually reinvest enough of the total return from the Trust’s investments to achieve this objective.

(d) Provide for the Trust an overall minimum annual cash flow equal to 5% of the Trust’s invested capital. [Income projections and forecasts are detailed in the Attachment to the Plan.]

(e) Make investments which, if possible, provide for the repayment of the capital invested as well as for the return of earnings on that capital,
GOAL 2: To generate broad secondary economic benefits for the Basin community from the Trust’s investments.

OBJECTIVES:

(a) Invest all of the capital received by the Trust within the Basin, as long as commercially viable investment opportunities can be found.

(b) Encourage others to invest in the Basin by using the Trust’s capital to leverage additional investments, whenever suitable equity or loan partnerships can be found.

(c) Direct the Trust’s capital into job-creating investment opportunities in Basin communities, where feasible.

(d) Diversify the Basin economy by investing the Trust’s capital in emerging growth sectors, where commercially viable opportunities can be found, particularly in value-added and knowledge-based businesses.

(e) Invest the Trust’s capital in traditional sectors of the Basin economy where commercially viable opportunities can be found, particularly in forestry, agriculture, mining and tourism.

(f) Invest the Trust’s capital in economic sectors which have a potential to increase the Basin’s ability to meet its own needs.

(g) Identify what role the Trust might play in establishing community-based capital funds and a Columbia Basin investment fund.

2.3 INVESTMENT PROGRAM DELIVERY GUIDELINES

A. Investment Management Approach

The Trust will follow established investment management methodology and will work to match the best of private sector practices. It will adopt the portfolio approach to investing. This allows the Trust to diversify its investments and to accept a range of returns on them. The Trust will also avoid the risk of permanent capital loss and fluctuation of expected income from its investment holdings. [A portfolio for the Trust is outlined in the Attachment to this Plan.]

B. Power Project Investments

The process for searching out, receiving and evaluating power project investment proposals is determined by the terms of the Binding Agreement between the Trust and the Province and by the Power Project Planning Joint Venture Agreement between the Trust and the Columbia Power Corporation. If these joint venturers decide to continue with a power project investment, the proposal is subject to applicable provincial and federal approval process.

The Joint Venture Agreement requires that power project planning and investment decisions must be made by a Management Committee. The joint venturers are equally represented on this Committee. Committee decisions must be unanimous.
The Trust’s representatives on the Committee receive direction from the Board of the Trust through power project guidelines.

C. Non-Power Investments

When possible the Trust prefers to work with existing regional organizations to invest in the non-power classes of its portfolio. If only parts of the necessary organizations exist in the Basin, the Trust will facilitate the creation of the missing elements.

If there is no organization to carry out an investment activity in the Basin, or if the Trust is unable to reach reasonable agreements with organizations in the Basin, the Trust may undertake the activity directly or in partnership with organizations from outside of the Basin.

Existing financial, investment, and business organizations which the Trust views as potential working partners in non-power investments include: credit unions, community futures development corporations, First Nations development corporations, the Business Development Bank, chartered banks, trust companies, BC Trade and Investment Office (Ministry of Employment & Investment), BC Working Opportunity Fund, investment dealers / managers, and a range of other private and public sector corporations operating in the Basin.

Possible future investment group arrangements which may emerge with Trust participation include: micro-credit loan programs, real estate development and management, regional or BC residents’ Columbia Basin investment funds, community investment funds and others.

The process for searching out, receiving and evaluating non-power investment proposals will be determined by the Board of the Trust using the evaluation criteria outlined in Chapter 4. When investment decisions are to be made through working arrangements with others, the procedures will be adapted to serve the needs of all parties.
SPENDING PROGRAM
CHAPTER 3 -- SPENDING PROGRAM

3.1 PREAMBLE

The Trust’s Spending Program is aimed at fulfilling the second of its two core functions which is:

To spend the income earned from the Trust’s investments to deliver benefits to the region.

The purpose of this Program is to provide good value for money spent by providing ongoing benefits to the Basin and its residents in the following areas:

- social well-being;
- preservation, protection and enhancement of the environment;
- economic development.

The Spending Program is not required to provide any income for the Trust or to repay any capital to the Trust.

3.2 SPENDING GOALS AND OBJECTIVES

GOAL 1. To increase the capacity of Basin communities to identify and meet their own needs.

OBJECTIVES:

(a) Provide supportive funding for community economic development projects which will increase Basin and community self-reliance. These could include collaborative marketing and the sharing of economic information and services.

(b) Support and sometimes participate financially in creating community land trusts in consultation with affected parties, including First Nations. Land Trusts will help to maintain a range of community values on lands in and near settlements and to ensure that residents have a land base to meet community needs.

(c) Support initiatives which will increase entrepreneurial skills. This is especially important for young people.

(d) Encourage activity in the Basin economy by assisting with the development of new business incubation, infrastructure, skills, and new and existing markets.

(e) Assist in the development of social, environmental and economic indicators and facilitate their use in Basin communities.

(f) Develop and implement ways to incorporate local and traditional knowledge into Basin decision-making.
GOAL 2. To maintain healthy ecosystems in a naturally functioning state and to improve the functioning of those that have been altered and degraded.

OBJECTIVES:

(a) Provide financial support for locally initiated and community-supported fish and wildlife improvement programs.

(b) In consultation with affected parties, including First Nations people, participate in acquiring land or conservation easements through community-supported nature conservancies and land trusts. The intent is to protect fisheries and wildlife habitat without unnecessarily taking agricultural land out of production. This is especially important where environmentally valuable valley bottom lands are subject to increasing development pressures.

(c) In consultation with all relevant parties, determine the feasibility of returning the salmon to the Columbia River.

(d) Support initiatives which promote energy conservation and the development of innovative, cost-effective energy sources.

GOAL 3. To promote access to education and training which will help residents adapt to economic changes.

OBJECTIVES:

(a) Help develop communication technology for training purposes in the Basin. [See also Spending Objective 7(c)].

(b) Establish a bursary program for education and training to help residents meet community employment requirements.

(c) Monitor and advocate for training and professional development programs in the Basin where the need is demonstrated.

GOAL 4. To help address the problems of poverty in the Basin.

OBJECTIVES:

(a) Establish educational incentives for youth of lower income families in the Basin.

(b) Provide support for self-esteem building and pre-employment programs aimed at enhancing life skills and work-related skills.

(c) Support initiatives that satisfy the need for available, affordable, safe and decent housing in the Basin.

(d) Identify what role the Trust might play in improving access to better employment opportunities and education for people with low income.
(e) Support initiatives that increase affordable day care so lower income families can have the time and money to participate in education and employment opportunities.

GOAL 5. To assist in the prevention of social problems.

OBJECTIVES:

(a) Support initiatives by communities which strengthen families, youths and seniors.

(b) Research and foster preventative techniques for dealing with social issues.

(c) Support improved access for youth to cultural and recreational pursuits which will contribute to the development of skills, confidence and self-esteem.

(d) Identify what role the Trust might play in increasing either the access to or effectiveness of parenting programs.

GOAL 6. To help ensure that the management of water issues related to the Columbia River Treaty takes account of the region’s interests in a range of values.

OBJECTIVES:

(a) Be an advocate and play a leadership role in decisions about regional and trans-boundary water management. Work to improve water reservoir and dam management practices which will optimize a wide range of benefits, including fisheries, recreation and aesthetics.

(b) Advocate for resolution on behalf of those Basin residents who were impacted originally by the Columbia River Treaty and who still have justifiable compensation claims as a result of the Treaty, without assuming responsibility for paying the claims.

(c) Advocate for resolution of water management issues which have not been satisfactorily addressed by conditions of existing water licenses. This should include debris management and public access to reservoirs and other waterways.

(d) Establish a process for receiving and commenting on significant applications made under section 10 of the Water Act. Help ensure that the Comptroller of Water Rights and the Regional Manager give adequate consideration to the Columbia Basin Management Plan.

(e) Prepare the Trust to participate in a review of the Columbia River Treaty when that opportunity arises in 2014.
GOAL 7. To enhance Basin heritage and culture.

OBJECTIVES:

(a) Develop and encourage the use of educational materials suitable for school and college curricula. The materials should address the Basin’s ecology, history (including aboriginal history), economy, and its social and cultural life.

(b) Assemble information about the Trust and the social, economic and environmental effects which resulted from the Columbia River Treaty and present it to a wide audience. Include the loss of communities, the loss of resources, and the impact on First Nations peoples and their way of life.

(c) Speed up the modernization of communications technology throughout the Basin so that most communities will have private telephone lines, convenient access to the Internet and be within reasonable driving distance of a public video-conferencing centre. Ensure that training for use of communications technology is available. [See also Spending Objective 3(a)]

(d) Invite proposals from arts councils and other community-based arts groups for financial support to continue projects or to start new projects which help to create a sense of common culture amongst the residents of the Basin.

(e) Research models of cost-effective communication and transportation systems that have been used in other areas with similar problems of geography, distance and isolation. Advocate for use of those that are appropriate for the Basin.

GOAL 8. Promote learning and make information on the Basin easily accessible.

OBJECTIVES:

(a) Participate in the development of one or more “centres for excellence and learning” that would coordinate education, research, management, policy development and community needs related to all aspects of the Trust’s mandate.

(b) Assemble and catalogue existing social, environmental and economic information on the Basin, establish a process for updating and adding to it, and make it available electronically and at one or more locations in the Basin.

3.3 SPENDING PROGRAM DELIVERY GUIDELINES

As with its investment programs, the Trust prefers to deliver its spending programs in some kind of partnership with others who have similar interests in the Basin.

The Trust will seek partnerships and other effective working arrangements in the public and private sectors including, but not limited to, the following types of agencies and organizations:

Public - Federal departments, crown corporations and agencies
- First Nations bands, tribal councils, and agencies
- Provincial departments, crown corporations and agencies
- Local municipalities, regional districts and other local authorities
- Public libraries
- Schools and colleges
- Government-funded agencies and organizations

Private
- Community-based groups and societies
- Non-profit service organizations
- Land trusts
- Professional and industry associations
- Labour groups
- Business and industry

If it is not appropriate or practical to deliver its spending programs in partnership with others, the Trust will deliver them with its own resources. This may require the use of in-house or contracted-out expertise and support.

The process for searching out, receiving, and evaluating spending proposals will be determined by the Board of the Trust. If spending decisions are to be made through working arrangements with others, the procedures will be adapted to serve the needs of all parties.
IMPLEMENTATION, DEVELOPMENT AND ACCOUNTABILITY
CHAPTER 4 -- IMPLEMENTATION, DEVELOPMENT AND ACCOUNTABILITY

4.1 PREAMBLE

The Trust is accountable to the residents of the Basin for its investment and spending decisions. The Columbia Basin Management Plan gives direction to these decisions and to the Trust’s annual work plan and budget.

The Plan contains substantial input from the Basin residents and was prepared with the direct assistance of the Trust’s Advisory Committee. Using this direction from the people of the Basin, the Board of the Trust will play a leadership role in implementing and developing the Plan and will continue to be accountable to Basin residents.

4.2 GUIDING PRINCIPLES FOR INVESTMENT AND SPENDING

The following principles will guide the Trust:

1. **Include the people of the Basin in decisions that affect their lives and determine their future.**
   - People who live in an area have a right to be a central part of the planning and decision-making processes that affect that area.
   - The decisions of the Trust will be consistent with and accountable to the views of the people as described in the Basin Management Plan.

2. **Respect the rights of others, including the rights of First Nations.**
   - The Trust will avoid upsetting the existing rights of anyone who is affected by its actions.
   - All agreements, benefits, returns from investments and other results of the Trust’s activities will not harm existing aboriginal rights and treaty negotiations. The Trust will respect and recognize aboriginal rights which are protected in the Constitution.

3. **Bring benefits to Basin residents in addition to those they would otherwise enjoy.**
   - The Trust believes that a region which has been negatively affected by development which benefits others is entitled to a share of those benefits.
   - The resources provided by the Province for the Trust are meant to support fairness in regional opportunities. Trust initiatives are not intended to substitute for rights and benefits which residents would otherwise enjoy.
   - The Trust will not relieve any level of government from any obligation it might have with respect to the region.
4. **Focus on the whole Basin and respect the diversity within it.**
   - The focus of the Trust, the Columbia Basin Trust Act and the Binding Agreement between the Trust and the Province is on the Columbia Basin as a whole.
   - The Trust shares responsibility for protecting and enhancing the well-being of the Basin as a whole for present and future generations.
   - The Trust’s decisions will take into account the differences amongst individuals and communities from one part of the Basin to another.

5. **Aim for sustainable activities.**
   - The Trust will aim to meet the needs of the present without compromising the ability of future generations to meet their own needs.
   - The Trust recognizes that economic and social progress can only be made in the context of diverse and healthy ecosystems.

6. **Invest responsibly and use the investment revenue within the Basin.**
   - The Trust’s investment and spending activities will be planned responsibly by taking into account economic, environmental and social considerations and by minimizing negative impacts.
   - The Trust’s investment income will be reinvested or spent within the Basin.

7. **Acknowledge and support those who were affected directly by the Columbia River Treaty, without providing compensation.**
   - The Trust will play an advocacy role for individuals and groups who were impacted originally by the Columbia River Treaty and who, in the Trust’s view, have not been adequately compensated for the hardships they suffered.
   - The Trust will not provide direct compensation for individual or group impacts resulting from the Columbia River Treaty.
   - The Trust will give early consideration in its spending program to those areas within the Basin which were most negatively impacted by the Columbia River Treaty.

8. **Play a creative role in positive change.**
   - The Trust will maintain the flexibility to adapt initiatives to suit the changing needs of Basin residents and the evolution of the Basin.
   - The Trust will give leadership to positive economic, social and environmental change in the Basin.

9. **Seek equitable outcomes from all the Trust’s activities.**
• The Trust will endeavor to create outcomes from its efforts to bring benefits to the Basin, particularly for groups and communities which have been traditionally disadvantaged.

• The Trust recognizes that equitable outcomes will not result from treating every community or everyone the same.

• The Trust is committed to fairness and accessibility, including physical accessibility, for all persons in a manner that respects the diverse needs, abilities and interests of the people of the Basin.

4.3 EVALUATION CRITERIA FOR INVESTMENT AND SPENDING

A. Test ofAcceptability

The first test which the Trust will use to evaluate investment and spending proposals is that they must be consistent with the intent of the Plan. This Test of Acceptability applies whether the proposals are initiated by the Trust or by others. It means that proposals must meet the following basic criteria before they can be considered further:

(i) Support the Mission and Visions for the Future
(ii) Fall within the Mandate and Core Functions
(iii) Move towards the Goals
(iv) Follow the Guiding Principles

B. General Criteria

Proposals which pass the Test of Acceptability will be considered further, using the following general criteria:

1. Bring a Broad Range of Benefits

The Trust will make investment and spending decisions which will produce benefits:

• in at least one area of its three-part mandate (social, economic and environmental), without causing negative effects on the other two;
• for more than one group, community or area of the Basin.

2. Involve Residents

The Trust prefers to involve residents whenever possible. This means that the Trust will favour proposals which:

• have demonstrated support from communities which are affected by the proposal;
• create or support cooperative arrangements in the Basin amongst residents, agencies and organizations, including First Nations;
• place more control in the hands of people whose lives will be affected and provide for their ongoing involvement;

• increase the ability of individuals to exercise choice.

3. Work with Others

The Trust prefers to work with others and build on their efforts. This means, for example, that the Trust will make investment and spending decisions which:

• provide ways to extend the initiatives of others in the Basin, including enhancing government initiatives which overlap with the Trust’s mandate;

• create partnerships between the Trust and public or private agencies and organizations.

4. Be a Fair Employer

The Trust recognizes that wage earners are as important as investors. Where its investment and spending programs help to create employment, the Trust will:

• include jobs for youth linked to training opportunities, where possible;
• favour hiring Basin residents over people from outside the Basin;
• apply fair wage and employment equity policies;
• seek to create jobs with a ‘family’ wage;
• ensure that employment opportunities are fairly shared around the Basin.

5. Seek Long-term Benefits

The Trust will make investment and spending decisions which lead to long-term benefits. This means that the Trust will favour proposals which will:

• deliver broad benefits in the future;
• be self-sustaining in the future

6. Promote a Basin Culture

The Trust will make investment and spending decisions which contribute to a common culture, binding residents to each other and to the Basin.

C. Specific Evaluation Criteria

The general criteria outlined so far in the Plan provide a useful starting point for developing more specific evaluation criteria. The Trust will develop specific criteria for evaluating investment and spending proposals. This will include a review of full-cost accounting and similar processes which can be adapted to meet the Trust’s need to make investment and spending decisions using a simple and effective method which accounts for social, environmental and economic values.
4.4 PLAN MONITORING AND AMENDMENT

With the assistance of the Advisory Committee, the Trust will design a process to monitor progress towards implementing the Plan and the effectiveness of the investment and spending programs. The monitoring will include the assistance of an independent third party and is intended to be done in cooperation with other agencies and organizations in the Basin.

The experience gained from implementing and monitoring the Plan will determine when there is a need for the Board to review the Plan. In any case, a general review will be carried out at least once every two years to maintain the Plan’s objectives within a three to five year planning period.

Formal amendments to the Plan will be initiated by the Trust when a review indicates the need for significant change. Clarification of the intent of the Plan may be made by resolution of the Board without a formal amendment to the Plan. These resolutions must be consistent with a reasonable interpretation of the wording in the Plan.

4.5 PUBLIC INVOLVEMENT

The Trust will pursue an accessible, inclusive, affordable and flexible community relation’s strategy. The strategy will provide opportunities for residents to keep informed about the ongoing activities of the Trust and will encourage them to give feedback. It will also provide opportunities to influence how benefits from the Trust’s programs are delivered to Basin communities.

The Trust will provide an annual report for residents of the Basin about:

- investment and spending decisions;
- other work plan activities;
- budget accounts and transactions;
- results from the monitoring of the Plan.

Section 15 of the Columbia Basin Trust Act allows the Trust Board to make amendments to the Plan. This section requires that the Trust seek input to the proposed amendment from the residents of the region and that the directors approve any amendments at a public meeting.
THE COLUMBIA BASIN TRUST
INVESTMENT PROGRAM

SUPPLEMENTARY INFORMATION

Attachment to the
Columbia Basin Management Plan
INCOME PROJECTIONS AND FORECASTS

INCOME DEFINED

The Trust requires a stream of income to fund its activities (including funding its operations after 2010). That stream of income is to be supplied by the investment program. It is defined as the annual cash returns received from the Trust's investments after providing for minimum capital reinvestment requirements.

Note that the overall target return on the Trust’s capital will be earned as a combination of cash received by the Trust from its investments and by the net increase in the value of the Trust investment holdings (a growth element). The growth or capital appreciation portion of the Trust’s overall return can only be received in cash if the Trust sells its investment holdings. Long-term investors like the Trust generally do not sell their holdings. Therefore, this portion of the overall return is not accessible. However, the capital appreciation portion of the Trust’s overall return will be used to reduce the minimum annual reinvestment requirements.

The investment program is designed so that the cash portion of the return will be at least 5% annually. The Trust will select a combination of investments in the Basin that will maximize the cash portion of the overall return and, therefore, will also maximize the Trust’s annual income to fund its activities.

ANNUAL INCOME

For purposes of long-term planning, the Trust projects its future annual income by assuming that in the next ten years (to 2007) all of the power project contributions have been received and invested and have generated enough income to meet the objectives of the investment program. If those assumptions are true, then the Trust’s investment holdings should generate an income of up to $15 million per year in the second decade of the Trust’s operations.

Although the projection above is useful for long-term planning, more accurate figures are required to support program spending decisions for the next five years. The following forecast is based on the Trust’s best estimates of the investment program’s income in the next 5 years. The forecast does not include income from the power project investments, except for the Trust’s share of the existing Brilliant power project’s income. Certain power
project initiatives of the Trust and its partner, Columbia Power Corporation, could increase income as early as 1999. However, the timing of those initiatives is not certain, so their potential contribution has not been included in the forecast figures, shown in the table below.

The Trust realized a surplus of approximately $2 million from its first $4 million of annual operating expense and development program payments received from the Province. The forecast reflects the allocation of this initial surplus to provide a constant level of funding for the spending program over the next five years.

### INCOME AND SPENDING FUND FORECASTS ($ MILLION)
1997 – 2001

<table>
<thead>
<tr>
<th>Year Ending March 31</th>
<th>Cash Returns</th>
<th>Minimum</th>
<th>Annual Reinvestment</th>
<th>Allocation of Program Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>2.50</td>
<td>0.75</td>
<td>1.75</td>
<td>1.75</td>
</tr>
<tr>
<td>1998</td>
<td>3.20</td>
<td>0.85</td>
<td>2.35</td>
<td>0.90</td>
</tr>
<tr>
<td>1999</td>
<td>3.20</td>
<td>0.80</td>
<td>2.40</td>
<td>0.85</td>
</tr>
<tr>
<td>2000</td>
<td>3.60</td>
<td>0.70</td>
<td>2.90</td>
<td>0.35</td>
</tr>
<tr>
<td>2001</td>
<td>3.85</td>
<td>0.60</td>
<td>3.25</td>
<td>-</td>
</tr>
<tr>
<td><strong>5-YEAR TOTALS</strong></td>
<td><strong>16.35</strong></td>
<td><strong>3.7</strong></td>
<td><strong>12.65</strong></td>
<td><strong>2.1</strong></td>
</tr>
</tbody>
</table>
AN INVESTMENT PORTFOLIO FOR THE TRUST

The following list describes the income-generating and regional growth investment classes which are suitable to include in the Trust’s portfolio. The combination and types of investment classes may be modified over time, and the target percentages for the classes may be adjusted periodically. These modifications and adjustments will be consistent with investment management methodology and the portfolio approach to investing.

INCOME-GENERATING CLASSES

- **Income securities (10%)**
  To ensure short term liquidity for the Trust in case of unexpected events (positive or negative).

- **Business loans (15%)**
  To support the availability of business loans in the region.

- **Real estate (30%)**
  To support the availability of commercial, industrial, institutional or residential rental properties in the region.

- **Power projects (30%)**
  To support regional ownership of power generation, transmission and distribution assets.

REGIONAL GROWTH CLASSES

- **Business interests (15%)**
  To support regional ownership of valuable businesses.

- **Real estate development (% n/a – see real estate properties)**
  To purchase and develop the Trust’s real estate properties.

- **Power project development (% n/a – see power projects)**
  To purchase and develop the Trust’s power projects.

- **Venture capital (% n/a – see business interests)**
  To purchase and develop the Trust’s business interests.
During the first ten years of the investment program most investments will be in the power project classes. This is because 85% of the Trust’s $295 million endowment capital is tied to this asset class under the Binding Agreement between the Trust and the Province. As a result, the actual asset class percentages in 2005 will be substantially different from the longer-term targets indicated for the portfolio. To address this situation the Trust will apply all of its regional benefit capital to non-power asset classes, i.e. income securities, business loans, real estate (including development), and business interests (including venture capital).

To correct this situation in the long term, the Trust will reinvest the repayments of capital it receives from power projects in non-power asset classes, until the planned class weightings are achieved. Capital from power projects is expected to be received over 30 – 60 years.
Additional copies of this Plan and a separate companion document entitled The Columbia Basin Management Plan – Background Information are available from the address below. The Background Information includes a record of issues and opportunities which the Plan seeks to address.

The Columbia Basin Trust
P.O. Box 220, Nakusp, B.C.
V0G 1R0

Telephone: (250) 265-4822 or Toll Free: 1-800-505-8998
Fax Number: (250) 265-2246

Visit our website at www.cbt.org

Printed on recycled paper