

# COLUMBIA BASIN TRUST

2011/12 - 2013/14  
SERVICE PLAN



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January 29, 2011

The Honourable Ida Chong  
Minister of Regional Economic and Skills Development  
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff of Columbia Basin Trust (CBT), I am pleased to submit the Columbia Basin Trust 2011/12 – 2013/14 Service Plan. This document was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. All significant assumptions, policy decisions, events and identified risks, as of January 29, 2011 have been considered in preparing the plan. The performance measures presented are consistent with CBT's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of CBT's operating environment, forecast conditions, risk assessment and past performance.

CBT benefits the region of British Columbia most affected by the Columbia River Treaty, an agreement between Canada and the United States. Through endowments provided by the Province of BC, CBT makes investments, and uses the returns from its investments to deliver social, economic and environmental benefits to the people of the region. CBT is therefore accountable for its actions to both the Province of BC, our shareholder, and to the residents of the Columbia Basin, our stakeholders.

In recent years, CBT has had a relatively stable financial outlook, and we expect that to continue in the 2011/12 to 2013/14 period. We expect two of our three major categories of investments – private placements and power projects – to meet or exceed their performance expectations. We continue to focus on pursuing regional opportunities for our private placement investments. In terms of our third category of investments, market securities, it is more difficult to forecast annual performance as in a given year, our investments are subject to the overall performance of the global financial markets. We remain confident that our market securities will meet our long-term expectations.

The most substantive development within our investments portfolio of investments has been reaching formal agreement with Columbia Power Corporation and Fortis Inc. to construct the Waneta Expansion project, a new 335 MW hydroelectric facility near the existing Waneta Dam. With this agreement reached, the partners are now moving forward with construction of the project. CBT has shifted its focus from pre-development to jointly participating with Columbia Power Corporation and Fortis Inc. in the oversight of the project over the next four and a half years. We look forward to both the immediate economic benefits of the project to West Kootenay communities and to the long-term benefits to the entire Columbia Basin region that will result from the project's successful completion and operation.

With the Waneta Expansion project moving forward, our management team will have more time available to focus on other organizational priorities, including the return of social, economic and environmental benefits to communities. Our funding available to support community efforts, thanks to the stability and structure of our investments, has increased significantly in the last few years, and will reach the annual level of \$17 million throughout the period of this Service Plan.

In recognition of increased funding available to support community efforts, CBT has continued to develop its strategic planning framework, setting our overarching direction for the next four years. We have increased staff resources in some areas, and with our priorities set for the next four years, we will assess whether we have the staff resources in place to undertake new activities.

Two of CBT's core values are accountability and stewardship and those values will be kept in mind as we consider our increased budget to support community efforts. In using new funds, we will evaluate opportunities against our strategic priorities and plans, which are set in consultation with Basin residents. We will continue to try to ensure that our contributions to local efforts add unique value and help communities move forward in addressing their concerns.

I am excited to note that we are exploring new roles in areas that Basin residents have told us are important to their communities' long-term well-being, like youth engagement and access to broadband. At the same time, we are ensuring the support provided by our existing programs and initiatives is sufficient to meet community needs. Where appropriate, we may increase resources for some programs. For example, following a successful pilot, we decided to increase funding to our Summer Works Program, which provides a wage subsidy to small businesses to hire summer students, and was well-received by employers and students in summer 2010.

As CBT looks to the future and the roles we can play to support community development, we anticipate being part of discussions in the Basin about how to foster regional collaboration and partnership between communities.

In setting our strategic direction for the next four years, we also considered our own operating environment, and where we would like to be as an organization. We have made it a priority to be an employer of choice, as our staff team has been and will continue to be integral to our success. We recently joined the Public Sector Pension Plan, and see that development as one that will help us retain our current staff, and attract new staff when required. In the next three years, we will continue to increase our human resources management capacity.

Through our various partnerships, programs and initiatives at a community level, CBT has been part of supporting sustainability within our region. We are now turning some of that focus to our own organization, and have set a priority of bringing sustainability principles and practices to our everyday activities.

On behalf of the Board of Directors and staff, I thank you for your commitment to CBT.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Garry Merkel', with a stylized flourish at the end.

Garry Merkel  
Chair, Board of Directors

## MISSION

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.

### Vision

Columbia Basin Trust will work towards a long-term vision for the future of the Columbia Basin, where:

- The Columbia 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.

Columbia Basin Trust will also be guided by a long-term vision of itself as a regional corporation, having:

- 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 Columbia Basin Trust's delivery of benefits 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 Columbia Basin Trust’s mandate.
- Consistent and widespread public support for Columbia Basin Trust’s activities based on meaningful public input and Columbia Basin Trust’s responsiveness to the needs of the Basin and its people.

## Values

The following values guide how Columbia Basin Trust works in the Basin, and how Board and staff at CBT work with one another:

### 1. Respect

CBT treats people with respect, welcoming varied perspectives and viewpoints, and honouring the history of the Basin and the origins of the organization.

### 2. Accountability

CBT is responsible for all of its actions and the results of those actions.

### 3. Transparency

CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

### 4. Engagement

CBT recognizes that active involvement in communities is critical to its overall success.

### 5. Empowerment

CBT helps others make their own choices on issues that affect their future, and see those choices result in positive outcomes.

### 6. Stewardship

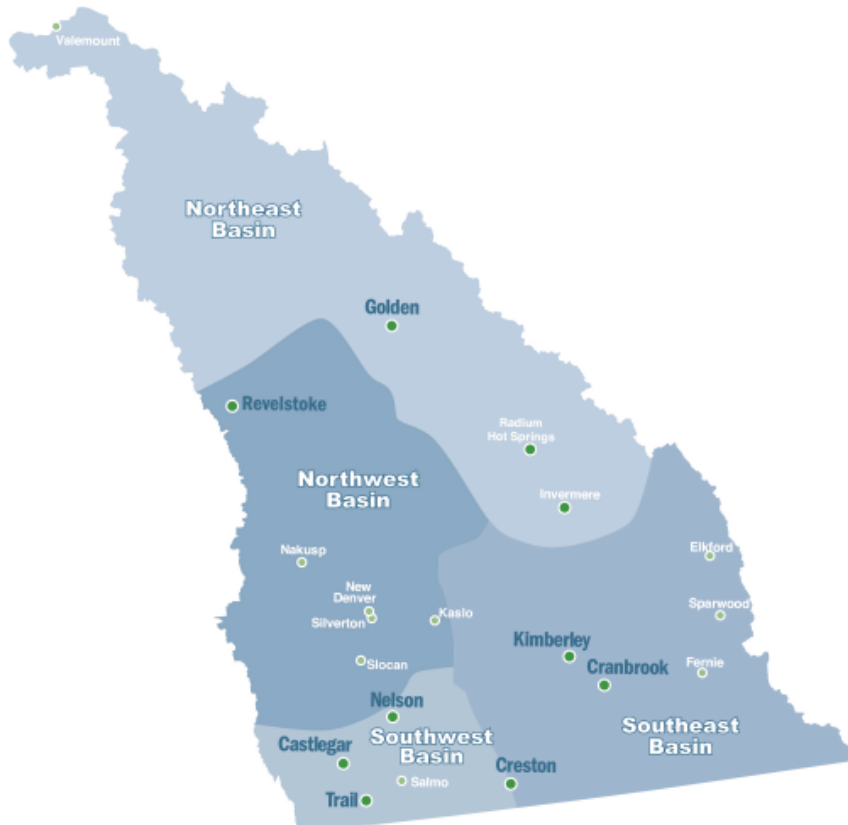
CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

## CORE FUNCTIONS

Established by the *Columbia Basin Trust Act* in 1995, CBT has two core functions: (1) invest capital and manage the assets of CBT and (2) spend the income earned from CBT's investments to deliver benefits that strengthen the social, economic and environmental well-being of the Columbia Basin.

Endowments provided by the Province of BC to CBT represent a return of the financial benefits stemming from the Columbia River Treaty to the most affected region-the Columbia Basin. CBT manages the endowments through its Investment Program to fund its Delivery of Benefits activities. Through the Delivery of Benefits, community programs and initiatives are supported, fostering quality of life and addressing critical issues in the Basin.

CBT operates out of four offices in the Columbia Basin region: Castlegar, Cranbrook, Nakusp, and Golden.





### Delivery of Benefits

Using the income from the Investment Program, CBT develops, implements and manages a range of partnerships, programs and initiatives that respond to the needs of communities, working closely with Columbia Basin residents throughout this process. CBT is assisting communities to take action by:

- Providing resources and funding,
- Focusing on local priorities and issues,
- Bringing people together around key issues,
- Providing useful, credible, accessible information, and
- Encouraging collaboration and partnership.

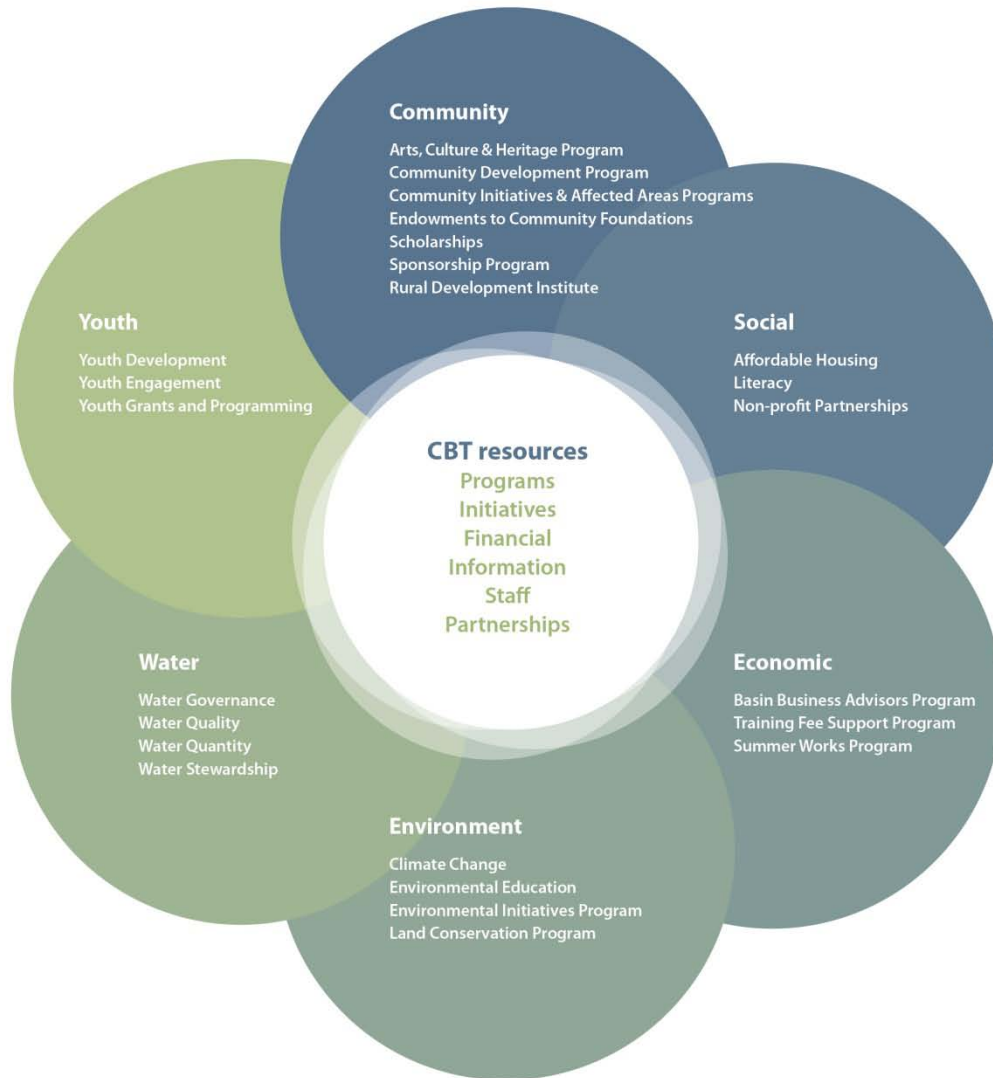
CBT has a broad mandate to return social, economic and environmental benefits to the Basin. Due to the numerous issues faced by the Basin region, CBT tries to ensure that its activities are based on regional and community priorities. Advisory Committees made up of volunteers from around the region help CBT identify regional issues and priorities and goals, objectives and strategies to address those priorities. CBT also has staff members who are dedicated to being direct liaisons with geographic sub-regions in the Basin, and keep the organization apprised of emerging issues and opportunities.

In developing and delivering programs and initiatives, CBT works closely with Basin residents and communities, and partners with existing groups in the Basin with similar goals and complementary strengths. By partnering with and supporting local organizations, everyone achieves greater results.

# CORE FUNCTIONS

## Delivery of Benefits Activities

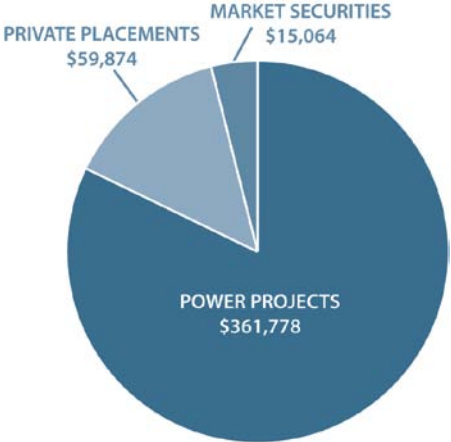
The following illustration shows the range of resources and services that CBT provides to Basin communities.



**Investments**

The purpose of CBT’s Investment Program is to prudently invest the endowment received from the Province of BC, enabling continued delivery of long-term benefits to residents of the Columbia Basin. Income generated from investments is used to fund CBT’s current and future Delivery of Benefits activities, as well as cover corporate operating expenses.

**Breakdown of CBT Investment Program (in thousands)**



The 1995 Financing Agreement with the Province of BC commits CBT to investigating, and if investigations indicate commercial viability, to developing and operating three hydroelectric projects in the Basin region. Two of these projects were developed in partnership with Columbia Power Corporation (CPC) and the risks and returns are shared on a fifty/fifty basis. The third project, the Waneta Expansion project, commenced construction in the fall of 2010 and a new ownership model was developed in which CBT holds a 16.5 % interest in a partnership with CPC (32.5 %) and Fortis Inc. (51 %). Given the overall size of the Waneta Expansion project, there was a need to sell the surplus capacity in order to make the project financially viable. By entering into the partnership with Fortis Inc., the project benefited from Fortis' additional capital as well as a long term capacity purchase agreement with Fortis BC. CBT and CPC are also partners in another hydroelectric project, the Brilliant Dam, which they purchased together on a fifty/fifty basis.

**Brilliant Dam**

In 1996, the joint venture partners purchased the Brilliant Dam, located approximately eight kilometres from Castlegar, BC, on the Kootenay River.

**Arrow Lakes Generating Station**

In 2002, construction was completed on the Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from the existing Hugh Keenleyside Dam on the Arrow Lakes reservoir, near Castlegar, BC.

### **Brilliant Expansion**

In September 2007, construction was completed on the Brilliant Expansion project, located on the east bank of the Kootenay River, downstream from the Brilliant Dam.

### **Waneta Expansion**

Construction of the Waneta Expansion Project (WAX) commenced in the fall of 2010 and will see the development of a new 335 MW generating station immediately downstream from the existing Waneta Dam owned by Teck. Construction is scheduled to take place over four and a half years.

## **Private Placements**

Private Placements include all investments CBT makes in businesses located in the Columbia Basin region. The investments are broken into the following categories:

### **Real Estate**

CBT has an ownership interest in a number of seniors' care facilities located in the Basin. Collectively, these properties contain more than 800 living suites and offer a range of services depending on the needs of the resident.

### **Business Loans**

On a select basis, CBT invests directly in Basin-based businesses. The investments may be made independently, with all risks and returns accruing fully to CBT. Alternatively, the investments may be made in partnership with regional financial institutions, in which case the risks and returns are shared by both parties.

Managing investment risks is as important to CBT as generating returns. CBT therefore observes the principles of commercial market due diligence when investigating investment opportunities. Each of the categories of Private Placements is required to generate a financial return to CBT that is commensurate with the level of risk assumed.

## **Market Securities**

CBT's priority is investment opportunities in the Columbia Basin; however, given the limitations of investing in a small region, there is a balance of funds that is available for investment in a portfolio of Market Securities.

Market Securities include a range of investments such as short-term deposits, bonds, and equities. Target allocations for each of the investment categories are outlined in the *Statement of Investment Policies and Procedures*.

## KEY STRATEGIC ISSUES

### Investments

CBT's Investment Program is governed by the *Statement of Investment Policies and Procedures* (SIPP) adopted by the Board of Directors in July 2007, and reviewed on a biannual basis. The SIPP governs the entire investment process and provides the policy framework required for prudent investment management.

The investment priority for CBT is opportunities located in the Columbia Basin. Given this is a relatively small market with significant economic reliance on traditional resource sectors, there are challenges in constructing a diversified investment portfolio. CBT therefore attempts to pursue investment opportunities in a range of industries and locations to partially mitigate this exposure.

In order to make quality investments, most often in a competitive environment, efforts are made to form relationships with key financial partners who understand CBT's investment goals and objectives. Establishing these relationships may take several years and can be a challenge for investment staff given limited resources.

As CBT faces resource limitations, the organization makes efforts to partner with like-minded investors who have the size and resources to cost-effectively administer the investment. This partnership model has been applied to CBT's power project investment structure where Columbia Power Corporation (CPC) acts as both investment partner, and power project manager. Although this structure reduces the administrative responsibilities of CBT, it results in significant dependency on CPC. CBT participates on the CPC Board and various joint venture committees, and also actively engages with CPC management.

CBT has also successfully applied this partnership model to the investment structure for its senior's lifestyle facilities, where CBT's partner acts as both a part owner and a manager, which results in shared oversight responsibility.

The following guidelines are used by CBT in managing the Investment Program:

- CBT believes future generations should benefit from the same level of support as current residents. To preserve this legacy, investment policies and grant/spending policies should be aligned to result in the retention of sufficient funds to offset the effects of inflation in the long term.

## KEY STRATEGIC ISSUES

- CBT's priority is investment opportunities in the Columbia Basin, as defined by the *Columbia Basin Trust Act*. However, given the limitations of investing in a relatively small region, it is expected a portion of CBT's assets will be maintained in market securities.
- CBT believes the best performing and most profitable investments are those that maintain high ethical and environmental standards, and commit to the principles of strong corporate governance.
- CBT believes in the principles of a prudent investor and requires a rate of investment return commensurate with the level of risk assumed.
- CBT recognizes that managing investment risk is just as important as generating returns.
- CBT recognizes the benefits of asset diversification and adopts the objective in principle, however further recognizes the benefits may be constrained by the large investment in power projects.
- CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

### Delivery of Benefits

CBT has a broad mandate to return social, economic and environmental benefits to the Columbia Basin. In 2010/11, CBT returned \$10.9 million in direct funding benefits to Basin communities. Due to the numerous social, economic and environmental issues in the Basin, the challenge for CBT is determining how to best return benefits to the region and accomplish its mission in the most meaningful and effective manner. Conversely, one of the key risks faced by CBT is ensuring that the supports it provides to communities are relevant and appropriate, and add unique value to local and regional efforts.

In each of the next three years, CBT will have approximately \$17 million available to return through its Delivery of Benefits activities. In the last ten years, the amount available for Delivery of Benefits has increased significantly. This growth has brought with it possibilities and challenges. In terms of possibilities, CBT has been able to expand the scope of its work with communities. By developing strategic plans in consultation with Columbia Basin residents, CBT has identified and developed new regional roles, from helping communities improve their water conservation efforts to helping communities develop affordable housing projects. CBT has also been able to engage with and support different community partners, including small businesses, which are able to access a new summer student wage subsidy program.

A key opportunity that CBT will explore with communities in the next three years is regional planning, and in particular, the possibility of developing a regional vision and strategy for the Basin and sub-regions within. In dialogue with Basin communities, a desire for further collaboration and partnership between communities is apparent, as is a desire to discuss a common future. In the coming months, CBT will assess how the organization can support the

development of a regional vision and strategy, and how to best apply its resources in this process.

In terms of challenges brought by new growth in Delivery of Benefits, CBT is in the rare position of being a funding organization that has increased its budget for community development in the last several years, at the same time that communities have faced greater challenges in accessing funding support. As CBT has responded to communities' requests for supports and identified new roles, the organization has strived to ensure that current and future Delivery of Benefits activities are adding new value to the efforts of Basin residents, and have the potential to have a unique impact on well-being in the Basin region.

Part of CBT's capacity to deliver increased benefits to communities comes from its strategic planning framework. During 2010/11, the organization set overarching strategic priorities for the next four years (see page 13) for Delivery of Benefits, and many of these priorities are supported by more detailed plans. This approach to planning means that CBT can assess whether new opportunities are consistent with the direction in its plans. CBT has also been able to use its strategic planning framework to help identify where staff resources need to be increased.

CBT's ability to deliver benefits is directly dependent on the effectiveness of its staff team. CBT's staff team works directly with communities, and must identify ways for CBT to collaborate with local efforts and ways for CBT to play regional roles to address issues. As CBT grows, and its ability to return benefits to Basin communities increases, the organization finds it increasingly important to ensure that its staff team is engaged and supported by the organization.

CBT's capacity to deliver increased benefits to Basin communities is also dependent on its corporate operations, the people, systems and processes that make up the foundation of the organization. With CBT's growth, its systems and processes will continue to evolve on an as needed basis.

Lastly, effective engagement and communication with Basin communities and residents are essential to CBT's work in the region, particularly as Basin residents guide the form and nature of the services that CBT provides. In the last year, CBT completed a communications strategy to help bring focus its efforts, and ensure that the organization is communicating clearly, appropriately and effectively.

## GOALS, STRATEGIES, MEASURES AND TARGETS

CBT primarily uses internal data in the measurement of its performance. Some of the financial data originates with third parties. In some cases, actual results for 2009/10 are different from the targets for subsequent years. For more information on CBT's historical performance, visit [www.cbt.org](http://www.cbt.org) to view the 2009/10 Annual Report.

### Investments

#### Goal

Generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

#### Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
4. Remain fully engaged with management of CPC and Fortis Inc. during the development of the Waneta Expansion Project. Continue to work closely with our partners during the operating phases of all our power projects.\*

\*This strategy has been adjusted from previous Service Plans to reflect that Fortis Inc. is now a partner in the Waneta Expansion Project.

Measures	Actual	Forecast	Targets		
	2009/10	2010/11	2011/12	2012/13	2013/14
Return on Power Projects (calculated as a cash-based return on investment)	7.69%	8.2%	8%	8%	8%
Return on Private Placements (calculated as a cash-based return on investment)	8.29%	8.7%	8%	8%	8%
Return on Market Securities	21%**	6%	6%	6%	6%



\*\*The 21% return in 2009/10 reflected the positive impact of the start of the global economic recovery in 2009 on CBT's market securities portfolio.

The *Statement of Investment Policies and Procedures* has identified three categories of investment for CBT: (1) Power Projects, (2) Private Placements, and (3) Market Securities. Each of these categories of investment has unique characteristics and to appropriately measure performance three different benchmarks have been established.

Power Projects include all operating hydroelectric projects. Private Placements include all direct investments in Basin-based enterprise, including real estate, business loans, and any other form of direct Basin investment. Market Securities include publicly traded financial instruments that form part of a diversified securities portfolio.

CBT chose a Cash-Based Return on Investment methodology for calculating financial returns from the Power Projects and Private Placements to clearly link the returns from these investments to cash that would be available for Delivery of Benefits and corporate operating purposes. The return investment methodology applied to Market Securities is similar. However, this calculation includes cash returns, as well as increases or decreases in the value of the securities themselves.

CBT was challenged to obtain market comparables as a basis for determining realistic performance objectives for Power Projects and Private Placements. In the case of Power Projects, the structure of investments, as defined by various agreements between the Province of BC, CPC, and CBT, is challenging to reconcile against those commonly observed in the private market. As such, it is difficult to compare the performance of the Power Projects against other hydroelectric facilities.

In the case of Private Placements, CBT is limited to investing in a relatively small geographic region. With the exception of a few larger credit unions, there are no reasonable market comparables from which CBT can base a performance objective.

Despite these challenges, CBT arrived at performance objectives for both Power Projects and Private Placements by evaluating historical performance and balancing those returns against those forecasts over the next five years.

With respect to Market Securities, there are a number of reasonable market comparables. In arriving at a 6% performance objective, CBT considered forecasted returns of similarly constructed securities portfolios, as well as historical returns observed in the general marketplace. Information in support of this objective was provided by BC Investment Management Corporation.

## GOALS, STRATEGIES, MEASURES AND TARGETS

All values used in the calculation of investment returns are obtained from the audited financial statements. Returns are compiled by accounting staff, and reviewed by investment staff.

### Delivery of Benefits

#### Goal

Deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

#### Strategies\*

1. Encourage long-term stewardship of the Basin's natural assets and help build the ability to take action to meet environmental challenges.
2. Actively foster and support local and regional economic resiliency and well-being.
3. Help communities to respond to social issues and make social considerations part of strengthening community well-being.
4. Work with communities and youth to enhance youth opportunities and engagement.
5. Support Basin residents to increase their awareness and understanding of water issues, and to take steps to address issues.
6. Support local communities and regions identifying and meeting their priorities.

\*All of the Delivery of Benefits strategies are new to this Service Plan, as they reflect CBT's newly adopted strategic priorities for 2011-2015. To read more about the strategic priorities, visit:

[http://www.cbt.org/uploads/pdf/CBT\\_strategicprioritiesFinal.pdf](http://www.cbt.org/uploads/pdf/CBT_strategicprioritiesFinal.pdf).

Measures	Actual	Baseline	Targets		
	2009/10	2010/11	2011/12	2012/13	2013/14
Assessment by Columbia Basin residents of CBT's effectiveness	N/A	74%	N/A	78%	N/A
Assessment by CBT partners of CBT's effectiveness	N/A	96%	N/A	96%	N/A

Measuring CBT's performance in the area of Delivery of Benefits is a challenge, given that the organization has a broad mission and mandate, that CBT plays a variety of roles (e.g. funder, facilitator, information resource, etc.), and that its activities often have qualitative as opposed to quantitative outcomes. The work that CBT does and the variety of roles it plays are based on its strategic priorities, which are set in consultation with Basin residents.

As CBT is accountable to Basin residents and as the organization ultimately supports efforts of residents and the well-being of the region, the organization is measuring how Basin residents' perceptions of CBT change over time, and in particular, assessing whether residents feel that CBT is making a positive difference in their lives and communities. This approach gives CBT's meaningful feedback on whether its key stakeholders feel that the organization is fulfilling its mission. In addition, CBT will explore how residents feel that CBT is making a difference, in order to understand the impacts of CBT's range of roles and its overall effectiveness.

CBT has also introduced a measure in this Service Plan, a measure of perceptions of its partners, and whether its partners feel that CBT is making a positive difference in their communities. CBT has a wide range of partners, including local governments, regional non-profit bodies, and organizations that have social, economic, environment and/or youth mandates. CBT engages with its partners regularly to explore opportunities for collaboration, and CBT's partners are the conduits through which numerous programs and initiatives are delivered to residents.

In late 2010, a statistically valid sample of Basin residents was surveyed by telephone by an independent market research firm to gauge residents' awareness levels and perceptions of CBT. CBT partners were also surveyed on their perceptions of CBT. The results from each of those surveys helped CBT establish the baseline for 2010/11. For more information on those surveys and the baselines and targets, see Appendix 1.

CBT's intent is to repeat the survey of Basin residents and partners on a biannual basis in order to allow sufficient time for residents and partners to work with CBT, and for CBT to complete work related to its strategic priorities.

While measuring perceptions of CBT's effectiveness and how they change over time will provide valuable feedback to CBT, the organization is also mindful of the diversity of roles it plays and the range of outcomes that it is striving to attain. In recognition of this, CBT is developing performance measures and success indicators for each of its strategic initiatives, and will continue to complete regular evaluations of its programs and initiatives.

# GOALS, STRATEGIES, MEASURES AND TARGETS

## Corporate

Corporate operations include communications, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures that CBT is able to manage its Investment Program and support its Delivery of Benefits activities.

### Goal

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

### Strategies\*

1. Develop a formal risk management framework.
2. Review and implement improvements to CBT’s various business processes that support its activities, including processes related to contract management, records management, and information management systems.\*\*
3. Ensure that CBT is viewed as an employer of choice, including by developing human resource strategies and supports, such as an individualized employee performance framework and appropriate benefits.\*\*\*
4. Implement appropriate sustainability principles and practices in CBT’s everyday activities, including through the execution of a corporate carbon neutral plan.\*\*\*\*

\*CBT has removed a strategy around developing a formal communications plan, as that work is now complete.

\*\*This strategy has been updated to reflect that the work is not limited to Delivery of Benefits but includes CBT’s overall operations.

\*\*\*This strategy has been updated to reflect a new CBT priority of being an employer of choice.

\*\*\*\*This strategy has been updated to reflect a new CBT priority of applying sustainability principles to its overall operations, broadening its focus beyond carbon neutrality.

In measuring the performance of its integral corporate functions, CBT has to link its overall goal for this business area to a few key measures. Many aspects of CBT’s corporate operations lend themselves to measurement, and CBT is implementing a number of more operational measures not included in this document. Each of the three measures included in the Service Plan provide CBT with valuable insight into whether the organization’s operations are enabling its Delivery of Benefits activities and Investment Program.

Measures	Actual	Forecast		Targets	
	2010/11	2011/12	2011/12	2012/13	2013/14
Maturity of planning practices	N/A	2.5	3	4	4

## GOALS, STRATEGIES, MEASURES AND TARGETS

By annually assessing the maturity of its planning practices, CBT ensures that planning (including prioritization, business and operational planning and the allocation of resources) is fully indoctrinated within the organization. For more information on how CBT assesses the maturity of its planning practices and establishes targets, see Appendix 1.

Measures	Actual	Forecast		Targets	
	2010/11	2011/12	2011/12	2012/13	2013/14
Maturity of risk management practices	N/A	2	3	3	4

By annually assessing the maturity of its risk management practices, CBT ensures that the organization makes progress toward developing and implementing an enterprise-wide risk management framework. For more information on how CBT assesses the maturity of its risk management practices, see Appendix 1.

Measures	Actual	Forecast		Targets	
	2010/11	2011/12	2011/12	2012/13	2013/14
Budget variance for corporate operations*	(4%)	(7.5%)	5%	5%	5%

By measuring budget variances, CBT will assess its ability to forecast appropriately and set realistic budgets, as well as manage its resources effectively over the course of a fiscal year. Budget variance is calculated as the difference between the budget, approved by CBT's Board of Directors in January of each year, and actual results, as reported in CBT's consolidated financial statements at the fiscal year-end.

CBT anticipates that some factors beyond the organization's control will impact its actual financial results but this measure will provide CBT with meaningful indication of how well its resources are managed, and those factors beyond CBT's control will be identified when CBT reports out against this measure in its annual report.

CBT established a target of 5% after reviewing historical performance and budget variances, and considered the degree of actual costs that could be reasonably expected to deviate from budget.

## GOALS, STRATEGIES, MEASURES AND TARGETS

\*At this time, this measure refers exclusively to CBT's budget for corporate operations, which is comprised of forecast expenditures in areas such as staff remuneration and development, professional fees, board and board committee costs, information technology and communications expenditures. CBT will review this measure during 2011/12 to determine if it should include revenues and expenditures.

## SUMMARY FINANCIAL OUTLOOK

The summary financial information is prepared on a consolidated basis. CBT has a number of subsidiaries, which are holding companies that retain power and non-power investments. The summary financial information is not provided on a subsidiary level, as revenues are reported by major category of investment (as the subsidiaries are simply holding companies for those categories of investment). Revenues are reported net of expenses. This section includes financial forecasts for CBT's revenues and expenses, Delivery of Benefits, total debt, net assets and capital expenditures.

Table 1

(in thousands)	2009/10 Actual	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
<b>REVENUES</b>					
Power Projects	\$20,966	\$21,360	\$17,586	\$18,896	\$19,913
Private Placements	1,780	1,852	2,117	2,101	2,065
Market Securities	258	340	350	350	350
Loan Receivables	-	-	548	548	548
Recoveries from CPC	859	632	473	450	450
Income Securities	1,090	1,200	3,854	2,586	1,898
Provincial Contribution	2,000	2,000	-	-	-
	26,953	27,384	24,928	24,931	25,244
<b>EXPENSES</b>					
Staff Remuneration and Development	3,549	3,626	4,091	4,296	4,500
General Operating Expenses	2,030	2,158	2,428	2,580	2,700
	5,579	5,784	6,519	6,876	7,200
DELIVERY OF BENEFITS	10,859	15,000	17,000	17,000	17,000
INCOME BEFORE OTHER ITEMS	10,515	6,600	1,409	1,055	1,024
UNREALIZED GAIN ON MARKET SECURITIES	2,355	1,200	972	1,050	1,140
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$12,870</b>	<b>\$7,800</b>	<b>\$2,381</b>	<b>\$2,105</b>	<b>\$2,164</b>
Total Debt	\$150,396	\$268,854	\$270,207	\$266,512	\$262,549
Net Assets	\$388,857	\$396,657	\$416,738	\$418,843	\$421,007
Capital Expenditures	\$14,761	\$23,113	\$38,857	\$44,936	\$24,998

## SUMMARY FINANCIAL OUTLOOK

Over the next three years, stable earnings are expected from most major revenue streams. CBT's investment in power projects continues to be the largest component of revenues. A drop in power revenues is expected in 2011/12 from 2010/11 as refinancing of the Arrow Lakes Generating Station will be in place, to assist with financing the new Waneta Expansion Project. This decrease in power project revenues is offset by an increase in Income Securities revenues, as only a portion of the monies received from the financing are required in each of the next three years. These monies will be placed into CBT's portfolio of short and long-term deposits at financial institutions within the Basin.

Private Placement revenues will also remain steady over the next three years, and includes all revenues from real estate investments and business loans made to businesses in the Basin. The real estate investments currently consist of eight seniors' care facilities located within the Basin. These facilities are fully operational with long-term lease arrangements in place that expect stable income streams over the next three years. CBT will continue to actively pursue new investment opportunities that would expand the existing Private Placement portfolio.

Business loan revenues are forecast to be higher than anticipated in 2010/11, as a significant loan scheduled for repayment was renegotiated early in the fiscal year. Over the next three years, moderate increases in this portfolio are anticipated.

Market Securities includes revenues from an externally managed diversified securities portfolio with any unrealized gains or losses recorded in the period they occur. Forecasts for the next three years are based on the assumption that new cash injections will be made and that markets will remain normalized.

Recoveries are received from CPC for information technology services and rental income. Recoveries are expected to decline over the next three years due to a decrease in recoverable management time.

The Provincial Contribution is an annual operating grant, which the Province agreed to provide to CBT until 2010/11. The final instalment was made on April 1, 2010, and CBT anticipates that its revenues from investments will be sufficient to fulfill its future Delivery of Benefits obligations, and fund its own operations.



## Expenses

Operating expenses have been divided into two major categories: staff remuneration and development and general operating expenses. Through its staff resources, CBT provides support to communities and Basin residents. CBT expects nominal increases in staffing levels over the next three years. The increase in the 2011/12 budget to the 2010/11 forecast is attributable to delays in the recruitment process of two planned positions in the organization.

General operating expenses are expected to increase in 2011/12 from the 2010/11 forecast as professional fees in 2010/11 will likely be lower than budgeted. In addition, some costs incurred on projects in Information Technology were eligible for capitalization, thereby lowering operating budgets.

## Delivery of Benefits

Funding available for Delivery of Benefits is forecast to be \$17 million over the 2011/12 to 2013/14 period. This annual allocation of new monies available to Delivery of Benefits includes specific funding allocations for each of CBT's various programs, initiatives and partnerships that are developed for and with communities. The annual allocation to Delivery of Benefits also includes funding that is not targeted to any particular program, initiative or partnership but is available for emerging opportunities to assist communities. CBT will be reviewing the overall approach to Delivery of Benefits budgeting in the next year, and the results of this review may change both budgeting and forecasting.

## Capital Expenditures

Table 2

(in thousands)	2009/10 Actual	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
Arrow Lakes Power Corporation	\$165	\$314	\$438	\$259	\$150
Brilliant Expansion Power Corp.	568	314	280	328	334
Waneta Expansion	5,253	19,692	30,000	40,000	20,000
Brilliant Power Corp.	1,434	2,513	1,189	1,049	1,204
Real Estate Investments	7,026	-	6,200	3,000	3,000
CBT Corporate	315	280	750	300	300
<b>Total</b>	<b>\$14,761</b>	<b>\$23,113</b>	<b>\$38,857</b>	<b>\$44,936</b>	<b>\$24,988</b>

## SUMMARY FINANCIAL OUTLOOK

The figures in Table 2 for Arrow Lakes Power Corporation, Brilliant Expansion Power Corp., and Brilliant Power Corp. are provided by CPC.

The capital expenditures related to Waneta Expansion include CBT's share of the investment in the Waneta Expansion Project. Construction on the project will continue over the next four and a half years.

CBT Corporate capital expenditures are composed of information technology equipment, office furniture and equipment, leasehold improvements, and other items. The IT department will continue a major data centre upgrade that was implemented in 2010/11 that will provide CBT with the architecture for the retention, backup, and recovery of data, as well as providing for more space on its storage systems.

An amount has been allocated for potential real estate investments that may be realized in 2011/12.

Table 3

Key Assumptions and Issues	Forecast Risks and Sensitivities
Power Project Revenue	<ul style="list-style-type: none"> <li>In 2010/11, more than 80% of CBT revenues are forecast to come from power project investments. If the power projects experience operational challenges, and revenues are reduced, CBT’s ability to deliver benefits may be impacted.</li> </ul>
Waneta Expansion Project	<ul style="list-style-type: none"> <li>Now that Waneta Expansion Project is under construction, the parties will address risk by ensuring that the project adheres to the overall budget and construction schedule, resolving any outstanding landowner issues for transmission line development and completing an appropriate project financing plan.</li> </ul>
Market Securities returns: 6% return per annum	<ul style="list-style-type: none"> <li>Financial markets are volatile and returns may vary significantly when measured over the short term.</li> <li>A 1% change in return would have a \$150,000 impact on revenue given the current level of investment.</li> </ul>
Private Placements revenue: 8% return per annum	<ul style="list-style-type: none"> <li>Fluctuating interest rates have a direct effect on the income from business loans.</li> <li>Changes in the economic environment influence the performance of business loans.</li> <li>A negative material change in economic activity could result in business loan write-downs.</li> </ul>
Income Securities Revenue: 3.5% per annum	<ul style="list-style-type: none"> <li>Fluctuating interest rates have a direct impact on returns from Income Securities. A 1% change in interest rates would have a \$320,000 impact on revenue given the current level of investment.</li> </ul>
Corporate Operations	<ul style="list-style-type: none"> <li>CBT’s ability to deliver programs and initiatives is heavily dependent on human resources – both within CBT and within our delivery partners. CBT will have to ensure that it is an “employer of choice” to retain and attract skilled employees, and that its delivery partners have adequate resources to deliver their programs.</li> </ul>
Delivery of Benefits: \$17 million of new monies available in each of the next three years	<ul style="list-style-type: none"> <li>CBT’s ability to deliver benefits is directly linked to its revenue. If actual revenues are less than forecast, delivered benefits may have to be reduced.</li> </ul>

## GOVERNANCE

### Board of Directors

Columbia Basin Trust's 12-member Board consists of one appointee from each regional district and the Ktunaxa Nation Council. Regional governments nominate these directors to the Provincial Government and the appointments are made by the Lieutenant-Governor through an order-in-council. The other six directors are appointed directly by the Province. All 12 directors must be residents of the Columbia Basin.

For more information on CBT's Board of Directors, or governance processes and policies, visit [www.cbt.org](http://www.cbt.org). All Board-approved processes and policies are disclosed in accordance with Board Resourcing and Development Office's disclosure requirements for Crown corporations. As new governance policies and processes are approved by the Board, these will also be appropriately disclosed.

### Governance Principles

In governing CBT, the Board of Directors is committed to upholding the core values of CBT established in the *Columbia Basin Management Plan* and acting in accordance with the following principles:

#### Preparation

Directors will ensure they are fully prepared to address the business of CBT.

#### Transparency

To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Columbia Basin residents.

#### Participation and Commitment

Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

## Service

The Board of Directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

## Directors

- Garry Merkel, Chair
- Greg Deck, Vice Chair
- Paul Peterson
- Mike Berg
- Ron Miles
- Kim Deane
- Denise Birdstone
- Jim Miller
- Cindy Gallinger
- Ron Oszust
- Bob Smith
- Bill Trehwella

## Board Committees

Columbia Basin Trust Board committees address issues on behalf of the Board of directors and report back to the Board on a regular basis. Committees assess their performance against their Terms of Reference annually.

The Chair of the Board is the Executive Committee Chair, and an ex-officio and voting member of all other board committees.

The **Executive Committee** oversees matters on behalf of the Board of Directors.

### Members

- Garry Merkel, Chair
- Greg Deck, Vice Chair
- Denise Birdstone
- Jim Miller
- Ron Oszust

The **Audit Committee** is responsible for financial oversight and ensures that CBT's financial information is accurate.

### Members

- Mike Berg, Chair
- Kim Deane
- Ron Miles

The **Investment Committee** oversees the management of CBT investments and develops and reviews investment policies and procedures.

### Members

- Jim Miller, Chair
- Greg Deck
- Cindy Gallinger
- Bob Smith
- Bill Trehwella

The **Delivery of Benefits Committee** recommends an overall approach to returning benefits in the Basin to the Board, and is responsible for the administration of CBT's Community Development Program.

### Members

- Kim Deane, Chair
- Denise Birdstone
- Cindy Gallinger
- Paul Peterson
- Bill Trehwella

The **Water Initiatives Committee** is responsible for developing and overseeing a strategy to address water initiatives in the Columbia Basin.

### Members

- Ron Oszust, Chair
- Mike Berg
- Greg Deck
- Ron Miles
- Bob Smith

The **Communications Task Force** assists in addressing strategic communications matters at CBT.

### Members

- Kim Deane, Chair
- Garry Merkel
- Jim Miller
- Paul Peterson

The **Delivery of Benefits Budgeting Task Force** is recommending a strategic approach to Delivery of Benefits budgeting.

### Members

- Mike Berg
- Kim Deane
- Ron Oszust

## Senior Management

- Neil Muth, President and CEO
- Johnny Strilaeff, VP, Investments
- Christine Lloyd, Director, Finance and Operations
- Sabrina Curtis, Director, Planning and Development
- Wayne Lundeberg, Director, Youth Initiatives
- Kindy Gosal, Director, Water and Environment

## Boards of CBT Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests both in power projects and other investments. The boards of these subsidiaries do not address policy matters. Directors for the following subsidiary boards consist of CBT senior management: *Neil Muth* and *Johnny Strilaeff*.

- **CBT Commercial Finance Corp.** holds CBT interests in business loans.
- **CBT Real Estate Investment Corp.** holds CBT interests in real estate.
- **CBT Venture Capital Corp.** is a non-operating holding company, as CBT has no active venture capital investments at this time.
- **CBT Energy Inc. (CBTE)** is the main CBT subsidiary related to power projects.
- **CBT Arrow Lakes Power Development Corp.** is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with CPC.
- **CBT Brilliant Expansion Power Corp.** is a subsidiary of CBTE that holds interests in the Brilliant Expansion joint venture with CPC.
- **CBT Power Corp.** is a subsidiary of CBTE that holds interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds interests in the power project joint venture with CPC, which is responsible for assessing joint venture power projects before they are developed.
- **CBT Waneta Expansion Power Corp.** is a subsidiary of CBT that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project.

## The Province of BC and Columbia Basin Trust

The *Columbia Basin Trust Act* established the Province of BC as the shareholder of CBT. Within the provincial government, the Minister of Regional Economic and Skills Development is responsible for CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 Financial Agreement and the *Columbia Basin Trust Act*. The Shareholder's Letter of Expectations further defines the roles and responsibilities of the Minister of Regional Economic and Skills Development and CBT.

Visit [www.cbt.org](http://www.cbt.org) to view a copy of the Shareholder's Letter of Expectations.

## GOVERNANCE

Specific actions that will be taken as a result of the most recent Shareholder’s Letter of Expectations include:

Direction from Shareholder’s Letter	CBT Alignment
<ul style="list-style-type: none"> <li>• Comply with requirements to make public sector carbon neutral.</li> <li>• Develop measures for evaluating overall Delivery of Benefits activities.</li> <li>• CBT Board members nominated by Regional Districts and the Ktunaxa Nation Council report to their respective nominating bodies.</li> <li>• Strive to work in coordinated manner with Province with respect to engaging Columbia Basin residents on Columbia River Treaty issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate carbon neutral plan was developed in 2009/10 and implementation is continuing.</li> <li>• Key measures are developed and targets are introduced in this Service Plan. Measures will also be developed for CBT’s major initiatives over the next four years.</li> <li>• CBT regularly communicates with Regional Districts and the Ktunaxa Nation Council, and annually offers to review the year’s activities with these organizations.</li> <li>• Ongoing communication with the Province.</li> </ul>



## Appendix 1

This appendix provides additional information about CBT's performance measures.

### Delivery of Benefits Performance Measures

CBT established two measures related to its performance in the area of Delivery of Benefits, an assessment of CBT's effectiveness by Columbia Basin residents and by CBT Delivery of Benefits partners. To ensure that data would be collected from residents and partners independently from CBT and results would be valid, CBT engaged a professional market research firm to develop and administer a survey to Columbia Basin residents and to CBT's Delivery of Benefits partners. CBT's intent is to repeat the surveys on a biannual basis in order to allow sufficient time for CBT to work with and engage residents and partners.

#### Survey of Basin Residents

A random sample of 811 Basin residents was surveyed over December 2010 – January 2011, providing survey results that are statistically accurate to within  $\pm 3.5\%$ , 19 times out of 20. The survey was administered by telephone using a random telephone sample and a standard random selection process within each household. To further ensure that a representative sample of residents was achieved, regional quotas were established to reflect the geographic distribution of Basin residents.

Within the sample, 81% of residents indicated that they had at least some familiarity with Columbia Basin Trust, of whom 74% either strongly agreed or somewhat agreed that CBT is making a positive difference in their community. The figure of 74% is the baseline reported for 2010/11.

Going forward, CBT has set a target of 78% for 2012/13, reflecting CBT's intention to repeat the survey on a biannual basis. CBT will likely increase the target in the future years outside the time span covered by this Service Plan.

#### Survey of Delivery of Benefits Partners

CBT identified its partners in the area of Delivery of Benefits, and did so by considering the following factors:

- The nature of the partner's relationship and engagement with CBT, and the importance of a positive working relationship with the partner to CBT's ability to fulfill its mandate in the region, and
- The extent to which the partner represented a larger body or entity, either geographically based or as a community of interest.

## APPENDIX 1

CBT identified a total of 98 partners who were contacted by the research firm and asked to complete a survey, either by telephone or online. A total of 42 partners completed the survey over December 2010 – January 2011, representing 43% of all partners identified and providing survey results that are statistically accurate to within a maximum of  $\pm 11.5\%$ , 19 times out of 20.

Of those 42 partners, 96% indicated that they either agreed or somewhat agreed that CBT was making a positive difference in their community. The figure of 96% is the baseline reported for 2010/11.

Going forward, CBT has set a target of 96% for 2012/13, reflecting CBT's intention to repeat the survey on a biannual basis.

**Maturity of Planning Practices**

Using the following table, the Executive Management Committee (EMC) annually assesses CBT’s existing planning practices against the descriptions provided in the table. Over the next three years, CBT will continue to build its planning practices, and the EMC will reassess CBT’s progress against the levels noted in the table. Targets and actual results will be discussed by CBT’s Board. For 2010/11, the EMC determined that CBT had attained a level of 2.5.

Level 1 Description	Level 2 Description	Level 3 Description	Level 4 Description
Higher level plans have not been established for CBT	Higher level plans have been developed by CBT, and set out directions along with priorities, but there is minimal reference to them by the Board, management and/or staff	Higher level plans have been developed and formally adopted by CBT, with stated directions, priorities, and assigned accountabilities for implementation, but:  - There is infrequent updating to reflect changes within, or that affect, CBT  - Regular monitoring and reporting of progress in implementation along with results does not occur	Higher level plans have been developed and formally adopted by CBT, with:  - The Board and senior management referring to the stated directions and priorities on a regular basis  - Alignment in stated directions and priorities for CBT, from the operational to the corporate and strategic levels  - Staff that are aware of the stated directions and priorities, and that are following through on responsibilities for implementation  - An established process for updating to reflect changes within, or that affect, CBT  - Progress along with results that are being monitored and reported
1	2	3	4
Score: <span style="background-color: #cccccc; display: inline-block; width: 50px; height: 15px;"></span>			

**Maturity of Risk Management Practices**

Using the following table, the Executive Management Committee (EMC) annually assesses CBT’s existing risk management practices against the descriptions provided in the table. Over the next three years, CBT will continue to build its planning practices, and the EMC will reassess CBT’s progress against the levels noted in the table. Targets and actual results will be discussed by CBT’s Board. For 2010/11, the EMC determined that CBT had attained a level of 2.

Level 1 Description	Level 2 Description	Level 3 Description	Level 4 Description
<p>The types of corporate risks that can undermine the ability of CBT to achieve its mandate and priorities have not been identified</p>	<p>CBT has identified corporate risks that can undermine the achievement of its mandate and priorities, but not their relative likelihood of occurrence and severity of the implications</p> <p>There is an understanding among senior management of the corporate tolerances for risk</p> <p>Strategies for mitigating risks have not been established</p>	<p>CBT has identified and assessed in a judgmental manner for likelihood and impact those corporate along with departmental risks that can undermine the achievement of its mandate and priorities, but this is not being kept current</p> <p>There is an understanding among senior management and staff of the corporate tolerances for risk</p> <p>Strategies for mitigating high to medium priority risks have been identified, but there is uncertainty over the degree to which these are being implemented and the results</p>	<p>CBT has described in detail and assessed in a fairly robust way the likelihood and impact of those corporate and departmental risks that can undermine the achievement of its mandate and priorities, including contributing factors, with there being evidence that this is updated on a regular basis</p> <p>The nature and level of risk that CBT is willing to accept at different levels in the organization is a well understood concept</p> <p>Strategies for mitigating high to medium priority risks are being identified, assigned lead accountabilities, and monitored for results, all within a cycle that allows for periodic updates</p>
1	2	3	4
			<p>Score: <span style="background-color: #cccccc; display: inline-block; width: 40px; height: 15px;"></span></p>





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