

Columbia Basin Trust

2020/21 – 2022/23 SERVICE PLAN

February 2020



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Board Chair Accountability Statement



The 2020/21 – 2022/23 Columbia Basin Trust (Trust) Service Plan was prepared under the Trust Board of Directors (Board) direction in accordance with the *Budget Transparency and Accountability Act*. 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. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 31, 2020 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the Trust'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 the Trust's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink that reads "Jocelyn Carver". The signature is fluid and cursive, with a period at the end.

Jocelyn Carver
Board Chair

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Strategic Direction and Alignment with Government Priorities

The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crown corporations are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.

Additionally, where appropriate, the operations of Crown corporations will contribute to:

- The objectives outlined in the government’s newly released *A Framework for Improving British Columbians’ Standard of Living*,
- Implementation of the *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action, demonstrating support for true and lasting reconciliation, and
- Putting B.C. on the path to a cleaner, better future – with a low carbon economy that creates opportunities while protecting our clean air, land and water as described in the CleanBC plan.

By adopting the Gender-Based Analysis Plus (GBA+) lens and Business and Economic Implications Framework to budgeting and policy development, Crown corporations will ensure that equity is reflected in their budgets, policies and programs.

The respective roles and responsibilities of the provincial government and Columbia Basin Trust (the Trust) are established in numerous agreements and legislation, including the [1995 Financial Agreement](#) and the [Columbia Basin Trust Act](#), as well as a [Memorandum of Understanding](#). The [Trust’s Mandate Letter](#) outlines the following priority actions the Trust and the Province have agreed to for 2020/21:

- Complete a community engagement process to inform the development of a renewed Columbia Basin Management Plan.
- Maintain an active and cooperative relationship with partners in power project management and operations to ensure the projects deliver optimized financial returns and are managed in the best long-term interests of the owners.

The [Columbia Basin Management Plan](#) provides a high-level road map to focus the Trust’s work in the Columbia Basin (Basin). From 2016 through 2020, the Trust will focus its efforts on [13 strategic priorities](#) including affordable housing, agriculture, arts, culture and heritage, broadband, community priorities, early childhood and childhood development, environment, First Nations relationships, land acquisition, non-profit support, recreation and physical activity, and renewable and alternative energy.

Through its *Columbia Basin Management Plan* and its current five-year plan, the Trust is aligned with the Government’s key priorities.

Government Priorities	Columbia Basin Trust Aligns with These Priorities By:
Making life more affordable	<ul style="list-style-type: none"> • Benefits that serve to strengthen the social, economic and environmental well-being of the Basin and its residents and communities (Objective 2.1).
Delivering the services people count on	
A strong, sustainable economy	<ul style="list-style-type: none"> • A predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses (Objective 1.1).

Operating Environment

Fiscal 2020/21 will be an exceptionally active year for the Trust that will include community engagement and long-term planning events and activities, symposia in two Basin communities, and the start of a new Management Services Agreement with Columbia Power Corporation (Columbia Power). The Trust will continue to incorporate a new accounting treatment, first required by its auditor in fiscal year 2018/19, to community, regional and Indigenous programs and initiatives (Delivery of Benefits) expenses. The new accounting treatment resulted in a surplus for the 2018/19 fiscal year and these adjustments are reflected in the 2019/20 forecast, as well as the budgets for 2020/21 and 2021/22, as detailed in the Summary Financial Outlook.

This year will conclude the Trust's current five-year [Columbia Basin Management Plan \(CBMP\)](#) which spans 2016 through 2020, and see the start of a forward-looking [Our Trust, Our Future 2020](#) community engagement process. While the Trust will continue to deliver on its current [Strategic Priorities](#) through over 70 active programs and initiatives, it will also begin consulting with people in the region to renew the CBMP, including online and townhall meetings in 40 Basin communities. This process is expected to conclude in the fall of 2020 with two symposia where delegates will have an opportunity to provide input into the renewal of the CBMP, which will be finalized and presented to Basin residents in 2021.

The Shared Services initiative between Columbia Power and the Trust, which began in 2017, will conclude in 2020. The remaining 13 Columbia Power staff have been hired by the Trust to deliver asset management services under contract to Columbia Power.

The Trust continues to generate a reliable stream of income with revenues from power projects accounting for approximately 80 per cent of total revenues. With the completion of the purchase of Fortis Inc.'s 51 per cent interest in the Waneta Expansion Generating Station by the Trust and Columbia Power in April 2019, ownership of this hydroelectric asset has been restored to its originally mandated 50/50 ownership between the two organizations. The increase in power project revenues with this additional investment is reflected in the Summary Financial Outlook.

Factors that could have a significant impact on the operating environment in the coming year are:

- Approximately 80 per cent of the Trust's revenue comes directly from power investments. If this revenue stream were materially disrupted, it would negatively impact the Trust's ability to achieve net income targets. To partially mitigate this risk, the Trust continues to diversify investments and actively monitor revenue and expenditure forecasts.
- Under the new accounting treatment introduced in spring 2019, the Trust recorded a surplus of \$22.1 million in 2018/19, compared to the originally budgeted surplus of \$2 million, and is projecting a deficit in 2019/20. The Trust has reviewed all program areas and continues to explore options to reduce, defer or make other changes to minimize the impact to programming in 2020/21.

Performance Plan

Goal 1: Sound investments for the benefit of Basin Residents

Objective 1.1: A predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

Key Strategies:

- Communicate directly with financial partners throughout the Basin to originate high-quality investment opportunities.
- Develop strong working relationships with the management of companies in which the Trust has invested to fully appreciate risks as well as uncover future opportunity.
- Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
- Work closely with power project partners on facility operations and management.

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
1.1a Return on Power Projects (calculated as a cash-based return on investment) ¹	12.1%	10%	10%	10%	10%
1.1b Return on Private Placements (calculated as a cash-based return on investment) ¹	5.2%	5.1%	6%	6%	6%
1.1c Return on Market Securities ²	6.8%	5%	6%	6%	6%

¹ Data Source: Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

² Data Source: Returns are calculated by BC Investment Management Corporation in accordance with Global Investment Performance Standards.

Linking Performance Measures to Objectives:

1.1a This performance measure is critical as revenues from Power Projects account for between 80 to 83 per cent of the Trust's overall revenue to support its Delivery of Benefits to Basin residents and Corporate Operations.

1.1b A growing portfolio of Private Placement investments will provide 14 to 17 per cent of cash revenues, help maintain a predictable, sustainable and appreciating income stream and mitigate risk associated with a reliance on Power Project returns.

1.1c Market Securities offer a diversification of capital investment targeted at growth to assist the Trust in maintaining a predictable, sustainable and appreciating income stream in the future.

Discussion:

In April 2019 the Trust increased its ownership in the Waneta Expansion Generating Station from 16.5 per cent to 50 per cent. The increase in ownership was financed at the asset level, which will decrease forecast returns until full repayment is attained. Ongoing investment in maintenance and reliability activities minimizes unplanned outages and operating costs. While returns on Power Projects exceeded the 10 per cent target in 2018/19, this was primarily due to interest that was accrued for a promissory note from the Waneta Expansion Limited Partnership and a change to amortization

policy for the expansion rights at two facilities. Moving forward, the target of 10 per cent continues to be appropriate.

For Private Placements, the Trust is limited to investing in a relatively small geographic region. Except for a few larger credit unions (too small a sample size to establish performance benchmarks), there are no reasonable market comparisons from which the Trust can benchmark a performance measure. This performance measure was developed by evaluating historical performance as well as market conditions anticipated in the next five years. The Trust continues to follow a cash-based return on investment methodology.

To determine the Market Securities target, forecasted returns of similarly constructed securities portfolios are considered, as well as historical returns observed in the general marketplace. BC Investment Management Corporation provides information in support of this objective. In 2019/20, returns on Market Securities are not expected to meet the long-term six per cent target. It is critical to note that forecasting financial market returns (particularly in the short term) is challenging, and it is possible the realized returns in 2020/21 will be materially higher or lower than the six per cent forecast. Notwithstanding this inherent challenge in predicting returns, the Trust continues to believe that the six per cent long-term objective is appropriate.

Goal 2: Effective delivery of benefits for Basin residents

Objective 2.1: Benefits that serve to strengthen the social, economic and environmental well-being of the Basin and its residents and communities.

Key Strategies:

- Maintain strong relationships in communities to ensure awareness of Trust roles and uphold the Trust’s knowledge of current needs and opportunities.
- Develop timely solutions that meet community needs.
- Advance the strategic priorities outlined in the *Columbia Basin Management Plan* through appropriate partnerships and supports.
- Increase awareness of the Trust’s contribution to strengthening community well-being.
- Seek input from Columbia Basin residents on a renewed *Columbia Basin Management Plan*.

	Performance Measures	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
2.1a	Per cent of Basin residents perceiving the Trust’s impact as positive	87%	N/A	85%	N/A	85%
2.1b	Per cent of partners perceiving Trust’s impact as positive	93%	N/A	90%	N/A	90%

Data Source: The Trust first measured resident and partner perceptions in 2010 and has since conducted the surveys every two years. The Trust engaged a professional market research firm to conduct the most recent surveys in fall 2018. The results for these measures represent the percentage of those surveyed who are familiar with the Trust and agree that the Trust is making a positive difference in their community. Assessment of the targets takes place internally every two years.

Linking Performance Measures to Objectives:

2.1a and 2.1b As the Trust is accountable to people in the Basin, and as the organization ultimately supports efforts of residents and the well-being of the region, the Trust is measuring whether Basin residents feel the organization is making a positive difference and how these perceptions change over time. The Trust is also measuring similar perceptions of partners who deliver many of the programs and initiatives to people in the region.

Discussion:

The target for Basin residents' perception measure (2.1a) has been increased to reflect the trend of increasing results. The partners' perception measure (2.1b) will remain unchanged.

Performance Measures	2018/19 Actual	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
2.1c Broadband					
# rural households served	12,000	13,300	14,600	N/A	N/A
# km of fibre backbone in place	975	1,016	1,118	1,180	1,180
2.1d Business					
value of new business loans provided	\$3.8M	\$7.5M	\$7.5M	\$7.5M	\$7.5M
2.1e Ecosystem Health					
Area of aquatic habitat improved (m ²)	16,800,000	242,940	2,000	2,000	N/A
Area of terrestrial habitat improved (ha)	33,375	26,200	1,000	1,000	N/A

Data Source: Results are internally monitored relative to each performance measure. The targets are assessed annually.

Linking Performance Measures to Objectives:

2.1c – 2.1e: These measures were introduced in the 2018/19 Service Plan as a complement to the broad measure offered by the biennial resident and partner surveys. They are a spectrum of measures that align with the key areas of the Trust's mandate – social, economic and environmental well-being – as well as the current [2016-2020 Columbia Basin Management Plan's 13 strategic priorities](#). These measures are shorter-term (i.e. three to five years) to match time periods of significant dedication of resources.

Discussion:

The targets for these performance measures (2.1c – 2.1e) reflect our current strategic approach and projected progress, and take into consideration community needs and capacity. Factors such as changes in provincial or federal funding programs or a change in community demand could influence the target.

Many targets are not set as the Trust begins public consultation to establish its priorities for the coming years. The results of the Our Trust, Our Future 2020 public engagement process will also inform new measures going forward or establish new targets for existing measures.

Multi-year programs that were included as performance measure targets in the 2019/20 - 2021/22 Service Plan – Affordable Housing, Built Heritage and Child Care – have concluded and will be reported out on in the 2019/20 Annual Service Plan report.

Targets for the number of households served by broadband and number of km of fibre backbone (2.1c) trend upwards for 2020/21 to reflect large-scale fibre-optic infrastructure projects – the Slocan Valley Project and the South Country project impacting 27 communities.

The value of new business loans targets (2.1d) has increased to \$7.5M to reflect the purpose of this program. The program is reactive to emerging opportunities to assist businesses in the Basin along with those referred to the Trust by other lenders who may not be a fit for a conventional loan.

Ecosystem Health targets (2.1e) reflect the completion of several large projects in the first two years of the Ecosystem Enhancement Program. There will be a review of additional project opportunities across the Basin in 2021.

Goal 3: Robust corporate operations

Objective 3.1: Corporate operations that support and enable the cost-effective management of Investments and Delivery of Benefit activities to the region.

Key Strategies:

- Actively monitor and manage key organizational risks.
- Continually review business practices and support structures for efficiencies.
- Ensure effective flow of knowledge, learning and communications.
- Instill and continuously reinforce fiscal responsibility.
- Nurture a progressive culture and workforce to adapt to changing organizational and community needs.
- Maintain a supportive, rewarding and inspiring environment to drive organizational success.

Performance Measure	2018/19 Actual	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
3.1a Ratio of Regional Reinvestment	87%	78%	80-90%	80-90%	80-90%

Data Source: Ratio of Regional Reinvestment measures the percentage of annual revenue that is committed to the Trust’s two core functions – Delivery of Benefits and the Investment Program.

Linking Performance Measures to Objectives:

3.1a The Ratio of Regional Reinvestment captures what the Trust has redistributed back into the region annually, recognizing our work in both Delivery of Benefits and Investments. It is a means of conveying the Trust’s cost-effective management of its resources to optimize our ability to deliver on our mandate.

Discussion:

This measure was introduced in the 2017/18 Service Plan. While we continue to refine this measure, we expect results to typically fall in the 80-90 per cent target range. In 2019/20, the Trust is forecasting that it will fall below the target due to the implementation of the new accounting treatment for Delivery of Benefits grants and initiatives.

Financial Plan

Summary Financial Outlook

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Plan	2022/23 Plan
Total Revenue				
Power Projects	\$53,428	\$54,058	\$55,033	\$57,069
Private Placement: Commercial Loans	1,776	2,134	2,438	2,738
Private Placement: Real Estate	1,087	1,491	1,560	1,632
Market Securities	1,500	1,200	1,000	1,000
Short-Term Investments	1,700	1,500	1,000	1,000
Broadband Operations	1,184	1,281	1,516	1,614
Other	1,077	1,184	1,184	1,184
Power Project Recoveries	2,052	3,656	3,727	3,794
Total	\$63,804	\$66,504	\$67,458	\$70,031
Total Expenses				
Delivery of Benefits				
Broadband Initiatives ¹	\$2,501	\$3,126	\$3,441	\$3,484
Community Initiatives	46,689	26,585	27,893	10,242
Economic Initiatives ²	1,510	4,175	2,620	-
Other Initiatives	2,206	1,836	1,000	750
Social Initiatives	5,231	2,386	1,117	-
Water and Environment Initiatives	7,671	6,606	5,487	-
Youth Initiatives	2,251	1,405	2,842	1,795
Programs Under Development	-	1,800	9,900	40,300
Total Delivery of Benefits	\$68,059	\$47,919	\$54,300	\$56,571
Power Project Administration Expenses	2,051	3,656	3,727	3,794
Trust Administration Expenses (page 13)	7,537	8,291	8,598	8,836
Trust Investment Expenses	787	810	780	744
Total	\$78,434	\$60,676	\$67,405	\$69,945
Annual Surplus	\$(14,630)	\$5,828	\$53	\$86
Total Debt	\$11,813	\$11,743	\$11,672	\$11,598

Columbia Basin Trust

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Plan	2022/23 Plan
Accumulated Surplus	\$516,830	\$523,858	\$524,909	\$525,997

¹ Broadband Initiatives includes direct Columbia Basin Broadband Corporation (CBBC) expenses, as well as other broadband initiatives delivered through CBBC. See Appendix B for separate financial information for this subsidiary.

² Economic Initiatives includes direct Columbia Basin Development Corporation (CBDC) expenses, as well as other economic initiatives delivered through CBDC. See Appendix B for separate financial information for this subsidiary.

Trust Administration Expenses

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Plan	2022/23 Plan
Staff Remuneration and Development	\$5,373	\$5,910	\$6,088	\$6,271
Office and General	530	567	600	650
Amortization	472	431	500	500
Professional Fees	265	401	425	425
Corporate Travel and Meetings	290	276	280	280
Communications	245	245	225	225
Board and Committee	188	257	260	260
Information Technology	174	204	220	225
Total Administration Expenses	\$7,537	\$8,291	\$8,598	\$8,836

Key Forecast Assumptions, Risks and Sensitivities

Financial Forecast Item	Key Assumptions, Risks and Sensitivities
Power Projects Revenue	<ul style="list-style-type: none"> Moving forward, approximately 80 per cent of Trust revenues will come from Power Projects. If the projects experience operational challenges and revenues are reduced, the Trust's ability to deliver benefits or make new investments may be impacted.
Market Securities Revenue	<ul style="list-style-type: none"> Financial markets are volatile, and returns may vary significantly when measured over the short term. A one per cent change in return would have an approximate impact of \$600,000 on revenue given the current level of investment. The Trust's annual return expectation for Market Securities is six per cent.
Private Placements Revenue	<ul style="list-style-type: none"> Fluctuating interest rates have a direct effect on the income from business loans. Changes in the economic environment influence the performance of business loans. A one per cent change in return would have an approximate impact of \$400,000 on revenue given the current level of investment. New investments continue to be made and the portfolio is growing. The Trust's long-term annual return expectation for Private Placements is six per cent.

Short-term Investments Revenue	<ul style="list-style-type: none"> • Fluctuating interest rates have a direct impact on returns from short-term investments. A one per cent change in interest rates would have an approximate impact of \$500,000 on revenue, given the current level of investment. • The Trust assumes an annual interest rate of two per cent on income securities.
Delivery of Benefits Expenses	<ul style="list-style-type: none"> • Under a new accounting treatment introduced in spring 2019, the Trust recorded a surplus of \$22.1 million in 2018/19, compared to the originally budgeted surplus of \$2 million, and is projecting a deficit in 2019/20. The Trust has reviewed all program areas and continues to explore options to reduce, defer or make other changes to minimize the impact to their programming.

Management’s Perspective on the Financial Outlook

Revenues from power projects are expected to increase as a direct result of our focus on strategic asset management planning and reliability centered maintenance programs that target increased plant reliability. We expect this growth trend to continue into future years. The increase in power project revenues from completion of the purchase of the Waneta Expansion Generating Station in April 2019 has been reflected in financial forecasts.

In addition, the Trust is forecasting revenues from both commercial loans and real estate investments to increase annually over the next three years as new capital investments are made within the Trust region.

With the completion of the Management Services Agreement with Columbia Power and hiring of the 13 remaining Columbia Power staff in January 2020, the Trust’s power project administration expenses will increase, which is offset by the increase in power project administration recoveries.

Delivery of Benefits initiatives expenses will normalize again in 2020/21 with small increases to funding budgets annually that coincide with revenue increases.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

Learn more about our:

- Governance: ourtrust.org/governance
- Board of Directors: ourtrust.org/board
- Executive: ourtrust.org/contact

Organizational Overview

Learn more at ourtrust.org/about.

Appendix B: Subsidiaries and Operating Segments

Operating Companies

Columbia Basin Broadband Corporation

Columbia Basin Broadband Corporation (CBBC) is a wholly owned subsidiary of the Trust formed in 2011. CBBC is working with Basin communities and rural areas to improve connectivity through a region-wide fibre optic cable network which will contribute to economic and social development in the Basin.

The activities of CBBC are considered a delivered benefit to Basin residents; therefore, any losses incurred by CBBC are addressed through the Delivery of Benefits budget. The forecasts shown for CBBC are based on several assumptions, particularly the timing of various technical and community-based projects related to connectivity. Forecasts of revenues, expenses and capital expenditures will vary depending on how these projects evolve.

CBBC audited financial statements for 2018/19 can be viewed online at ourtrust.org/cbbcfinaicals.

The CBBC Board comprises the following members:

- Ron Miles, Chair
- Wendy Booth
- Greg Deck
- Andrew Kyle
- Rick Leggett
- Ron Oszust
- Owen Torgerson

Financial Summary Outlook Table for Columbia Basin Broadband Corporation

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Plan	2022/23 Plan
Total Revenue	\$ 1,184	\$ 1,281	\$ 1,516	\$ 1,614
Total Expenses	2,716	3,213	3,441	3,484
Deficit	\$ (1,532)	\$ (1,932)	\$ (1,925)	\$ (1,870)
Capital Expenditures	\$ 1,651	\$ 5,259	\$ 2,670	\$ 410

Columbia Basin Development Corp.

Columbia Basin Development Corp. (CBDC) is a wholly owned subsidiary of the Trust formed in 2016. The Trust Board approved a financial commitment of \$20 million to CBDC to lead and support efforts to advance economic growth, job creation, innovation and entrepreneurial opportunity for a prosperous and sustainable Basin economy.

As we consider the activities of CBDC a delivered benefit to Basin residents, any losses incurred by CBDC will be addressed through the Delivery of Benefits budget.

The CBDC Board comprises the following members:

- Don McCormick, Chair
- Kevin Andruschuk
- Larry Binks
- Jocelyn Carver
- Alan Mason
- Murray McConnachie
- Heidi Romich

Financial Summary Outlook Table for Columbia Basin Development Corporation

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Plan	2022/23 Plan
Total Revenue	\$ 293	\$ 537	\$ 537	\$ 537
Total Expenses	3,834	2,825	2,620	N/A ¹
Deficit	\$ (3,541)	\$ (2,288)	\$ (2,083)	\$ 537
Annual Surplus (Deficit)	\$ 3,700	-	-	-

¹Planned expenses for 2022/23 will be determined by the outcomes of the Columbia Basin Management Plan renewal process in 2020.