

Columbia Basin Trust

2021/22 – 2023/24 Service Plan

April 2021



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Board Chair's Accountability Statement



The 2021/22 – 2023/24 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 February 28, 2021 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 written in a cursive, flowing style.

Jocelyn Carver
Board Chair

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Strategic Direction and Alignment with Government Priorities

In 2021/22, British Columbians continue to face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and the Government of British Columbia. The government has identified five foundational principles that will inform each Crown agency's policies and programs and contribute to COVID-19 recovery: putting people first, lasting and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change and meeting our greenhouse gas commitments, and a strong, sustainable economy that works for everyone.

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 that the Trust and the Province have agreed to for 2021/22:

- Implement the strategic priorities identified by Basin residents and included in the Trust's [Columbia Basin Management Plan Strategic Priorities 2020-2022](#).
- 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.

Operating Environment

Fiscal 2021/22 will see the Trust implement its renewed strategic plan, [*Columbia Basin Management Plan Strategic Priorities 2020-2022*](#). The plan was released to Basin residents in November 2020 following stakeholder consultation and public engagement throughout the summer of 2020. This plan replaces the previous *Columbia Basin Management Plan 2016-2020* and is a short-term plan to help the Trust respond to the significant and evolving impacts of the COVID-19 pandemic in the Basin.

The plan includes six strategic priorities: community well-being, ecosystem enhancement, high-speed connectivity, housing, local food production and access, and support for business renewal. It also includes two integrated priorities—climate resilience and working with Indigenous peoples. These priorities will help guide the Trust’s work and will lead the development of new programs and initiatives in 2021 and 2022. The Trust will also continue with many of its existing programs that support its mission to foster the social, economic and environmental well-being of the Basin.

The Trust continues to generate a reliable stream of income with revenues from power projects accounting for approximately 85 per cent of total revenues. If this revenue stream was 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.

Another factor that could have a significant impact on the operating environment in the coming year is the uncertainty around how the COVID-19 pandemic may impact operations, such as how we engage with Basin residents.

Performance Planning

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 Measures	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
1.1a Return on Power Projects (calculated as a cash-based return on investment) ¹	10%	10%	10%	10%
1.1b Return on Private Placements (calculated as a cash-based return on investment) ¹	6%	6%	6%	6%
1.1c Return on Market Securities ²	6%	6%	6%	6%

Data source:

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

² Returns are calculated by British Columbia Investment Management Corporation in accordance with Global Investment Performance Standards.

Linking Performance Measures to Objective

1.1a: This performance measure is critical as revenues from power projects account for approximately 85 per cent of the Trust’s overall revenue to support its Delivery of Benefits activities and corporate operations.

1.1b: A growing portfolio of Private Placement investments will 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

For power projects, a continued focus on investment in maintenance and reliability activities in 2021 through 2024 provides a level of comfort that 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, forecast returns of similarly constructed securities portfolios are considered, as well as historical returns observed in the general marketplace. British Columbia Investment Management Corporation provides information in support of this objective. 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 Strategic Priorities 2020-2022](#) through appropriate partnerships and supports.
- Increase awareness of the Trust’s contribution to strengthening community well-being.

Performance Measures	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
2.1a Per cent of Basin residents perceiving the Trust’s impact as positive	87%	N/A	85%	N/A
2.1b Per cent of partners perceiving the Trust’s impact as positive	96%	N/A	90%	N/A

Data source: The Trust first measured resident and partner perceptions in 2010 and has since conducted the surveys every two years. The Trust engaged Ipsos Reid to conduct the most recent surveys in fall 2020. 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 Measure to Objective

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 how its impact is perceived by its partners who deliver many of the programs and initiatives to people in the region.

Discussion

While the results of the fall 2020 survey for both measures exceed the 2020/21 targets, the Trust determined that, given the margin of error, the targets for 2022/23 remain appropriate.

Performance Measures		2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
2.1c	Affordable Housing # of new affordable housing units funded	65	30	30	30
2.1d	Broadband¹ # rural households served with minimum 5/1 Mbps up to 50/10 Mbps	12,000	12,225	12,750	13,500
	# rural households served with minimum 50/10 Mbps	0	1,400	4,700	9,400
	# km of fibre backbone in place	975	1,025	1,150	1,325
2.1e	Business value of new business loans provided	\$5M	\$7.5M	\$7.5M	\$7.5M
2.1f	Community Assets # of existing indoor and outdoor community spaces being enhanced	40	40	40	40
	# of newly constructed/acquired community assets being funded	10	10	10	10
2.1g	Ecosystem Health Area of aquatic habitat improved (m ²)	2,100,276	2,000	4,000	4,000
	Area of terrestrial habitat improved (ha)	5,179	1,000	2,000	2,000

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

¹The Broadband performance measure is cumulative year over year.

Linking Performance Measures to Objectives:

2.1c – 2.1g: These measures (except for 2.1f, which is new, and 2.1c, has been reintroduced) were first presented in the 2018/19 – 2020/21 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 – to support the social, economic and environmental well-being of the Basin – as well as the strategic priorities of the Trust’s renewed

plan - [Columbia Basin Management Plan Strategic Priorities 2020-2022](#). 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 – 2.1g) reflect our 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 targets.

The Trust was able to deliver significantly more affordable housing projects (2.1c) in 2020/21; however, the targets for future years remain appropriate. Most communities in the Basin now have affordable housing projects underway. The lower targets in fiscal 2021/22 to 2023/24 take into consideration the expected decreased availability of provincial funding for affordable rental housing projects, and the time it takes for some communities to complete projects underway before they could start another.

Over the coming two years, the Trust expects to complete two significant broadband projects that will increase the kilometres of fibre backbone (2.1d). The Trust is also moving to support last-mile broadband projects to increase connectivity to rural households in two categories: minimum 5/1 Mbps (internet download speeds of 5 megabits per second (Mbps), and upload speeds of 1 Mbps) and minimum 50/10 Mbps (internet download speeds of 50 Mbps and upload speeds of 10 Mbps). The two categories are necessary as some rural and remote areas of the Basin still do not have access to internet speed of 50/10, which is the target that the federal government is aiming to achieve for all Canadians by 2030.

While there was decreased demand initially for capital financing in 2020/21, as the COVID-19 recovery continues, demand is growing again and the target for the value of new Business Loans (2.1e) is deemed to be appropriate at \$7.5 million.

Community Assets (2.1f) is a new measure that will gauge improvements to indoor and outdoor community spaces through capital projects and property acquisitions that will have long-term community benefit.

Due to the completion of several large projects, Ecosystem Health (2.1g) is expected to exceed its target in 2020/21; however, the targets for future years are appropriate for the current programming.

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	2019/20 Baseline	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
3.1a Ratio of Regional Reinvestment	75%	82%	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 Measure to Objective

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 the Investment Program. 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 – 2019/20 Service Plan. While we continue to refine this measure, we expect results to typically fall in the 80-90 per cent target range. In 2020/21, the Trust is currently forecasting an 82 per cent ratio.

Financial Plan

Financial Summary

(\$000)	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Total Revenue				
Power Projects	73,099	73,604	75,210	76,590
Private Placement: Commercial Loans	1,525	1,675	1,825	1,975
Private Placement: Real Estate	1,174	1,468	1,651	1,723
Market Securities	3,300	1,200	1,000	1,000
Short-Term Investments	1,150	1,000	1,000	1,000
Broadband Operations	1,157	1,353	1,527	1,737
Other	1,030	3,265	1,900	1,217
Power Project Recoveries	3,500	3,777	3,853	3,968
Total	\$85,935	\$87,342	\$87,966	\$89,210
Total Expenses				
Delivery of Benefits				
Broadband Initiatives ¹	2,705	3,776	3,465	3,492
Community Initiatives	37,674	27,625	9,742	9,742
Economic Initiatives ²	5,396	4,655	-	-
Other Initiatives	844	1,410	1,250	1,450
Social Initiatives	2,529	3,882	-	-
Water and Environment Initiatives	5,814	8,670	-	-
Youth Initiatives	1,668	1,818	1,795	1,795
Programs Under Development	-	4,800	41,200	42,000

(\$000)	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Total Delivery of Benefits	56,630	56,636	57,452	58,479
Power Project Administration Expenses	3,500	3,777	3,853	3,968
Trust Administration Expenses	7,275	8,386	8,190	8,363
Financing Costs	17,682	17,662	17,640	17,619
Trust Investment Expenses	833	808	768	764
Private Placements Loss	-	-	-	-
Total	\$85,920	\$87,269	\$87,903	\$89,193
Annual Surplus	\$15	\$73	\$63	\$17
Total Debt	\$8,294	\$8,223	\$8,149	\$8,073
Accumulated Surplus	\$520,816	\$522,089	\$523,152	\$524,169

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)	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Staff Remuneration and Development	8,619	9,313	9,593	9,881
Office and General	778	802	650	650
Amortization	396	351	400	400
Professional Fees	270	330	400	400
Corporate Travel and Meetings	52	386	290	290
Communications	245	420	225	225

(\$000)	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Board and Committee	144	250	260	260
Information Technology	271	311	225	225
Subtotal	10,775	12,163	12,043	12,331
LESS: Allocation to Power Project Administration	3,500	3,777	3,853	3,968
Total Administration Expenses	\$7,275	\$8,386	\$8,190	\$8,363

Key Forecast Assumptions, Risks and Sensitivities

Financial Forecast Item	Key Assumptions, Risks and Sensitivities
Power Projects Revenue	Moving forward, approximately 85 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	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 \$750,000 on revenue given the current level of investment. The Trust's annual return expectation for Market Securities is six per cent.
Private Placements Revenue	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 \$320,000 on revenue given the current level of investment. New investments continue to be made while repayments have reduced the portfolio in the past year. The Trust's long-term annual return expectation for Private Placements is six per cent. Current market returns are below target due to a near term low rate environment.
Short-term Investments Revenue	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 \$400,000 on revenue, given the current level of investment. The Trust assumes an annual interest rate of 1.5 per cent on income securities.

Management's Perspective on the Financial Outlook

Revenues from power projects are expected to increase over the three-year period due to following factors:

- continued focus on strategic asset management planning and reliability-centered maintenance programs that target increased plant reliability;
- long-term escalating power sales agreements in place.

The Trust expects annual modest growth in both its commercial loans and real estate portfolios. We forecast to continue to invest annually in these investment portfolios within the Columbia Basin region.

Delivery of Benefits expenses are forecast to remain relatively static over the next three years with small increases to funding budgets annually to coincide with revenue increases. With the current strategic plan expiring in 2022, the majority of Delivery of Benefits budgets have been allocated to Programs Under Development. Once the Trust has had an opportunity to engage with residents and develop a new longer term strategic plan, funds will be allocated to specific initiative areas.

Appendix A: 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

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 2019/20 can be viewed online at ourtrust.org/cbbcfinancials.

The CBBC Board comprises the following members:

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

Financial Summary

(\$000)	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Total Revenue	1,157	1,353	1,527	1,737
Total Expenses	2,705	3,448	3,765	4,115
Deficit	\$1,548	\$2,095	\$2,238	\$2,378
Capital Expenditures	\$4,081	\$13,487	\$5,000	\$5,000

Columbia Basin Development Corporation

Columbia Basin Development Corporation (CBDC) is a wholly owned subsidiary of the Trust formed in 2016 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

(\$000)	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Total Revenue	345	537	537	537
Total Expenses	3,844	4,045	-	-
Deficit	(3,499)	(3,508)	537	537
Capital Expenditures	(4,057)	(4,000)	-	-

¹Planned expenses for 2022/23 and 2023/24 will be determined by the outcomes of the Columbia Basin Management Plan renewal process in 2022.