



COLUMBIA BASIN TRUST
a legacy for the people

SERVICE PLAN

2012/13 – 2014/15

CONTENTS

Letter From the Chair to the Minister of Jobs, Tourism and Innovation	3
Introduction	6
Core Functions	8
Strategic Context	11
Goals, Strategies, Measures and Targets	15
Summary Financial Outlook	19
Governance	24
Appendix 1	27
Appendix 2	28
Appendix 3	29

February 2, 2012

*The Honourable Pat Bell
Minister of Jobs, Tourism and Innovation
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 *2012/13 – 2014/15 Service Plan*. This plan was prepared in accordance with the *Budget Transparency and Accountability Act* and BC Reporting Principles. The Board is accountable for the contents of the plan, including what has been included and how it has been reported. All significant assumptions, policy decisions, events and identified risks, as of the February 2, 2012 date, 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 supports the efforts of people of the Columbia Basin, working with them to deliver social, economic and environmental benefits in the form of programs and initiatives to the region. This work is referred to as the Delivery of Benefits. One of our key approaches in Delivery of Benefits is to support Basin communities and residents in identifying their priorities, and to provide funds based on those priorities. Two new programs that reflect this approach are:

- CBT created a new Community Directed Youth Funds program. This program will fund new activities and services for youth that are identified by community members as priorities.
- CBT created a new Social Grants Program. This program will provide grants to projects that support social well-being and address social issues. Funding decisions in this program will be made by a committee of volunteers from around the Basin who

have both technical expertise in the social sector and broader knowledge of their communities' needs.

CBT is also committed to strengthening economic well-being in the Basin, recognizing that global economic issues directly impact Basin communities and that economic trends directly impact the livelihoods of many residents. For example:

- CBT expanded its Student Wage Subsidy Programs. For the past two years, CBT has offered wage subsidies for summer jobs for students; we are now also offering a wage subsidy for part-time work during the school year. Support of these programs also reflects the organization's integrated approach to community development as the programs link to CBT's social, economic and youth strategic objectives.
- CBT announced the Manufacturing and Technology Sector Development Pilot Initiative, which will test activities like a peer support and networking program and virtual business incubator. This pilot initiative will be led by the Kootenay Association for Science and Technology and the Kootenay Rockies Innovation Council.
- CBT supported new economic development initiatives in partnership with Community Futures Development Corporations in the Basin.



CBT announced the Community Directed Youth Funds program in July 2011.



CBT supports environmental education projects like the Kokanee Salmon School Program.

In addition to these examples, CBT continues to fund a wide range of programs and initiatives in the Basin, such as grants for arts, culture and heritage projects, local environmental projects, literacy programs and land conservation efforts. While these funding roles are significant, they represent only one aspect of how CBT strives to deliver benefits to the Basin and support community well-being. CBT is also:

- Supporting environmental education of school aged children through a variety of programs.
- Acting as an information resource for Basin residents and local governments on the Columbia River Treaty, helping prepare the Basin to effectively engage in formal consultation with senior levels of government on the future of the treaty.
- Working to create a world class open access broadband network across the Basin. Access to high-speed Internet can connect people, help businesses remain competitive in a global economy and provide educational opportunities. CBT's newly created subsidiary, Columbia Basin Broadband Corporation, will tackle this important issue.

CBT has also been identifying potential new roles and opportunities to work with Basin communities. Over 2012/13, CBT will further explore some of those opportunities and their implications for CBT. Another important focus for 2012/13 will be continued

engagement with the people of the region, and seek their input not only on our future direction but on how we do business and how we can do better.

CBT's ability to support Basin communities through the Delivery of Benefits is dependent on a predictable income stream from its investment of the original endowments provided by the Province. We expect revenues in the next three years from all of our investments to be stable. CBT continues to maintain a conservative approach and retains earnings in order to ensure stability in its Delivery of Benefits funding in

the event that investment revenues drop in a given year. Construction at the Waneta Expansion Project is on time and on budget, with completion scheduled for May 2015. Our investments in Private Placements and Market Securities should also meet long-term expectations.

In our Summary Financial Outlook, we are forecasting a deficit for 2011/12 and 2012/13. Given that CBT anticipates stable revenues and no significant changes to its operating expenses, the deficit is attributable to our increased budget for Delivery of Benefits in the Basin. Over the last several years, CBT's investment earnings have increased, which increased the funds available for the Delivery of Benefits to the Basin. Instead of immediately using the new funds, we built our collective capacity to return higher levels of benefits over the long term, including through delivery agents and partners, in the most effective and impactful ways possible. This meant we had surpluses in those years. As a result, CBT has the cash available to fully fund these higher levels of benefits and anticipates no operational or financial issues and foresees no risk to the organization as a result of the deficit.

Another initiative for CBT in 2012/13 will be to clarify our accountability structure as an organization. In the early 1990s, people of the Columbia Basin came together to find a way to return a portion of the financial benefits created by the Columbia River Treaty to the region most affected by the treaty. These discussions

between the people of the Basin and the Province of BC ultimately resulted in CBT's creation in 1995. The organization was created with a very specific purpose: to invest, spend and manage the endowments provided by the Province for the ongoing economic, social and environmental benefit of the region. In creating CBT with this purpose, the Province recognized that CBT would be accountable not only to the Province as its shareholder, but to the people of the Basin. The Province also recognized that CBT would set its priorities and deliver benefits based on input provided by the people and communities of the Basin.

Since 1995, we have all learned about how to work effectively within this unique accountability structure. In 2012/13, CBT looks forward to discussions with the Province aimed at clarifying our relationship.

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



Garry Merkel
Chair, Board of Directors



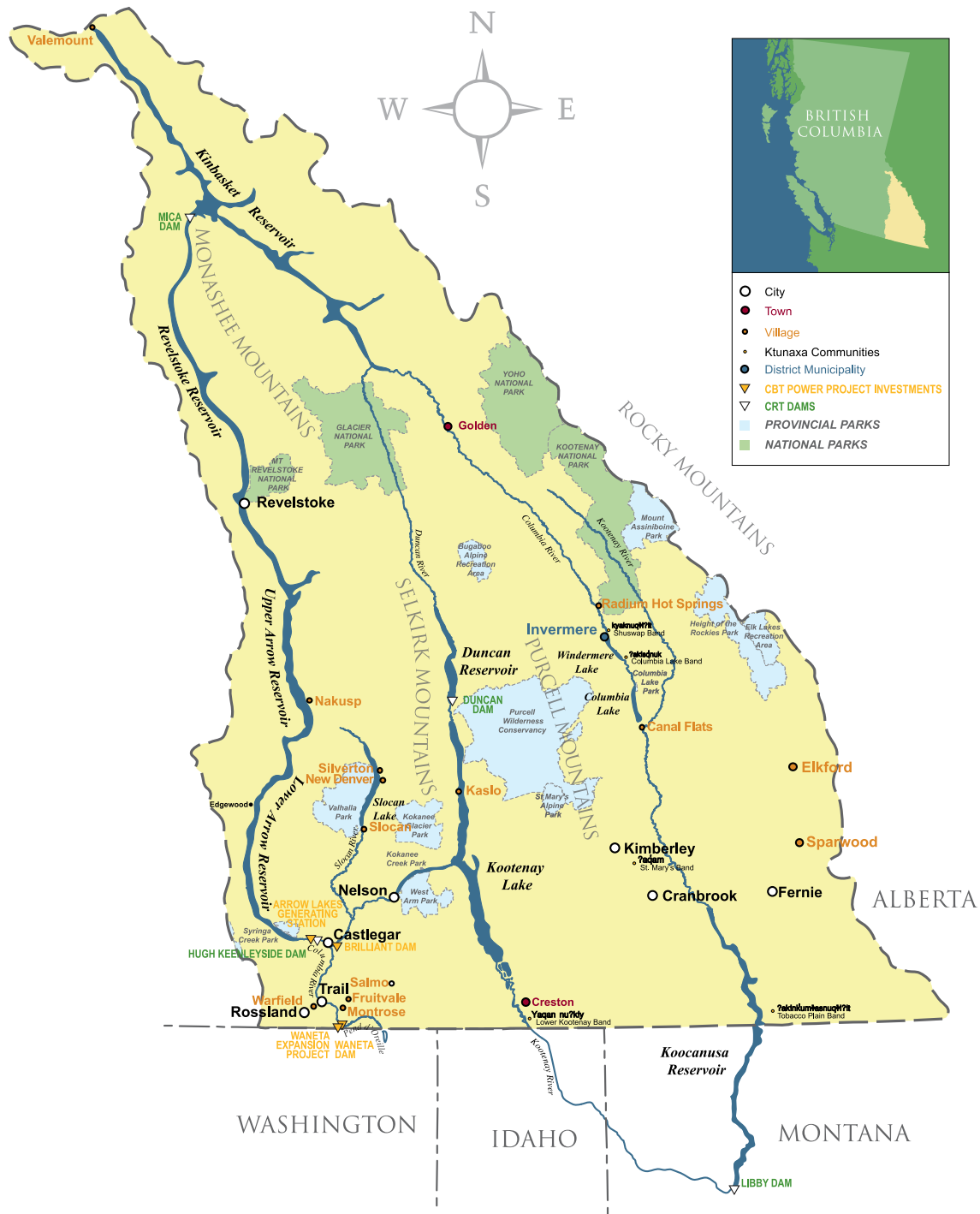
Top: CBT committed \$300,000 to the two-year Manufacturing and Technology Sector Development Pilot Initiative.

Bottom: In 2011, CBT hosted 12 community information sessions and four online information sessions for Basin residents on the Columbia River Treaty.

INTRODUCTION

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 toward a long-term vision for the future of the Columbia Basin, where:

- the 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 and residents are involved in community decision-making;
- a healthy environment is the basis for social and economic activities, and residents are committed to long-term and enduring stewardship of the Basin's natural resources; and
- 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 and 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 that help stimulate the regional economy and provide a reliable stream of income for use in CBT'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 CBT's mandate; and
- consistent and widespread public support for CBT's activities based on meaningful public input and CBT's responsiveness to the needs of the Basin and its people.

Values

The following values guide how CBT 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 futures, 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

Created by the residents of the Columbia Basin, and formally established by the *Columbia Basin Trust Act* in 1995, CBT serves the people who live in the Basin and assists communities in addressing their needs by:

- providing resources and funding;
- focusing on local priorities and issues;
- bringing people together around key issues;
- providing useful, credible, accessible information and expertise;
- encouraging collaboration and partnerships;
- seeking ongoing input from Basin residents; and
- investing prudently in Basin power projects, businesses and real estate.

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 to the Columbia Basin.

Upon creation, CBT received endowments from the Province that represented a portion of the financial benefits resulting from the Columbia River Treaty. CBT manages these endowments through its Investment Program, which provides funding for its Delivery of Benefits activities.

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

Delivery of Benefits

Using the income from its Investment Program, CBT develops, implements and manages programs and initiatives that respond to community and regional needs, working closely with Basin organizations and residents throughout the process. This work is referred to as the Delivery of Benefits.

CBT's strategic planning framework for Delivery of Benefits guides the development and implementation of activities in this area and resource allocations (both in terms of staff time and funds for programs and

initiatives). The *Columbia Basin Management Plan* strategic priorities provide a high level road map to focus CBT's work in the Basin (those priorities can be viewed on page 16 of this plan). Greater direction related to the Delivery of Benefits strategic priorities is captured in specific three- to five-year plans. All plans are developed in consultation with Basin communities and residents.

Advisory committees also help establish CBT's strategic direction within Delivery of Benefits, and provide ongoing feedback on CBT's work in the Basin. CBT has three advisory committees in its core mandated areas of social, economic and environment, plus two program advisory groups that provide advice on youth and water initiatives. Each of these volunteer committees plays an important role in providing community perspectives, sectoral expertise and strategic advice on CBT's activities and priorities.

Delivery of Benefits funds are generally spent in the following ways:

- Direct funding grants to a wide range of community projects, which are administered internally by CBT.
- Funding grants made by community partners, which are administered by those partners.
- Programs that are targeted at addressing a specific need. Programs are linked to CBT strategic objectives, and involve the delivery of a service or support. Third party delivery agents are contracted to provide the service or support.
- Partnerships with organizations that have complementary objectives and expertise in a particular issue or sector. CBT provides funds to partners to work toward attaining common goals.
- Facilitation and support of community or regional discussions on issues of importance. CBT often brings together Basin residents to provide information on an issue or to facilitate dialogue on how to address that issue.

The majority of Delivery of Benefits funds are committed and dispersed through legal agreements with partners, delivery agents and grant recipients. Agreements include specific duties and deliverables that are monitored by CBT.

When appropriate, CBT may make multi-year funding commitments to particular programs or initiatives. These commitments provide assurance to communities around continuity of service and aid partners in recruiting and retaining qualified staff. Multi-year commitments are often linked to longer term objectives.

Investment Program

The purpose of CBT's Investment Program is to prudently invest the endowments received from the Province, enabling delivery of long-term benefits to the Basin. CBT's *Statement of Investment Policies and Procedures* provides the necessary guidance to generate a predictable, sustainable and appreciating income stream. These financial returns are then available to fund CBT's current and future Delivery of Benefits obligations and cover corporate operating expenses.

The 1995 *Financing Agreement* with the Province of BC committed CBT to investigating three hydroelectric projects in the Basin region and—if investigations indicated commercial viability—to developing and operating these projects.

Two of these projects were developed in partnership with Columbia Power Corporation, and the risks and returns are shared on a 50/50 basis. The third project, the Waneta Expansion Project, commenced construction in fall 2010 and a new ownership model was developed, in which CBT holds a 16.5 per cent interest in a partnership with Columbia Power (32.5 per cent) and Fortis Inc. (51 per cent). 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's additional capital, as well as a long-term capacity purchase

agreement with Fortis BC. CBT and Columbia Power are also partners in another hydroelectric project, Brilliant Dam, which they purchased together on a 50/50 basis.

Brilliant Dam

In 1996, CBT and Columbia Power purchased Brilliant Dam, located eight kilometres from Castlegar on the Kootenay River. The facility was purchased from Teck for \$130 million, and the partners invested a further \$100 million to extend the life of the facility and increase generating capacity. Brilliant Dam generates enough power to supply 100,000 homes. The majority of the energy is sold to Fortis BC under the terms of a 60-year contract.

Arrow Lakes Generating Station

In 2002, construction was completed on Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from existing Hugh Keenleyside Dam on the Arrow Lakes Reservoir near Castlegar. The \$300-million project makes use of water that would otherwise be spilled at Hugh Keenleyside Dam. Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All power is sold to BC Hydro under the terms of a 12-year agreement.

Brilliant Expansion

In September 2007, construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from Brilliant Dam near Castlegar. The \$245-million project makes use of water that would otherwise be spilled at Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 95 per cent of the power is sold to BC Hydro.

Waneta Expansion Project (WAX)

CBT and Columbia Power entered into a new partnership with Fortis Inc. to develop the WAX project a short distance from Trail near the U.S. border. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to take 4.5 years to

complete. All power from WAX will be sold to BC Hydro, with surplus capacity sold to Fortis BC.

Private Placements

Private Placements include investments made in Basin-based commercial businesses. CBT may invest by way of direct ownership (equity) or business lending (loans). Private Placements are generally split into two categories:

1. Business Loans

CBT invests directly in Basin-based businesses by way of loans that are made in accordance with accepted market standards and that generate financial returns consistent with the levels of risk assumed.

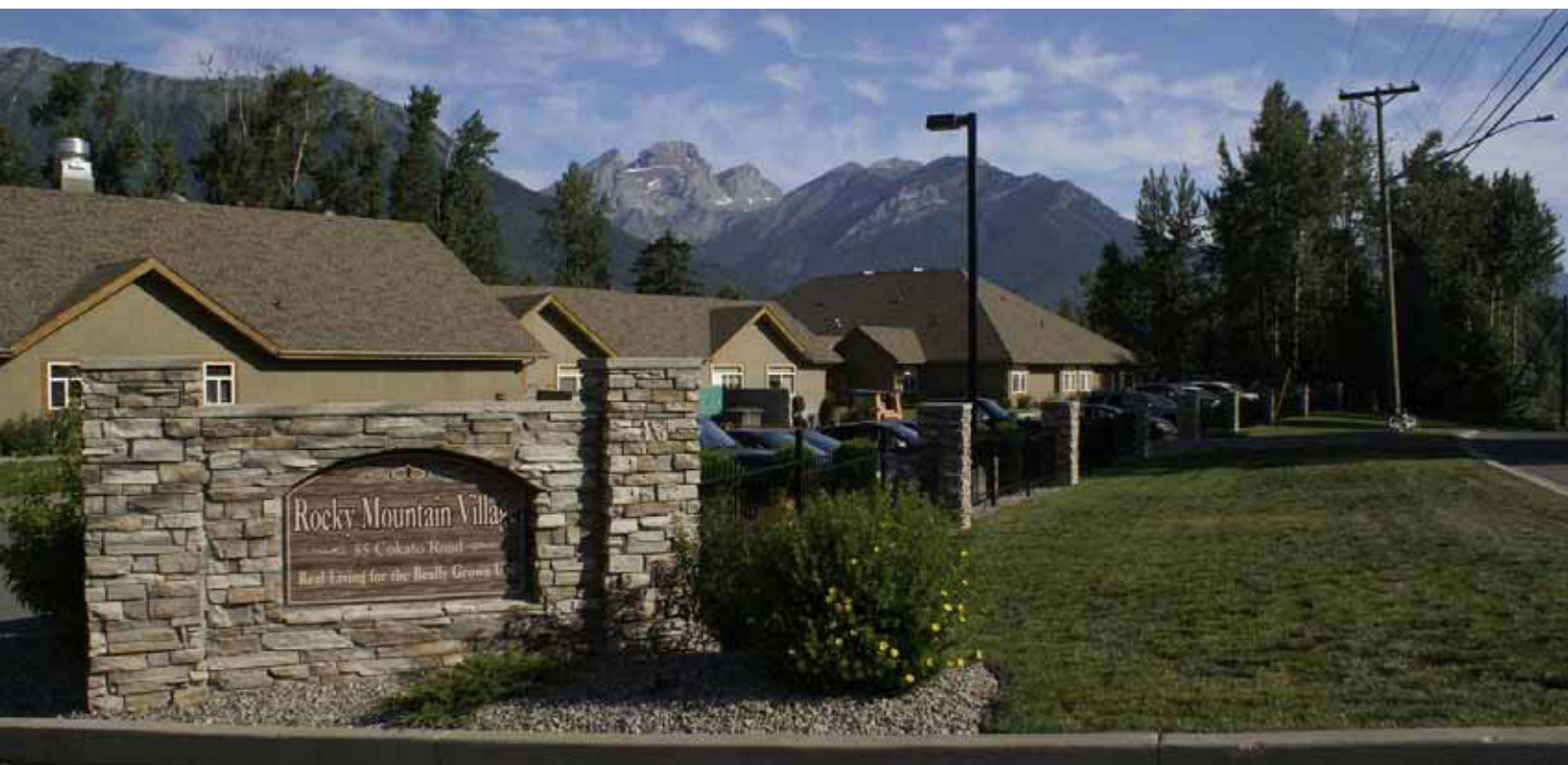
2. Real Estate

CBT has an ownership interest in a number of seniors' housing communities located throughout the Basin. Collectively, CBT has invested in eight properties

containing more than 803 living suites, which offer a range of support services depending on the needs of the residents.

Market Securities

This category includes a range of investments, such as short-term deposits, bonds and equities. The portfolio is managed by the British Columbia Investment Management Corporation on behalf of CBT.



Fernie's Rocky Mountain Village is one of eight seniors' housing communities partly owned by CBT.

STRATEGIC CONTEXT

Given the different goals of the Investment Program and Delivery of Benefits, a review of the strategic context of each area is provided in this Plan.

Investments

CBT's Investment Program is governed by the *Statement of Investment Policies and Procedures*, adopted by the Board of Directors in July 2007 and reviewed on a biannual basis. This statement 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 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 Projects investment structure. In the case of Arrow Lakes Generating Station, Brilliant Dam and Brilliant Expansion, Columbia Power acts as both investment partner and power project manager. In the case of the Waneta Expansion Project, CBT's partners provide administrative support to the project. This model reduces the operational responsibilities of CBT, but also results in significant dependency on its power project partners. CBT participates on the Columbia

Power Board and on the partnership board that oversees the WAX.

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

The following guidelines are used by CBT in managing its 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.



CBT is one of the partners of the Waneta Expansion Project.

- CBT’s priority is investment opportunities in the 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, while further recognizing the benefits may be constrained by the large investment in power projects.
- CBT values financial partnerships and, when possible, will undertake investments in co-operation with other organizations.

Delivery of Benefits

Delivery of Benefits has a broad mandate to return social, economic and environmental benefits to the Basin. Given that CBT’s programs and initiatives have different objectives and purposes, each one is impacted by different factors. This strategic context reviews the factors that apply to all of CBT’s Delivery of Benefits activities.

In the next fiscal year, CBT will have approximately \$20 million available to return through the Delivery of Benefits. CBT has built its capacity to deliver this level of benefits in a number of ways. For example, CBT:

- developed and updated detailed plans that outline how CBT will achieve its overall priorities;
- developed new partnerships with Basin organizations, programs and initiatives;
- reviewed a number of existing programs and initiatives to ensure they continue to address priority issues and provide needed services; and
- analyzed new areas of interest and need in the Basin



CBT expanded its Student Wage Subsidy Program to include part-time work for students during the school year.

and explored the potential for CBT to play a role through new programs or initiatives.

Much of this work will always be ongoing, but in 2012/13 some of CBT’s focus will shift from developing new programs and initiatives to their implementation.

An additional focus for 2012/13 will be supporting communities (whether they are geographic communities or communities brought together by a common interest) in setting their own priorities, and flowing CBT funds to address those priorities. This approach has always been a part of how CBT has worked with communities, but the organization is committed to expanding on it, recognizing that Basin residents are best placed to identify their priorities and to allocate funds to those priorities.

Delivering more benefits to the Basin in the next three fiscal years will increase demand on the organization’s infrastructure, including some of its supporting functions, like communications, information technology

and accounting. CBT may need to increase its capacity and/or identify opportunities to be more efficient.

An external factor that will continue to impact CBT in 2012/13 is the relative scarcity of other funding sources for community development activities. This scarcity can create a challenging situation for Basin communities and organizations, and increase requests for CBT funds. However, CBT is also able to pursue opportunities to partner with other funders that now have an interest in finding matching support.

Key Risks and Opportunities

The table on the following page describes key risks and opportunities facing CBT that could have enterprise-wide impacts on the operations. Each of the Board of Directors and the Executive Management Committee of CBT periodically discusses key risks and opportunities, their impacts and ways to address them.

CBT RESOURCES

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



KEY RISKS AND OPPORTUNITIES

Key Risk/ Opportunity	Why Does It Matter?	What Is CBT Doing?
Increased funding for Delivery of Benefits to the Basin.	The consistently strong performance of the Investment Program and continued expectations of stable revenues from the Investment Program mean CBT can return more benefits to the Basin. All funds for Delivery of Benefits must be used in the most effective and impactful ways possible, and reflect local and regional priorities.	<ul style="list-style-type: none"> Developed several new programs and initiatives to be implemented in 2011/12 and 2012/13. Is helping Basin communities identify their own priorities and allocating funds to achieve those priorities. Is exploring potential new roles identified in its fall 2011/12 strategic planning exercise.
Engagement with communities and residents.	Input that results from robust community engagement provides CBT with its strategic direction and information on how to best use its resources to meet local and regional priorities. Feedback from Basin communities and residents also provides CBT with information on how to improve as an organization.	<ul style="list-style-type: none"> Is seeking from feedback every two years from residents through a Basin-wide survey and from partners on its performance in returning benefits to the Basin. Engages regularly with advisory committees made up of volunteers from the Basin, who provide strategic guidance and feedback. Has staff base throughout the Basin, dedicated to engaging directly with communities and residents. Is participating in community discussions and events.
Dual accountability to Basin residents and the Province.	CBT is accountable to Basin residents and to the Province as its shareholder. The organization functions as a relatively autonomous and regionally based entity within the provincial government, and must balance these accountabilities. By balancing these accountabilities, the original spirit and intent underlying CBT's creation, that CBT would be a unique and relatively autonomous Crown corporation, is preserved.	<ul style="list-style-type: none"> Is engaging in discussions with the Province to bring greater clarity in CBT's accountability structure. Is reporting on its performance to the Province through the Annual Report. Is reporting on its performance and activities to Basin residents, given its accountability to the region (e.g. public sessions at Board meetings, distribution of the annual Report to Residents to every Basin home and business, distribution of a monthly e-newsletter, etc).
Construction of the Waneta Expansion Project.	Any significant issue with the construction of the WAX could increase project cost or delay its completion and the generation of revenues. Early completion could result in financial benefit to CBT.	<ul style="list-style-type: none"> Is working with project partners during the construction of the WAX to address risk by ensuring that the project adheres to the overall budget and construction schedule.
Board composition.	The Board needs a balance of particular skills and attributes, including expertise in certain areas (e.g. accounting expertise, community development). Board membership also needs a balance of new members and experienced members.	<ul style="list-style-type: none"> Began Board succession planning work in summer 2011.
Key person dependency in staff.	CBT is dependent on a small number of staff. If a key staff member departed, operations could be affected in the short to medium term.	<ul style="list-style-type: none"> Is developing a staff succession plan.
Deficit in 2011/12 and 2012/13.	CBT is forecasting a deficit for the current and the next fiscal year. The deficit is a result of increased funding for Delivery of Benefits.	<ul style="list-style-type: none"> For the last several years, CBT has experienced surpluses, as its revenues exceeded its expenses. Instead of immediately and indiscriminately spending those funds in each of the previous fiscal years, CBT elected to build its capacity to deliver new programs and initiatives based on priorities in the Basin. The approach of retaining funds for future spending in the Basin is consistent with the <i>Columbia Basin Trust Act</i>. The CBT Act requires CBT to invest, spend and otherwise manage its assets for the "ongoing" benefit of the Basin. CBT will use its own previously unspent earnings to fund the deficit in 2011/12 and 2012/13. No debt needs to be incurred by the organization to fund the deficit and the Province of BC is not required to provide CBT with any further financial support. The deficit therefore poses no risk to CBT. CBT's revenues and expenses are consolidated with general revenues and expenses of the Province of BC, as CBT's sole share is held by the Province. The Province has acknowledged that CBT is forecasting a deficit in 2011/12 and 2012/13. The Province also requested that CBT consider the Province's objective of balancing the overall budget, as any CBT deficit negatively impacts the Province's budget upon consolidation. Given the importance of this objective to the Province, CBT has agreed to attempt to achieve a balanced budget in 2013/14 and this is reflected in CBT's financial forecast.

GOALS, STRATEGIES, MEASURES AND TARGETS

This section outlines goals, strategies, performance measures and targets for the next three fiscal years.

Investment Program

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

Power Projects includes all operating hydroelectric projects. Private Placements includes all direct investments in Basin-based enterprise, including real estate, business loans and any other form of direct Basin investment. Market Securities includes publicly traded

financial instruments that form part of a diversified securities portfolio.

CBT chose to use a cash-based return on investment methodology for calculating financial returns from Power Projects and Private Placements. This clearly linked the returns from these investments to cash that would be available for Delivery of Benefits and Corporate Operations. In calculating the returns on Power Projects and Private Placements, CBT included all its investments in operational projects and excluded projects that were in a development phase, as these projects would not yet be contributing to CBT's operations.

The forecast 2011/12 return on Power Projects is significantly higher than the target. This anticipated

Investments Goal

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

Strategies

- Communicate directly with financial partners throughout the Basin in order to originate high-quality investment opportunities.
- 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.
- Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
- Remain fully engaged with Columbia Power and Fortis Inc. during the development of the Waneta Expansion Project. Continue to work closely with partners during the operating phases of all power projects.

Measures	Actual		Forecast		Targets	
	2010/11	2011/12	2012/13	2013/14	2014/15	
Return on Power Projects (calculated as a cash-based return on investment)	8.15%	10.84%	8%	8%	8%	
Return on Private Placements (calculated as a cash-based return on investment)	8.32%	7.4%	8%	8%	8%	
Return on Market Securities	10.10%	(5.6%)	6%	6%	6%	

result is not attributable to a better-than-expected performance of those investments. Instead, the result is primarily attributable to the approach taken by CBT and Columbia Power in financing the construction of the Waneta Expansion Project and to CBT's practice of excluding projects in the development phase in calculating the return on Power Projects.

In order to finance WAX, CBT and Columbia Power refinanced Arrow Lakes Generating Station. Funds raised through that refinancing are being used to pay CBT's and Columbia Power's share of WAX construction costs over the next three plus years.

The return on Power Projects is calculated by dividing CBT's share of income from the operational Power Projects by CBT's share of equity held in those projects. When Arrow Lakes Generating Station was refinanced, equity in that particular project was reduced. Reduced equity effectively increases the return on Power Projects for 2011/12. Because WAX is in the development phase, CBT's equity in that project is not included in the calculation of the return.

Given the potential for the public and other CBT stakeholders to assume that the higher return on Power Projects reflects a stronger investment performance, CBT is currently considering amending its methodology for calculating returns on Power Projects and Private Placements to include projects that are in the development stage.

For further information on CBT's Investment Program performance measures, see Appendix 1.

Delivery of Benefits

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 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

Delivery of Benefits Goal

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.

Strategies

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

Measures	Actual		Forecast		Targets	
	2010/11	2011/12	2012/13	2013/14	2014/15	
Assessment by Basin residents of CBT's effectiveness	74%	N/A	78%	N/A	78%	
Assessment by CBT partners of CBT's effectiveness	96%	N/A	96%	N/A	96%	

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 CBT is making a positive difference in their lives and communities. This approach gives CBT meaningful feedback on whether its key stakeholders feel that the organization is fulfilling its mission. In addition, CBT is exploring how residents feel CBT is making a difference, in order to understand the impacts of CBT's range of roles and its overall effectiveness.

CBT is also measuring its performance by assessing the 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, environmental 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.

CBT first measured Basin residents' and partners' perceptions in late 2010. That exercise will be repeated every two years, so as to allow sufficient time for residents and partners to work with CBT and for CBT to complete work related to its strategic priorities. Perceptions of residents and partners will be measured again in fall 2012. For further information on CBT's Delivery of Benefits performance measures, see Appendix 2.

Corporate Operations

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

Maturity of Planning Practices

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

Corporate Goal

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

Strategies

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

Measures	Actual		Forecast		Targets	
	2010/11	2011/12	2012/13	2013/14	2014/15	
Maturity of planning practices	2.5	3	4	4	4	
Maturity of risk management practices	2	2.5	3	4	4	
Budget variance for corporate operations	(4%)	(5.3%)	5%	5%	5%	

within the organization. Practices are assessed on a scale of 1 to 4 with 4 reflecting a fully mature state. CBT forecasts reaching a level 3 in 2011/12, meaning that the organization has developed higher level plans but still needs to update those plans and monitor progress with greater regularity. For more information on the rating scale, see Appendix 3.

Maturity of Risk Management Practices

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. Practices are assessed on a scale of 1 to 4 with 4 reflecting a fully mature state. CBT forecasts reaching a level 2.5 in 2011/12. This means that the organization has identified enterprise-wide risks and developed some strategies to address them but still needs to determine its overall tolerances and to identify and analyze risks that are not enterprise-wide. For more information on the rating scale, see Appendix 3.

Budget Variance for Corporate Operations

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 each year, and actual results, as reported in CBT's consolidated financial statements at the fiscal year-end.

The forecast of (5.3%) for 2011/12 reflects that CBT expects to be under budget in 2011/12, in part as a result of a delay in adding staff positions that were included in the budget and other reduced corporate expenses.

For further information on the budget variance measure, see Appendix 3.

SUMMARY FINANCIAL OUTLOOK

The summary financial outlook is prepared on a consolidated basis. Financial information for CBT's holding company subsidiaries (which retain power project investments and other types of investment) is not provided, as CBT revenues are reported by major category of investment (see Table 1). CBT's subsidiary, Columbia Basin Broadband Corporation, will have an active role and will not function exclusively as a holding company. Separate financial information is provided for this subsidiary.

As of April 1, 2011, CBT was required to prepare and report its financial information in accordance with Public Sector Accounting Board (PSAB) standards (CBT previously reported information in accordance with Canadian generally accepted accounting principles). Table 1, which provides an overview of CBT's financial expectations, has been prepared in the PSAB format.

TABLE 1 - CBT'S FINANCIAL EXPECTATIONS

	Actual	Forecast	Forecast	Forecast	Forecast
	2010/11	2011/12	2012/13	2013/14	2014/15
Revenues					
Power Projects	\$10,711,000	\$15,272,000	\$19,021,000	\$20,619,000	\$21,838,000
Private Placements: Commercial Loans	1,197,000	1,160,000	777,000	796,000	819,000
Private Placements: Real Estate	600,000	706,000	816,000	1,004,000	1,071,000
Market Securities	575,000	700,000	700,000	700,000	700,000
Loan Income	-	1,134,000	1,134,000	1,134,000	1,134,000
Recoveries	775,000	700,000	460,000	450,000	450,000
Income Securities	1,076,000	2,000,000	1,620,000	1,200,000	1,000,000
Provincial Contribution	2,000,000	-	-	-	-
	16,934,000	21,672,000	24,528,000	25,903,000	27,012,000
Expenses					
Staff Remuneration and Development	3,579,000	3,942,000	4,233,000	4,375,000	4,500,000
Amortization	412,000	422,000	350,000	350,000	350,000
Board and Committee Expenses	169,000	202,000	208,000	208,000	208,000
Corporate Travel and Meetings	235,000	258,000	263,000	263,000	263,000
Communications	291,000	293,000	332,000	332,000	332,000
Information Technology/Systems	136,000	141,000	175,000	175,000	175,000
Office and General	504,000	529,000	564,000	722,000	797,000
Professional and Consultants Fees	308,000	388,000	375,000	375,000	375,000
	5,634,000	6,175,000	6,500,000	6,800,000	7,000,000
Delivery of Benefits	11,167,000	17,000,000	20,000,000	19,000,000	20,000,000
Operating Surplus/Deficit	133,000	(1,503,000)	(1,972,000)	103,000	12,000
Capital Expenditures	\$30,038,000	\$27,578,000	\$46,242,000	\$25,270,000	\$10,569,000

Revenues

Stable earnings are expected from all major revenue streams.

CBT's investment in Power Projects continues to be the largest component of revenues. Revenues from Power Projects are significantly lower in 2011/12 than they are forecast to be in subsequent years, primarily as a result of an outage due to a plant issue at Brilliant Expansion and one-time costs related to the financing raised to fund the Waneta Expansion Project construction. Power Project revenues are expected to increase gradually in the next three years.

Revenues from Private Placements (business loans and real estate) are expected to remain constant for 2012/13 to 2014/15. Revenues from real estate investments (resulting from CBT's investments in seniors' communities in the Basin) are expected to be stable.

Loan Income consists of payments from Columbia Power on a \$20-million loan provided by CBT. The loan was provided to assist CPC in meeting their financing obligations for the Waneta Expansion Project.

Market Securities revenues are generated by an externally managed, diversified securities portfolio. Forecasts for the 2012/13 to 2014/15 period are based on the assumption that markets will realize returns consistent with long term averages.

Recoveries are received from Columbia Power, primarily for information technology services and rental income, and from Columbia Basin Broadband Corporation for recovery of CBT staff time. In 2011/12, recoveries are higher due to a one-time recovery of financing costs from Columbia Power related to the Waneta Expansion. Recoveries decrease in subsequent years as Columbia Power will be reducing some of the information technology services they procure from CBT.

Income Securities consists of CBT's portfolio of short- and long-term deposits at financial institutions within

the Basin. Fluctuations are anticipated in these revenues, as CBT will withdraw funds placed in income securities for construction costs at the Waneta Expansion Project.

Expenses

General operating expenses (which include Board and Board committee meeting expenses and remuneration, communications and information technology costs, consultant fees, office expenses and amortization expenses) are expected to gradually increase in the 2012/13 to 2014/15 period.

Delivery of Benefits

The Delivery of Benefits result for 2010/11 is composed of actual cash disbursements made by CBT. The forecast for 2011/12 is based on anticipated cash disbursements. The adoption of PSAB standards may require CBT to begin reporting on Delivery of Benefits programs, initiatives and partnerships on a commitment basis (commitments that have been approved but not necessarily disbursed). This means that the Delivery of Benefits figure appearing in CBT's annual report for 2011/12 may be prepared on a different basis than the forecast provided in this Service Plan, and not be limited to cash disbursements.

Total funds available for distribution through Delivery of Benefits are forecast to be \$20 million in 2012/13, \$19 million in 2013/14 and \$20 million in 2014/15. The deficit in 2012/13 shown in Table 1 is a result of the increases to the Delivery of Benefits budget. CBT has the cash available to fund the increased Delivery of Benefits budget, using unspent earnings from its investments from previous years.

CBT's revenues and expenses are consolidated with general revenues and expenses of the Province of BC, as CBT's sole share is held by the Province. The Province has acknowledged that CBT is forecasting a deficit in 2011/12 and 2012/13. The Province also requested that CBT consider the Province's objective of balancing the overall budget, as any CBT deficit negatively impacts the Province's budget upon consolidation. Given the

importance of this objective to the Province, CBT has agreed to attempt to achieve a balanced budget in 2013/14 and this is reflected in CBT's financial forecast, and the reduction in the Delivery of Benefits budget to \$19 million in 2013/14.

Table 2 reviews the key assumptions and sensitivities related to forecast revenues and expenses.

Table 3, on page 22, reviews CBT's capital expenditures. Figures in Table 3 for Arrow Lakes Power Development Corporation, Brilliant Expansion Power Corporation

TABLE 2 - KEY ASSUMPTIONS AND SENSITIVITIES

Financial Forecast Item	Key Assumptions and Sensitivities
Power Projects Revenue	<ul style="list-style-type: none"> In 2012/13, more than 78 per cent of CBT revenues will come from Power Projects. If the projects experience operational challenges and revenues are reduced, CBT's ability to deliver benefits 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 1 per cent change in return would have an approximate impact of \$210,000 on revenue given the current level of investment. CBT's annual return expectation for Market Securities is 6 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. Any new investments made by CBT in the next three years could positively impact the revenues generated by Private Placements. CBT's annual return expectation for Private Placements is 8 per cent.
Income Securities Revenue	<ul style="list-style-type: none"> Fluctuating interest rates have a direct impact on returns from Income Securities. A 1 per cent change in interest rates would have an approximate impact of \$800,000 on revenue given the current level of investment. CBT assumes an annual interest rate of 2 per cent on Income Securities.
Staff Remuneration and Development, General Operating Expenses	<ul style="list-style-type: none"> These forecasts include the incremental additions of new staff. Depending on the timing of when positions are filled, expenses may be reduced, e.g., if staff members are hired later in the fiscal year. These forecasts do not include unanticipated staffing costs (e.g., coverage for unexpected leave).
Delivery of Benefits: \$20 million in new funds available for 2012/13	<ul style="list-style-type: none"> The Delivery of Benefits budget forecast reflects an assumption that there would be full uptake of CBT programs. Many of CBT's programs and initiatives work on a reactive basis, in anticipation of demand from the Basin. If demand from the Basin for funding from a particular program decreases, CBT's disbursement of funds through that program would likely be reduced. There may also be occasions over the course of the fiscal year when legitimate demand for funding from Basin communities exceeds CBT's expectations and CBT may provide funds in response to that demand, providing it is in a financial position to do so. This means that the Delivery of Benefits year-end result may exceed the original budget forecast by CBT. This is the nature of community development work, and appropriate business practice for CBT.

and Brilliant Power Corporation are provided by Columbia Power. The investment in WELP is the most significant capital expenditure for CBT, reflecting CBT's contributions to construction costs for the Waneta Expansion Project.

Real Estate Investments consists of CBT's holdings in seniors' communities and its office spaces in Castlegar and Golden. The increase from 2011/12 to 2012/13 reflects the expansion of the seniors' community in Invermere, where 35 units of residential care are being added to the existing project.

CBT Corporate capital expenditures are composed of information technology equipment, office furniture and equipment, leasehold improvements and other items. In 2011/12, CBT incurred costs related to the purchasing its Golden office premises, reflected in the higher forecast for this year.

In 2011/12, CBT created a new subsidiary, Columbia Basin Broadband Corporation (CBBC). CBBC will actively work toward providing connectivity to a broadband network across the Basin, and will be developing a business strategy to guide its operations over 2012/13. The strategy's focus will include implementing a business model for a regional broadband network and providing educational and technical support to Basin communities on broadband. Given that CBBC is a newly created subsidiary and that it is in the process of creating a business strategy, a financial forecast is only provided for 2011/12 and 2012/13 (see Table 4). Forecasts for subsequent years (including 2012/13) will be directly impacted by the finalization of the business strategy and revenues and expenses may be different than projected.

In 2011/12, CBBC acquired the assets of Columbia Mountain Open Network (CMON). This was a

TABLE 3 - CAPITAL EXPENDITURES

	Actual	Forecast	Forecast	Forecast	Forecast
	2010/11	2011/12	2012/13	2013/14	2014/15
Arrow Lakes Power Corporation	\$259,000	\$436,000	\$445,000	\$150,000	\$150,000
Brilliant Expansion Power Corporation	287,000	728,000	556,000	334,000	341,000
Waneta Expansion	952,000	-	-	-	-
Investment in WELP	26,565,000	22,000,000	38,200,000	20,182,000	5,687,000
Brilliant Power Corporation	1,722,000	1,189,000	1,049,000	1,204,000	991,000
Real Estate Investments	-	2,400,000	5,667,000	3,000,000	3,000,000
CBT Corporate Assets	253,000	825,000	325,000	400,000	400,000
	\$30,038,000	\$27,578,000	\$46,242,000	\$25,270,000	\$10,569,000

TABLE 4 - COLUMBIA BASIN BROADBAND CORPORATION FORECASTS

	Actual	Forecast
	2011/12	2012/13
Revenue	\$200,242	371,412
Expenses	412,523	635,554
Net Income	(212,281)	(254,142)
Capital Expenditures	483,040	-
Retained Earnings	2,643,604	2,379,462
Debt	-	-

one-time transaction, which included the acquisition of approximately 85 km of fibre optic network in the Castlegar and Greater Trail areas. The majority of revenues forecast for 2011/12 and 2012/13 are attributable to fees collected from local customers that access this network. The acquisition of the CMON assets is also shown as a gain within retained earnings for 2011/12. The gain is an estimate of the value of the assets. CBBC is currently undertaking a third-party market valuation of the CMON assets, and the gain within retained earnings may be adjusted as a result of that valuation.

Increases to expenses in 2012/13 from 2011/12 are primarily a result of showing one full year of CBBC operations. The deficit in each of 2011/12 and 2012/13 was anticipated. CBBC is a new business

venture and the objective is to manage and selectively expand its network assets to achieve profitability over time. Expenses are composed of direct costs for the maintenance and operation of the fibre optic network, as well as costs associated with corporate operations, including salaries and consulting fees. CBBC has the ability to fully fund the deficit, as its retained earnings included a transfer of start-up funds from CBT to CBBC in 2011/12 of \$1,000,000.

CBT is currently reviewing which would be the most appropriate accounting standards to apply to CBBC given the nature of the entity and its structure. The outcome of that review, and ultimate application of any accounting standard to CBBC, may mean the 2011/12 financial results are presented in a different format than this forecast.

GOVERNANCE

Board of Directors

CBT'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. All Board-approved processes and policies are disclosed in accordance with the 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.

Directors

- Garry Merkel, Chair
- Greg Deck, Vice-Chair
- Denise Birdstone
- Wendy Booth
- Kim Deane
- Cindy Gallinger
- Am Naqvi
- Ron Oszust
- Laurie Page
- Paul Peterson
- Bob Smith
- Bill Trehwella

Executive Management Committee

- Neil Muth, President and CEO
- Johnny Strilaeff, Vice-President, Investments
- Christine Lloyd, Director, Finance and Operations
- Delphi Hoodicoff, Director, Communications
- Gary Ockenden, Director, Community Engagement
- Sabrina Curtis, Director, Planning and Development
- Wayne Lundeberg, Director, Youth Initiatives
- Kindy Gosal, Director, Water and Environment

Boards of CBT Subsidiaries

Subsidiary Holding Companies

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests in investments. The boards of these subsidiaries do not address policy matters. Directors of these holding company subsidiaries consist of CBT senior management: Neil Muth, President and CEO, and Johnny Strilaeff, Vice-President, Investments.

- CBT Commercial Finance Corp. holds CBT interests in business loans.
- CBT Real Estate Investment Corp. holds CBT interests in real estate.
- 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 Columbia Power.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Expansion joint venture with Columbia Power.

- CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with Columbia Power. CBT Power Corp. also holds interests in the power project joint venture with Columbia Power, 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.

Board Committees

CBT 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** acts on behalf of the Board of Directors between Board meetings, ensures that appropriate governance policies and practices are developed and implemented, ensures that a human resources framework is developed and maintained and addresses any other matters referred to it by the Board.

Members

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

The **Audit Committee** assists the Board in fulfilling its financial accountability and oversight responsibilities by ensuring the accuracy and integrity of CBT’s financial information, monitoring systems of internal controls and overseeing the internal and external audit processes.

Members

- Am Naqvi
- Kim Deane

The **Investment Committee** assists the Board in fulfilling its oversight responsibilities related to the governance and management of the CBT portfolio of investments.

Members

- Wendy Booth
- Greg Deck
- Cindy Gallinger
- Bob Smith
- Bill Trehwella

The **Delivery of Benefits Committee** assists the Board in fulfilling its oversight responsibilities related to the governance and management of Delivery of Benefits programs, initiatives and activities.

Members

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

The **Water Initiatives Committee** assists the Board in fulfilling its oversight responsibilities related to the governance and management of CBT’s Water Initiatives.

Members

- Ron Oszust, Chair
- Greg Deck
- Laurie Page
- Bob Smith

The **Communications Task Force** assists in the development and implementation of a communications strategic plan for CBT.

Members

- Kim Deane, Chair
- Garry Merkel
- Paul Peterson

Active Subsidiaries

CBT has transitioned a former holding company into an active subsidiary, and named it Columbia Basin Broadband Corporation (CBBC). The Board of CBBC consists of: Ron Miles, Jim Miller, Garry Merkel, Kim Deane and Greg Deck.

The Province of BC and Columbia Basin Trust

The *Columbia Basin Trust Act* establishes the Province of BC as the shareholder of CBT. Within the provincial government, the Minister of Jobs, Tourism and Innovation 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 *Government's Letter of Expectations* further defines the roles and responsibilities of the Minister of Jobs, Tourism and Innovation and CBT.

Visit www.cbt.org to view a copy of the *Government's Letter of Expectations*.

DIRECTION FROM GOVERNMENT'S LETTER

Requested Corporate Accountabilities

Support the efforts of Basin residents and communities to strengthen the social, economic and environmental well-being in the region through Delivery of Benefits activities and effective stewardship of the Corporation's resources.

Manage its investments in a manner consistent with its Board-approved Statement of Investment Policies and Procedures such that the Corporation can fund current and future Delivery of Benefits activities and corporate operations.

Report on performance measures that demonstrate levels of success achieved during the reporting year. This includes ensuring directors nominated by regional districts and the tribal council pursuant to the Columbia Basin Trust Act report on the Corporation's activities to their respective nominating bodies.

Ensure that it does not purport to represent the Government in any statements or matters of an inter-provincial, federal-provincial or international nature.

Ensure that residents and stakeholders in the Columbia Basin have opportunities to consult, collaborate, engage and partner on projects that deliver economic, environmental and social benefits to residents and communities in the Columbia Basin.

CBT Alignment

- A range of social, economic, environmental, youth, water and community related initiatives have been supported over the past year and a number of new initiatives will be launched in 2012/13. CBT has stewarded its resources such that, although a deficit is forecast for 2011/12 and 2012/13, it is fully able to fund increased Delivery of Benefits activities in the Basin.
- CBT has managed its investments in a manner consistent with the Statement of Investment Policies and Procedures. It is able to fully fund current Delivery of Benefits activities and corporate operations, and anticipates being able to do the same in the future.
- CBT reports on its performance measures in its Annual Report, and offers to review CBT's activities with the regional districts and the Ktunaxa Nation Council.
- CBT has not purported to represent the Government in any matters.
- Strategic plans for the Delivery of Benefits are developed in consultation with Basin residents and communities.
- CBT engages regularly with advisory committees made up of Basin residents who volunteer their time to provide advice to CBT on the Delivery of Benefits.
- CBT partners with a wide variety of community organizations.

APPENDIX 1 – BACKGROUND ON INVESTMENT PERFORMANCE MEASURES

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, Columbia Power and CBT, is challenging to reconcile against those commonly observed in the private market. As such, it is difficult to compare the performance of 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 six per cent 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 the BC Investment Management Corporation.

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.

APPENDIX 2 – BACKGROUND ON DELIVERY OF BENEFITS PERFORMANCE MEASURES

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 baselines for 2010/11.

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 the survey to 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.

A random sample of 811 Basin residents was surveyed between December 2010 and January 2011, providing survey results that are statistically accurate to within ± 3.5 per cent, 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 per cent of residents indicated they had at least some familiarity with CBT, of whom 74 per cent either strongly agreed or somewhat agreed that CBT is making a positive difference in their communities. The figure of 74 per cent is the baseline reported for 2010/11.

Going forward, CBT has set a target of 78 per cent 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.

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.

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 between December 2010 and January 2011, representing 43 per cent of all partners identified and providing survey results that are statistically accurate to within a maximum of ± 11.5 per cent, 19 times out of 20.

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

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

APPENDIX 3 – BACKGROUND ON CORPORATE OPERATIONS PERFORMANCE MEASURES

Maturity of Planning Practices

Using the following table, CBT annually assesses its existing planning practices against the descriptions provided in the table. CBT will continue to build its planning practices, and reassess progress against the levels noted in the table. For 2011/12, CBT anticipates attaining a level of 3. The Executive Management

Committee initially assesses CBT’s current level of maturity and future targets, with both items ultimately approved by the CBT Board.

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: <ul style="list-style-type: none"> • there is infrequent updating to reflect changes within, or that affect, CBT; and • 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: <ul style="list-style-type: none"> • 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 who are aware of the stated directions and priorities, and who are following through on responsibilities for implementation; • an established process for updating to reflect changes within, or that affect, CBT; and • regular monitoring and reporting of progress in implementation, along with results.



Score:

Maturity of Risk Management Practices

Using the following table, CBT annually assesses its existing risk management practices against the descriptions provided in the table. CBT will continue to build its risk management practices, and reassess progress against the levels noted in the table. For 2011/12, CBT anticipates attaining a level of 2.5. The Executive Management Committee initially assesses

CBT’s current level of maturity and future targets, with both items ultimately approved by the CBT Board.

Level 1 Description	Level 2 Description	Level 3 Description	Level 4 Description
CBT has not identified the types of corporate risks that can undermine its ability to achieve its mandate and priorities.	<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 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 the likelihood and impact of corporate and 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 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>



Score:

Budget Variance

CBT anticipates that some factors beyond the organization's control will impact its actual financial results. However, the budget variance measure will provide CBT with a 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 five per cent after reviewing historical performance and budget variances, and considered the degree of actual costs that could reasonably be expected to deviate from the budget.

This measure refers exclusively to CBT's budget for Corporate Operations, which comprises forecast expenditures in areas such as staff remuneration and development, professional fees, Board and Board committee costs, information technology and communications expenditures. CBT may decide to expand this measure in the future to include revenues and expenditures.



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