



# REVISED SERVICE PLAN

2013/14 – 2015/16

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*The Honourable Bill Bennett  
Minister of Energy and Mines  
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 *Revised 2013/14 – 2015/16 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. To the best of our knowledge, the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing this 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 the 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 Delivery of Benefits. A key approach in Delivery of Benefits is to support Basin communities and residents by placing more resources in the hands of communities, supporting them as they make their own choices on issues that affect their futures and empowering them to see those choices result in positive outcomes. Over the period of this *Service Plan*, CBT will deliver a substantial portion of its Delivery of Benefits budget by involving communities in directly allocating CBT funds based on community-identified priorities. CBT is actively implementing new programs to enhance this fundamental principle:

- The Community Directed Youth Funds program delivers \$25,000 per year for four years to communities and their catchment areas to fund new

activities and services for youth that are identified by community members as priorities. This program was expanded in 2012/13 and by the end of 2013/14 will encompass all regions in the Basin. Once fully implemented, funding for this program will be \$525,000 per year.

- Community Directed Funds supplies significant CBT resources to regions to fund projects and initiatives that are prioritized through a regional planning and prioritizing process. The Columbia Valley and the Elk Valley each have agreements in place for \$600,000 over three years. CBT anticipates that a significant portion of the Basin will participate in this program over the term of this *Service Plan*.
- The Social Grants Program funds projects that support social well-being and address social issues in the Basin. A panel of Basin residents and experts from the social sector adjudicate the applications to this program. In 2013/14, the funding for this program will be increased to \$1 million dollars annually.
- Community Youth Engagement Funds is a new program that supports communities to better engage with their youth populations. These funds are available to communities to develop youth strategies and support youth engagement activities that are locally identified and suited to their individual circumstances.



*One way CBT engages youth is through its Youth Advisory Committee.*



*Through its student wage subsidy programs, CBT helped Cranbrook's Just Liquid Sports hire a student.*

CBT continues to be committed to strengthening the economic well-being in the Basin, recognizing that economic trends directly impact the livelihoods of many residents. For example:

- CBT is continuing its initiatives in workforce development through its two student wage subsidy programs, which offer a wage subsidy to support summer jobs and part-time work for students during the school year. CBT is also exploring a Basin internship program to complement the wage subsidy program.
- CBT is continuing its support for small- and medium-sized businesses by enhancing its Basin Business Advisors program. This program, which provides business skills and consulting support to established Basin businesses, is being expanded to provide pre-start-up and entrepreneurship training. CBT is also exploring support and entrepreneurship training for youth entrepreneurs.
- CBT is increasing the capacity for economic development in the Basin by further developing its partnerships with local economic development organizations and sector and industry associations such as the Kootenay Association for Science and Technology and the Kootenay Rockies Innovation Council.
- CBT is continuing to partner with Selkirk College to support the Columbia Basin Rural Development Institute to enable it to provide research data and implement economic development tools to assist local communities in planning for a sound economic future.
- CBT is continuing to fund its partnership with Community Futures Development Corporations (CFDCs) in the Basin. The Community Futures Economic Development Initiatives Fund supports regional and sub-regional economic development initiatives led by CFDCs.
- CBT is continuing to support the enhancement of broadband connectivity in the Basin on a regional level through the work of our subsidiary, the Columbia Basin Broadband Corporation.

In addition to these examples, CBT funds a wide range of programs and initiatives in the Basin, with increased funding for arts, culture and heritage projects, social grants, environmental projects, literacy programs and land conservation efforts.

CBT's ability to support Basin communities through Delivery of Benefits is dependent on a predictable income stream from its investment of the original endowment provided by the Province of BC. CBT maintains a conservative approach to its investments 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.

As part of our Investment Program, 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. CBT recognizes that its investment activities generate financial returns as well as broader benefits for the region. Consideration is being given to measures that will allow CBT to better understand these ancillary benefits and ensure they are enhanced, without compromising the financial principles of CBT as a prudent investor.

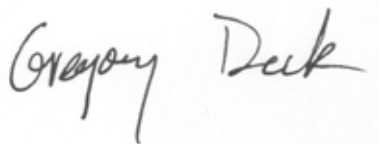
In our Summary Financial Outlook, CBT forecasts revenues from all of our investments in the next two years to be relatively stable, which results in projected Delivery of Benefits budgets of \$19.4 million and \$20.2 million respectively. In 2015/16, revenues are forecast to increase, with a commensurate increase in Delivery of Benefits to \$25 million. After 2015/16 there is further forecasted growth of revenues and Delivery of Benefits budgets. This growth is a positive upward trend CBT has been following for some time; over the past decade, our average annual growth rate has been approximately 17 per cent.

With Delivery of Benefits forecasts beginning to increase significantly in 2015/16, CBT commenced a major review of Delivery of Benefits operations to develop integrated processes and controls to increase predictability and effectiveness. This resulted in a significant reorganization that should better facilitate budget planning and forecasting for Delivery of Benefits. A Planning and Evaluation department was created to help strengthen CBT's planning framework for increased funding and to develop a robust evaluation framework to ensure increased funding is making the best possible impact. CBT is also implementing a new information management system in 2013/14 to support improved financial processes.

A review of CBT's Information Technology (IT) services will be concluded in 2013/14 and will ensure that CBT's IT supports are ready to accommodate present and future CBT activities. CBT has engaged new internal auditors to provide assurance that internal controls are adequate to mitigate risks, governance processes are effective and efficient, and organizational goals and objectives are met. CBT has also engaged auditors to perform external audits on Delivery of Benefits activities to provide CBT with reasonable assurance that recipients of DOB funding have complied with their obligations. Finally, CBT has embarked on an expanded Enterprise-wide Risk Management process, which will be completed over 2013/14.

In the early 1990s, the people of the 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. This resulted in the creation of CBT in 1995, with the mandate to invest, spend and manage the endowment 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. Discussions with the Province toward developing a memorandum of understanding to better clarify CBT's level of autonomy as a regionally based entity and its accountability to the Province began in 2011/12. CBT looks forward to continuing these discussions in 2013/14.

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



**Greg Deck**  
**Chair, Board of Directors**



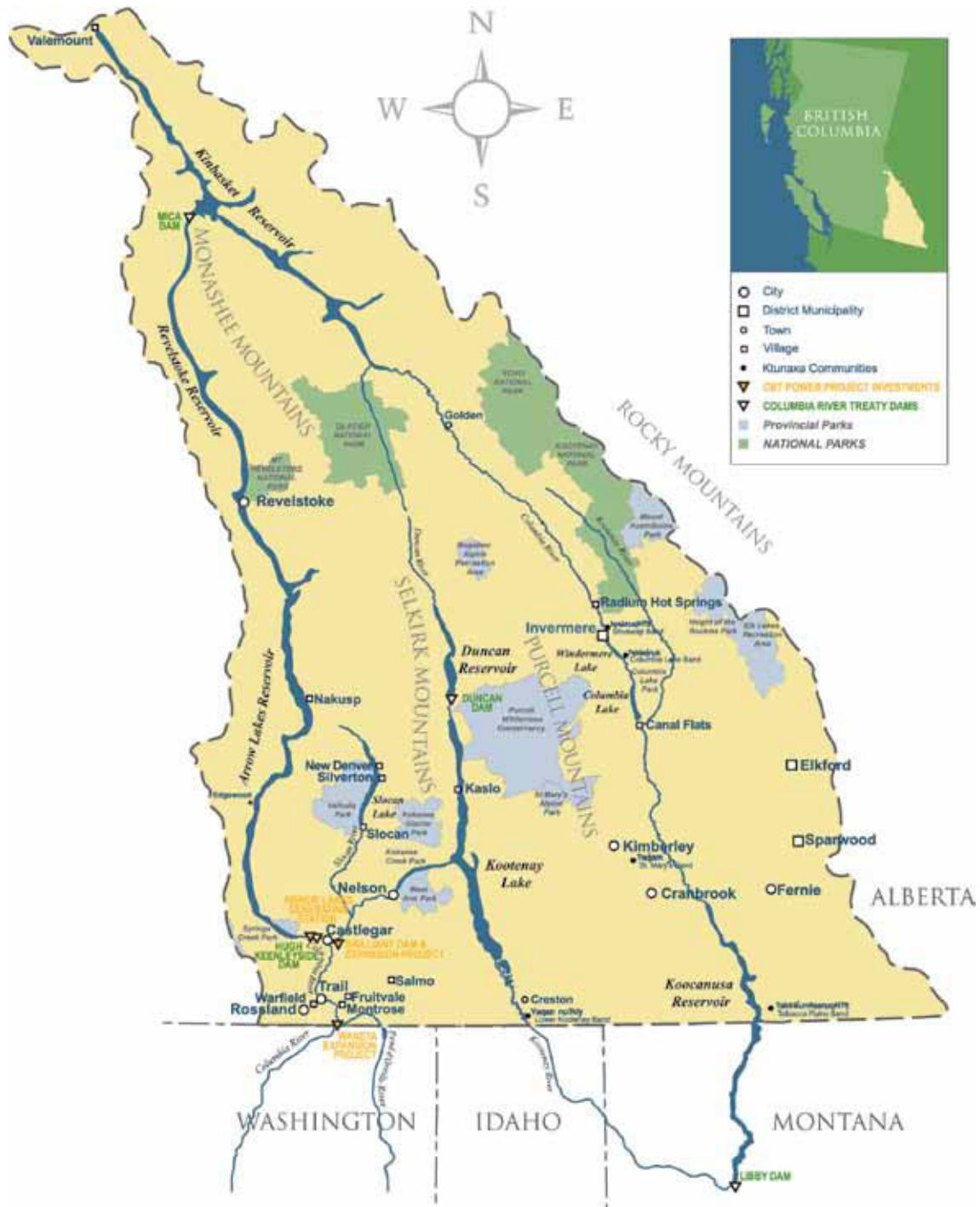
*Grade eight Golden Secondary School students test the water and find organisms at North Hospital Creek as part of CBT's Know Your Watershed program.*



## 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

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 an endowment from the Province that represented a portion of the financial benefits resulting from the Columbia River Treaty. CBT manages this endowment through its Investment Program, which provides funding for its Delivery of Benefits activities.

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

### Delivery of Benefits

Using the income earned from its investments, 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 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 2011 – 2015* provide a high-level road map to focus CBT's work in the Basin (those strategies 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 sector 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 and administered by community partners on CBT's behalf.
- Programs that are targeted at addressing a specific need are linked to CBT strategic priorities 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 to the Basin. CBT often brings together Basin residents to provide information on an issue or to facilitate dialogue on how to address that issue.



- CBT also provides non-monetary support to communities in the form of CBT staff time and expertise.

The majority of Delivery of Benefits funds are committed and disbursed 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 priorities.

### Investment Program

The purpose of CBT's Investment Program is to prudently invest the endowment 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 *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, 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 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 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

CBT and Columbia Power entered into a new partnership with Fortis Inc. to develop the Waneta

Expansion Project a short distance from Trail near the U.S. border. Construction of the 335-megawatt facility commenced October 2010, and is expected to take 4.5 years to complete. All power from the project will be sold to BC Hydro, with surplus capacity sold to Fortis BC.

### Private Placements

The Private Placements portfolio includes 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: business loans and real estate.

### 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.

### Real Estate

CBT has an ownership interest in several real estate projects in the Basin, including properties rented as seniors housing facilities and properties leased for general commercial purposes.

### 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.



*When Nelson's Priority Concrete Pumping Ltd. wished to expand, it turned to CBT to receive financing to purchase a new boom pump.*

## 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.

### Investment Program

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 that 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 operational and management 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 Waneta Expansion Project.

CBT has also successfully applied this partnership model to the investment structure for its seniors housing facilities, in which CBT's partner acts as both part-owner and manager, resulting 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.



Construction has been proceeding on time and on budget at the Waneta Expansion Project near Trail.



- 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.

CBT will have relatively stable revenues for 2013/14 and 2014/15, resulting in a Delivery of Benefits budget of \$19.4 million and \$20.2 million respectively. In 2015/16, the Delivery of Benefits budget forecast increases to \$25 million due to a new power sales contract for Arrow Lakes Generating Station becoming active partway through the year and the Waneta Expansion Project becoming operational that year. CBT has built its capacity to deliver this level of benefits in a number of ways. For example, CBT:

- conducted a restructuring of the organization that facilitates better integrated budget planning and better corporate operations;



*Representatives celebrate the official opening of Revelstoke's Moberly Apartments and Mount Begbie Villas, which were funded under the Seniors Rental Housing Initiative.*

- enhanced its planning and evaluation capacity;
- developed new partnerships with Basin organizations;
- 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 identified need in the Basin and explored the potential for CBT to play a role through new programs or initiatives.

In 2013/14, CBT will support communities—both geographic communities and communities brought together by a common interest—in setting their own priorities, and will flow CBT funds to address those priorities. Although this approach has always been a part of how CBT has worked with communities, the organization is enhancing its efforts and programs to better achieve this goal.

With the forecasted growth of Delivery of Benefits in 2015/16, there will be increased demand on the organization's infrastructure, including some of its support 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 2013/14 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 will continue to pursue opportunities to partner with other funders that 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 an enterprise-wide impact on operations. The members of CBT's Board of Directors and Executive Management Committee 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

Risk/ Opportunity	Why Does It Matter?	What Is CBT Doing?
<b>Increased funding for Delivery of Benefits to the Basin.</b>	The consistently strong performance of the Investment Program means 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"> <li>Developed new scalable programs and initiatives to be implemented in 2012/13 and 2013/14.</li> <li>Helping Basin communities identify their own priorities and allocating funds to achieve those priorities.</li> <li>Identified several new program areas and opportunities for potential funding, such as recreation.</li> </ul>
<b>Engagement with communities and residents.</b>	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"> <li>Seeking feedback every two years from residents through a Basin-wide survey and from partners on its performance in returning benefits to the Basin.</li> <li>Engages regularly with advisory committees made up of volunteers from the Basin, who provide strategic guidance and feedback.</li> <li>Has staff based throughout the Basin, dedicated to engaging directly with communities and residents.</li> <li>Created a dedicated staff position to work with local governments.</li> <li>Participating in community discussions and events.</li> </ul>
<b>Dual accountability to Basin residents and to the Province.</b>	CBT has dual accountability. The Province is CBT's sole shareholder and it falls within the government reporting entity; however, under the act that created CBT, it is also accountable to Basin residents. 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"> <li>Engaging in discussions with the Province to bring greater clarity to CBT's accountability structure.</li> <li>Reporting on its performance to the Province through the Annual Report.</li> <li>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 <i>Report to Residents</i> to every Basin home and business, distribution of a monthly e-newsletter, etc.).</li> </ul>
<b>Construction of the Waneta Expansion Project.</b>	Any significant issue with the construction of the project 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"> <li>Working with project partners during the construction of the project to address risk by ensuring the project adheres to the overall budget and construction schedule.</li> </ul>
<b>Significant portion of revenues dependent on power investments.</b>	Eighty per cent of CBT's revenues are derived from power investments and this percentage will increase in 2015/16.	<ul style="list-style-type: none"> <li>Diversified its power holdings over four different power investments.</li> <li>Continues to build its non-power portfolio in order to diversify its revenue base.</li> </ul>
<b>An extended outage at one of CBT's power holdings could mean revenue targets are not met.</b>	A significant proportion of CBT's Delivery of Benefits budget is committed through formal and informal multi-year agreements. A large Delivery of Benefits funding shortfall could have serious negative effects on Basin residents and CBT partners and cause reputational damage to CBT. Given that CBT has entered into multi-year spending commitments lost revenue may mean CBT is unable to meet net income (surplus/deficit) targets.	<ul style="list-style-type: none"> <li>Prudently managing cash resources to ensure funds are available for Delivery of Benefits activities and corporate operating expenses in the event of short-term disruptions to revenue. Although these funds continue to be available, it is possible that utilizing them for this purpose could result in CBT incurring a deficit in that fiscal year.</li> <li>Actively monitors its revenue and expenditures forecasts with the objective of trying to ensure its net income targets are met.</li> </ul>
<b>Board composition.</b>	The Board needs a balance of particular skills and attributes, including expertise in certain areas (e.g. accounting, community development). Board membership also needs a balance of new and experienced members.	<ul style="list-style-type: none"> <li>Regularly reviews Board succession planning.</li> <li>Initiated discussions with Basin local governments and the Ktunaxa Nation Council regarding the governance relationship between local governments and CBT.</li> </ul>
<b>Key person dependency in staff.</b>	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"> <li>Developing staff succession plans for a number of key positions.</li> </ul>

## 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. CBT's investment targets are set as long-term goals. While there may be variance from year to year, CBT is confident in the long-term appropriateness of these targets.

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 uses a cash-based return on investment methodology for calculating financial returns from Power Projects and Private Placements. This clearly links the returns from these investments to cash that would be available for Delivery of Benefits and corporate operating expenses.

The forecast 2012/13 return on Private Placements is significantly lower than the original target of eight per cent. CBT anticipates recognizing an impairment to an investment currently held in the portfolio. The exact

### Investment Program Goal

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

### Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high-quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
4. Remain fully engaged with 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		
	2011/12	2012/13	2013/14	2014/15	2015/16
Return on Power Projects (calculated as a cash-based return on investment)	10.05%	10.5%	8%	8%	8%
Return on Private Placements (calculated as a cash-based return on investment)	7.29%	2.85%	8%	8%	8%
Return on Market Securities	1.60%	1.40%	6%	6%	6%

amount of this impairment is yet to be determined; however, it is expected to be approximately \$1.3 to \$1.5 million. All other investments within the portfolio are expected to perform as originally forecast.

Forecasted returns from Market Securities are also expected to be lower than the original six per cent target. Realized returns from this portfolio generally reflect the performance of domestic and international financial markets. It is difficult to project with any degree of precision the short-term returns from the Market Securities portfolio; however, the long-term objective of six per cent continues to be supported by management.

While both Private Placements and Market Securities are forecast to not meet their targets in 2012/13, there is no significant impact on the budget as these returns make up a small percentage of CBT's revenues.

For further information on CBT's Investment Program performance measures, see Appendix 1 on page 26.

## 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, it plays a variety of roles (e.g. funder, facilitator, information resource, etc.) and 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 and the well-being of the region, the organization is measuring how Basin residents' perceptions of CBT change over time and, in particular, assessing whether residents feel that CBT is making a positive difference in

## Delivery of Benefits Goal

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

## Strategies

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

Measures	Baseline	Results		Targets	
	2010/11	2012/13	2013/14	2014/15	2015/16
Assessment by Basin residents of CBT's effectiveness	74%	74%	N/A	Over 70%	N/A
Assessment by CBT partners of CBT's effectiveness	96%	94%	N/A	Over 90%	N/A

*Note: Assessment of these targets takes place every two years.*

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 that 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 and repeats that exercise 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 were again measured in fall 2012. Respondents perceived CBT's efforts in the Basin positively, at 74 per cent for residents and 94 per cent for partners. CBT has changed its targets for 2014/15 from its previous Service Plan. For more detail on this, see Appendix 2 on page 27.

For further information on CBT's Delivery of Benefits performance measures, see Appendix 2 on page 27.

### Corporate Operations

Corporate Operations includes 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 Delivery of Benefits. Note that these measures apply to CBT's organization-wide practices rather than just its corporate operations.

### 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

## Corporate Operations Goal

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

### Strategies

1. Develop a formal risk management framework.
2. 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.
3. 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.
4. Implement appropriate sustainability principles and practices in CBT's everyday activities, including through the execution of a corporate carbon neutral plan.

Measures	Results	Forecast			Targets
	2011/12	2012/13	2013/14	2014/15	2015/16
Maturity of planning practices	3	3	3	4	4
Maturity of risk management practices	2.5	2.5	3	4	4
Budget variance for corporate operations	(5.3%)	(6.5%)	5%	5%	5%

allocation of resources—is fully indoctrinated within the organization. Practices are assessed on a scale of 1 to 4, with 4 reflecting a fully mature state. CBT does not anticipate reaching its target for 2012/13. Given the work involved to increase the maturity of its planning practices, CBT has adjusted its organizational target of 4 for 2013/14 to 3, based on the time and resources necessary to strengthen the planning process. For more information on the rating scale, see Appendix 3 on page 28.

### **Maturity of Risk Management Practices**

By annually assessing the maturity of its risk management practices, CBT ensures the organization is making 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 does not anticipate reaching its target for 2012/13. Given the work involved to increase the maturity of its risk management practices, CBT has adjusted its organizational target of 4 for 2013/14 to 3, based on the time and resources necessary to strengthen the risk management process. For more information on the rating scale, see Appendix 3 on page 28.

### **Budget Variance for Corporate Operations**

By measuring budget variances, CBT assesses 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 (6.5%) for 2012/13 reflects that CBT expects to be under budget, primarily as a result of a delay in adding staff positions that were included in the budget.

For further information on the budget variance measure, see Appendix 3 on page 28.



## 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 revenues are reported by major category of investment (see Table 1). CBT's subsidiary, Columbia

Basin Broadband Corporation, has an active role and does not function exclusively as a holding company. Separate financial information is provided for this subsidiary.

TABLE 1 - CBT'S FINANCIAL EXPECTATIONS

	Actual 2011/12	Preliminary Actuals 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16
	RESTATED				
<b>Revenues</b>					
Power Projects	\$16,371,000	\$19,734,000	\$20,782,000	\$21,984,000	\$27,905,000
Private Placements: Commercial Loans	1,163,000	925,000	1,140,000	1,250,000	1,370,000
Private Placements: Real Estate	627,000	818,000	921,000	995,000	1,054,000
Market Securities	860,000	611,000	700,000	700,000	700,000
Loan Income	1,135,000	1,130,000	1,134,000	1,134,000	1,134,000
Recoveries	786,000	367,000	350,000	350,000	350,000
Short-term Investments	2,106,000	1,613,000	900,000	900,000	900,000
Broadband Services	(110,000)	400,000	-	-	-
Rental Revenue	-	52,000	-	-	-
	22,938,000	25,650,000	25,927,000	27,313,000	33,413,000
<b>Expenses</b>					
Board and Committee Expenses	162,000	200,000	200,000	200,000	200,000
Staff Remuneration and Development	3,952,000	3,968,000	4,100,000	4,300,000	4,500,000
Communications	318,000	130,000	190,000	190,000	190,000
Professional and Consultants' Fees	388,000	370,000	410,000	410,000	410,000
Corporate Travel and Meetings	247,000	218,000	200,000	200,000	200,000
Information Technology/Systems	189,000	105,000	125,000	125,000	125,000
Office and General	474,000	534,000	615,000	690,000	725,000
Amortization	448,000	391,000	425,000	425,000	425,000
	6,178,000	5,916,000	6,265,000	6,540,000	6,775,000
<b>Loan Loss Provision</b>	-	1,400,000	-	-	-
<b>Delivery of Benefits</b>	17,276,000	19,087,000	19,400,000	20,200,000	25,000,000
<b>Surplus/(Deficit)</b>	(516,000)	\$(753,000)	262,000	573,000	1,638,000
<b>Accumulated Surplus, End of Year</b>	\$410,574,000	\$410,919,000	\$410,327,000	\$411,677,000	\$414,181,000

## Revenues

Stable earnings are expected from all major revenue streams in 2013/14 and 2014/15. Revenues from Power Projects will increase in 2015/16 due to two factors:

- a new power sale agreement with BC Hydro that will come into effect partway through the fiscal year; and
- the Waneta Expansion Project, which is expected to become operational in May 2015.

CBT's investment in Power Projects continues to be the largest component of revenues. Power Projects revenues are expected to increase gradually over the next three years. The following table provides revenues, expenses and net income from each of the power project ventures jointly owned with Columbia Power.

Revenues from Private Placements (commercial loans and real estate) are expected to remain constant for 2013/14 to 2015/16.

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

Market Securities revenues are generated by an externally managed, diversified securities portfolio. Forecasts for the 2013/14 to 2015/16 period are based on the assumption that markets will realize returns consistent with long-term averages.

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 modestly increase in the 2013/14 to 2015/16 period. This increase is mostly attributable to additional staffing.

## Delivery of Benefits

Total funds available for distribution through Delivery of Benefits are forecast to be \$19.4 million in 2013/14

TABLE 2 - POWER PROJECT NET INCOME

	Preliminary Actuals	Forecast	Forecast	Forecast
	2012/13	2013/14	2014/15	2015/16
<b>Revenues</b>				
Brilliant Power Corp.	20,693,000	\$21,789,000	\$22,128,000	\$22,409,000
Brilliant Expansion Power Corp.	16,649,000	17,443,000	17,556,000	17,921,000
Arrow Lakes Power Corp.	18,511,000	18,385,000	18,937,000	19,462,000
Waneta Expansion Limited Partnership	-	-	-	4,149,000
Waneta Expansion Power Corp.	1,069,000	1,130,000	1,194,000	1,261,000
	56,922,000	58,747,000	59,815,000	65,202,000
<b>Expenses</b>				
Brilliant Power Corp.	10,839,000	11,381,000	11,283,000	11,170,000
Brilliant Expansion Power Corp.	7,321,000	7,563,000	7,747,000	7,884,000
Arrow Lakes Power Corp.	19,028,000	19,021,000	18,801,000	18,243,000
	37,188,000	37,965,000	37,831,000	37,297,000
<b>Net Income</b>	<b>19,734,000</b>	<b>\$20,782,000</b>	<b>\$21,984,000</b>	<b>\$27,905,000</b>

and \$20.2 million in 2014/15, and will rise to \$25 million in 2015/16. CBT is predicting a surplus in all three years covered by this Service Plan.

Table 3 reviews the key assumptions and sensitivities related to forecast revenues and expenses.

Table 4 reviews CBT's capital expenditures. Figures for Arrow Lakes Power Corporation, Brilliant Expansion Power Corporation and Brilliant Power Corporation are provided by Columbia Power.

The investment in the Waneta Expansion Limited Partnership (WELP) is the most significant capital

expenditure for CBT (16.5 per cent interest in the partnership). The \$900-million project is being developed in partnership with Columbia Power (32.5 per cent interest) and Fortis Inc. (51 per cent interest). Columbia Power manages construction of the project on behalf of the partnership and the project is forecast to be complete by May 2015. In the event the project is not completed on time, or incurs costs in excess of budgeted amounts, it may negatively impact the financial performance of CBT in the future. CBT expects to advance approximately \$87 million toward construction of the project by the end of 2012/13.

TABLE 3 - KEY ASSUMPTIONS AND SENSITIVITIES

Financial Forecast Item	Key Assumptions and Sensitivities
<b>Power Projects Revenue</b>	<ul style="list-style-type: none"> <li>In 2013/14, more than 80 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.</li> <li>2015/16 revenues assume that the Waneta Expansion Project is completed on time and on budget.</li> </ul>
<b>Market Securities Revenue</b>	<ul style="list-style-type: none"> <li>Financial markets are volatile and returns may vary significantly when measured over the short term.</li> <li>A one per cent change in return would have an approximate impact of \$210,000 on revenue given the current level of investment.</li> <li>CBT's annual return expectation for Market Securities is six per cent.</li> </ul>
<b>Private Placements Revenue</b>	<ul style="list-style-type: none"> <li>Fluctuating interest rates have a direct effect on the income from business loans.</li> <li>Changes in the economic environment influence the performance of business loans. New loans are made and the portfolio is increased.</li> <li>CBT's annual return expectation for Private Placements is eight per cent.</li> </ul>
<b>Income Securities Revenue</b>	<ul style="list-style-type: none"> <li>Fluctuating interest rates have a direct impact on returns from Income Securities. A one per cent change in interest rates would have an approximate impact of \$400,000 on revenue given the current level of investment.</li> <li>CBT assumes an annual interest rate of two per cent on Income Securities.</li> </ul>
<b>Staff Remuneration and Development, General Operating Expenses</b>	<ul style="list-style-type: none"> <li>These forecasts include the incremental addition of new staff. Depending on the timing of when positions are filled, expenses may be reduced: i.e. if staff members are hired later in the fiscal year. These forecasts do not include unanticipated staffing costs (e.g. coverage for unexpected leave).</li> </ul>

CBT has an ownership interest in several real estate projects in the Basin, including properties rented as seniors housing facilities and properties leased for general commercial purposes.

The major component of CBT's corporate capital expenditures for 2013/14 includes funds for a new information management system relating to its Delivery of Benefits activities, which will strengthen financial management and administrative processes in Delivery of Benefits. Other corporate capital expenditures include information technology equipment, office furniture and equipment and leasehold improvements.

work toward providing connectivity to an open-access broadband network across the Basin. While progress has been made in the implementation of its business plan, this entity is still in the early stages of its formation and is forecast to incur a loss in 2013/14. Further forecasts at this point are not practical given the early start-up phase of the corporation. As CBT considers the activities of CBBC a delivered benefit to Basin residents, any losses incurred by CBBC will be addressed through the Delivery of Benefits budget.

### Columbia Basin Broadband Corporation

Columbia Basin Broadband Corporation (CBBC) is a wholly owned subsidiary of CBT formed in 2011 when CBT acquired the assets of the Columbia Mountain Open Network. CBBC is mandated to support the enhancement of broadband connectivity in the Basin on a regional level. In 2013/14, CBBC will continue to

TABLE 4 - CAPITAL EXPENDITURES

	Actual	Preliminary Actuals	Forecast	Forecast	Forecast
	2011/12	2012/13	2013/14	2014/15	2015/16
Arrow Lakes Power Corporation	\$289,000	\$229,000	\$131,000	\$258,000	\$811,000
Brilliant Expansion Power Corporation	366,000	156,000	250,000	341,000	1,099,000
Waneta Expansion Project	35,422,000	19,700,000	20,200,000	5,700,000	2,000,000
Brilliant Power Corporation	910,000	1,571,000	1,204,000	991,000	1,002,000
Real Estate Investments	-	4,340,000	-	-	-
CBT Corporate Assets	673,000	277,000	520,000	450,000	425,000
	\$37,660,000	\$26,273,000	\$22,305,000	\$7,740,000	\$5,337,000

TABLE 5 - COLUMBIA BASIN BROADBAND CORPORATION

FORECASTS	Preliminary Actuals	Forecast
	2012/13	2013/14
Total Revenue	\$400,000	\$394,000
Total Expenses	558,000	660,000
Annual Deficit	(158,000)	(267,000)
Capital Expenditures	116,000	248,000

## 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 directors must be residents of the Basin. For more information on CBT's Board of Directors or governance processes and policies, visit [www.cbt.org](http://www.cbt.org).

All Board-approved processes and policies are disclosed in accordance with 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 Basin residents.

#### Participation and Commitment

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

#### Service

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

### Directors

- Greg Deck, Chair
- Laurie Page, Vice-Chair
- Denise Birdstone
- Wendy Booth
- Kim Deane
- Gord DeRosa
- Cindy Gallinger
- Rick Jensen
- Am Naqvi
- Andru McCracken
- Paul Peterson
- David Raven

### Executive Management Committee

- Neil Muth, President and CEO
- Johnny Strilaeff, Vice-President and COO
- Delphi Hoodicoff, Director, Communications
- Gary Ockenden, Director, Community Initiatives
- Sabrina Curtis, Director, Sector Initiatives
- Kindy Gosal, Director, Special Initiatives

### 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 and COO.

- CBT Commercial Finance Corp. holds CBT interests in business loans and investments.
- CBT Real Estate Investment Corp. holds CBT interests in real estate.
- CBT Property Corp. is a subsidiary of CBT and holds interests in corporate 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 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.
- Arrow Lakes Power Development Corp., Brilliant Expansion Power Corp. and Brilliant Power Corp. are joint ventures with Columbia Power. All three have a Board of Directors composed of Kim Deane, Greg Deck and Neil Muth from CBT, and Jane Bird, Lee Doney and Lillian White from Columbia Power.

### 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 performances 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

- Greg Deck, Chair
- Laurie Page, Vice-Chair
- Kim Deane
- Am Naqvi
- David Raven

The **Finance and 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, Chair
- Denise Birdstone
- Gord DeRosa

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

#### Members

- Greg Deck, Chair
- Wendy Booth
- Cindy Gallinger
- Rick Jensen
- Paul Peterson
- David Raven

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
- Wendy Booth
- Greg Deck
- Andru McCracken
- Am Naqvi
- Laurie Page

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

#### Members

- David Raven, Chair
- Denise Birdstone
- Gord DeRosa
- Cindy Gallinger
- Paul Peterson

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

#### Members

- Paul Peterson, Chair
- Andru McCracken
- Laurie Page

## Active Subsidiaries

Columbia Basin Broadband Corporation (CBBC) is mandated to support the enhancement of broadband connectivity in the Basin on a regional level. Its Board consists of Kim Deane, Greg Deck, Garry Merkel, Ron Miles and Jim Miller. CBBC's Chief Operating Officer is Mark Halwa.

## 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 Energy and Mines is responsible for CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the *Financial Agreement* and the *Columbia Basin Trust Act*. The *Government's Letter of Expectations* further defines the roles and responsibilities of the Minister of Energy and Mines and CBT.

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

### DIRECTION FROM GOVERNMENT'S LETTER

Requested Corporate Accountabilities	CBT Alignment
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.	<ul style="list-style-type: none"> <li>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 2013/14. CBT has stewarded its resources such that it is fully able to fund Delivery of Benefits activities in the Basin.</li> </ul>
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.	<ul style="list-style-type: none"> <li>CBT has managed its investments in a manner consistent with the <i>Statement of Investment Policies and Procedures</i>. 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.</li> </ul>
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 <i>Columbia Basin Trust Act</i> report on the Corporation's activities to their respective nominating bodies.	<ul style="list-style-type: none"> <li>CBT reports on its performance measures in its <i>Annual Report</i> and offers to review its activities with the regional districts and Ktunaxa Nation Council.</li> </ul>
Ensure that it does not purport to represent the Government in any statements or matters of an interprovincial, federal-provincial or international nature.	<ul style="list-style-type: none"> <li>CBT has not purported to represent the Government in any matters.</li> </ul>
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.	<ul style="list-style-type: none"> <li>Strategic plans for Delivery of Benefits are developed in consultation with Basin residents and communities.</li> <li>CBT engages regularly with advisory committees made up of Basin residents who volunteer their time to provide advice to CBT on Delivery of Benefits.</li> <li>CBT partners with a wide variety of community organizations.</li> </ul>
Comply with requirements to be carbon neutral under the <i>Greenhouse Gas Reduction Targets Act</i> .	<ul style="list-style-type: none"> <li>CBT developed a corporate carbon neutral plan in 2009/10 and implementation and reporting are ongoing.</li> </ul>

## APPENDIX 1 – BACKGROUND ON INVESTMENT PROGRAM 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 future surveys.

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 conduct these surveys. CBT decided to conduct the surveys on a biannual basis in order to allow sufficient time to work with and engage residents and partners. The survey was repeated in fall 2012 with a sampling of 815 Basin residents and 50 CBT partners.

Within the sample, 86 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. This figure of 74 per cent is the same as the baseline reported for 2010/11. CBT had set a target of 78 per cent for 2012/13 and 2014/15. Survey results based on a sample size of 815 are statistically accurate to within a maximum of  $\pm 3.5$  per cent.

CBT identified a total of 71 partners who were contacted by the research firm and asked to complete a survey, either by telephone or online. A total of 50 partners completed the survey in November and December 2012, representing 70 per cent of all partners identified and providing survey results that are statistically accurate to within a maximum of  $\pm 7.6$  per cent, 19 times out of 20.

Of those 50 partners, 94 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 was the baseline reported for 2010/11 and

was its target for 2012/13. The 2012/13 result was 94 per cent, but this two per cent shortfall from its target falls well within the  $\pm 7.6$  per cent margin of error.

CBT continues to be viewed very positively by residents and partners in the Basin. After completing the survey process for a second time and measuring against the baseline from 2010/11, it has become apparent that targets that vary two or four per cent from the previous measure are not meaningful given the statistical margin of error. As a consequence, CBT has adjusted its targets to provide the organization with more useful information about changes in perception over time.

## 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 2012/13, 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 CBT has 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"> <li>• there is infrequent updating to reflect changes within, or that affect, CBT; and</li> <li>• regular monitoring and reporting of progress in implementation, along with results, does not occur.</li> </ul>	Higher-level plans have been developed and formally adopted by CBT, with: <ul style="list-style-type: none"> <li>• the Board and senior management referring to the stated directions and priorities on a regular basis;</li> <li>• alignment in stated directions and priorities for CBT, from the operational to the corporate and strategic levels;</li> <li>• staff who are aware of the stated directions and priorities, and who are following through on responsibilities for implementation;</li> <li>• an established process for updating to reflect changes within, or that affect, CBT; and</li> <li>• regular monitoring and reporting of progress in implementation, along with results.</li> </ul>

1

2

3

4

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 2012/13, 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>

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2

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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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