

# COLUMBIA BASIN TRUST

2009/10 - 2011/12  
SERVICE PLAN UPDATE



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August 24, 2009

The Honourable Bill Bennett  
Minister of Community and Rural Development  
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff of Columbia Basin Trust, I am pleased to submit this update to the Columbia Basin Trust 2009/10-2011/12 Service Plan. This document was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Board is accountable for its contents, including the selection of performance measures and targets. All significant assumptions, policy decisions, and identified risks as of August 14, 2009 have been considered in preparing our update to the Service Plan. The targets have been determined based on an assessment of Columbia Basin Trust's operating environment, forecast conditions, risk assessment and past performance. Our Summary Financial Outlook has been updated to reflect our most recent financial forecasts.

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

In the next three years, like so many other organizations, Columbia Basin Trust will be working hard to fulfill its mission in what is likely to be a challenging economic climate. While we have been impacted by volatility in the financial markets, and our market securities have declined in value, our overall financial situation is stable. Our private placements are meeting our performance expectations and we have invested in two additional seniors care facilities in the Columbia Basin, one in Fruitvale and one in Nelson.

We continue to assess the viability of another potential power project investment, the Waneta Expansion. A significant amount of work remains to be completed in this assessment. If the decision is made to approve this project, the earliest possible start date for construction on the Waneta Expansion is fall 2009.

As we receive positive returns from the majority of our investments, our budget for various economic, social and environmental programs and initiatives continues to increase. In 2008/09, we committed \$9 million in direct funding benefits to Columbia Basin communities. We have forecasted an increase to \$12 million available for distribution in the region in each of the next two years.

With overall budget increases continuing, it is more important than ever that CBT set clear priorities and move forward to achieve those priorities. Last fall, our Board approved both our Social and Environmental Strategic Plans, which guides our activities in these areas for the next three years.

Setting clear priorities in those areas has already resulted in action. We continue to support community-based environmental projects through our Environmental Initiatives Program. We entered a new three-year partnership with the Enterprising Non-Profits program, which assists non-profits that are managing social enterprises. We have also committed to partnering with the Kootenay Boundary Community Services Co-operative, a local co-operative of community service agencies. Together, we will work to tackle social issues on the ground, and to strengthen the capacity of local community service agencies and their staff.

In addition, CBT is working to finalize an economic strategic plan which will help guide CBT's role in this area of our mandate. We recognize Basin communities are currently facing economic challenges, and CBT continues to work with them in addressing their issues.

While we have increased our funds available to assist communities, we are receiving requests from communities for support that goes beyond traditional grants. To some extent, CBT has provided more comprehensive support to communities for a number of years, whether by facilitating community conversations or by providing good information about community issues. We are currently examining what more we can do in these areas to support communities with their development and shaping their own futures.

One recent endeavour outside the area of traditional grants is our State of the Basin Initiative. In late 2008, we published a report on social, economic and environmental indicators and trends in the Columbia Basin region. We hope that a wide range of organizations in our region find the report useful in understanding what is happening in the Columbia Basin region and what the implications might be for our families and our communities. Over the next year, we are supporting community planning projects that will use information from the State of Basin report.

Another important project for CBT is our work with two communities in the Columbia Basin, Elkford and Kimberley, to develop local adaptation strategies in response to climate

change. We are sharing the lessons learned in these communities with other towns and cities throughout the Columbia Basin.

The Columbia River Treaty is an issue of vital importance to many residents of our region, and we expect to continue to work in this area. We respect the provincial and federal governments' mandate with regard to the Columbia River Treaty, and are committed to building an effective working relationship with those governments. CBT's understanding of water issues, and its ongoing work with Basin residents, will be valuable to the provincial and federal governments in discussions around the future of the Treaty and its potential impacts in the Columbia Basin.

This year has also been one of reflection for CBT, as we completed evaluations on four of our long running programs. The feedback from these evaluations was generally positive, and we have started implementing some administrative changes to our programs as a result of recommendations made by the evaluations.

We have also taken action in the last year to develop and revise some of our internal structures and processes. These operational changes, like the implementation of new financial management policies, or the roll-out of a comprehensive human resources framework, will help strengthen CBT, and ensure that we act as effective stewards with all of our assets, human and otherwise.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Garry Merkel', with a long horizontal flourish extending to the left.

Garry Merkel  
Chair, Board of Directors

## MISSION

Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

## Vision

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

1. The Columbia Basin is a place where social, environmental and economic well-being is fostered.
2. Collaborative relationships and partnerships are established across the Basin. Communities work together in a spirit of mutual support and respect for each other's differences. Residents identify with a Basin culture and feel a sense of belonging to a Basin community. Residents are involved in community decision-making.
3. A healthy environment is the basis for social and economic activities. Residents are committed to long-term and enduring stewardship of the Basin's natural resources.
4. The economy of the Basin is diverse, resilient and energized. Communities are responsive to both the needs of the present and the future. Community enhancement initiatives are widely supported and residents share responsibility for their implementation. Practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

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

5. A successful portfolio of investments in the Basin which help to stimulate the regional economy and which provide a reliable stream of income for use in Columbia Basin Trust's delivery of benefits activities.
6. A proven track record in delivering social, economic and environmental benefits to the Basin and its residents.

7. Well-established and productive working relationships with others in the Basin whose activities relate to Columbia Basin Trust's mandate.
8. Consistent and widespread public support for Columbia Basin Trust's activities based on meaningful public input and Columbia Basin Trust's responsiveness to the needs of the Basin and its people.

## Values

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

### 1. Respect

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

### 2. Accountability

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

### 3. Transparency

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

### 4. Engagement

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

### 5. Empowerment

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

### 6. Stewardship

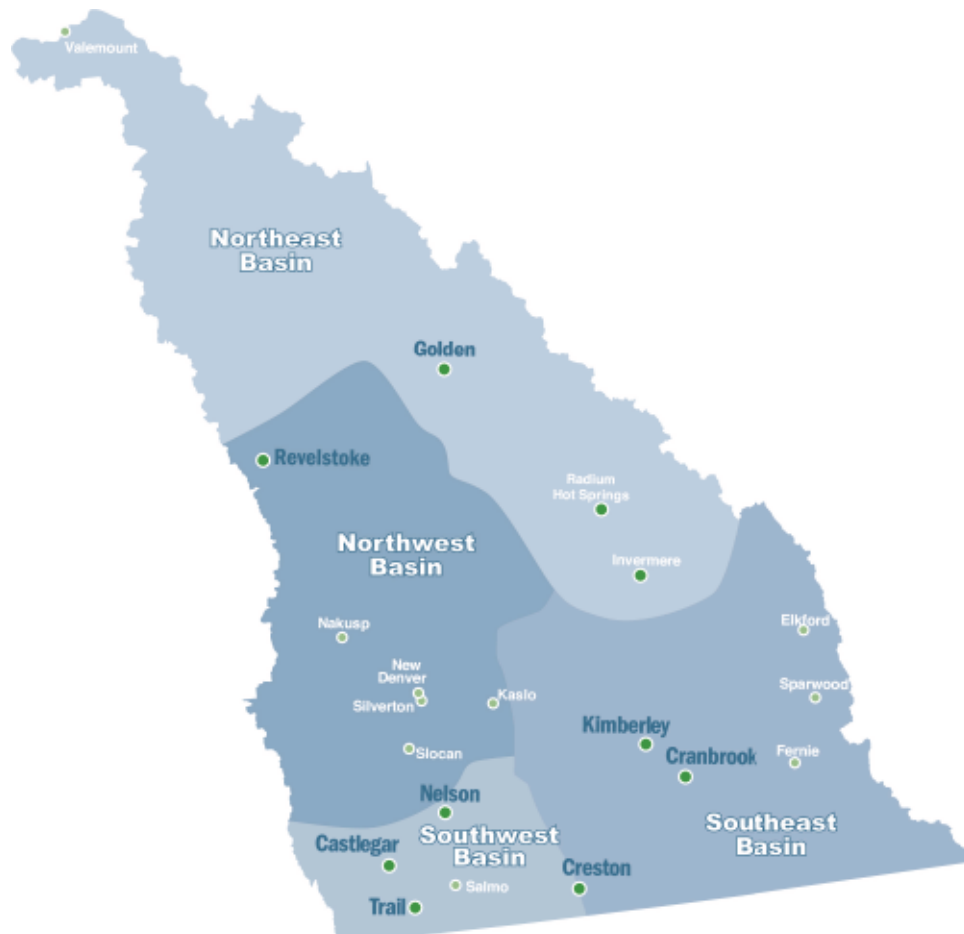
CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

## CORE FUNCTIONS

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

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

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



## Delivery of Benefits

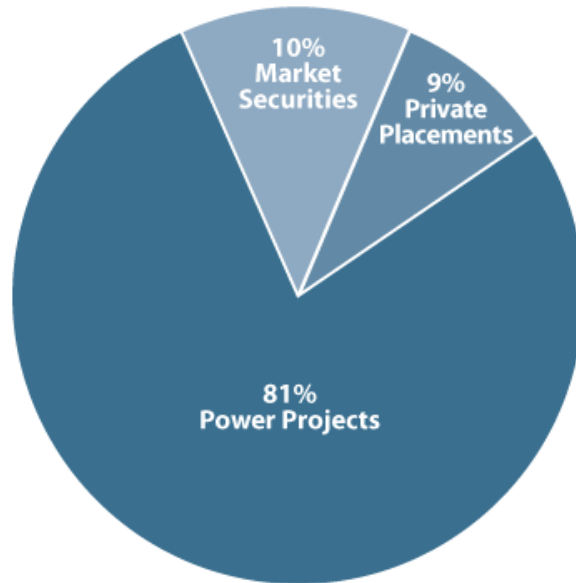
Columbia Basin Trust develops, implements and manages programs and initiatives that respond to community needs, working closely with Basin residents throughout this process. CBT addresses local priorities, brings people together around key issues, distributes information, encourages collaboration, and provides funding. This work is how CBT delivers social, economic and environmental benefits in the region, creating a legacy for present and future generations.

CBT partners with existing groups across the Basin in delivering benefits. Some of our programs and initiatives include:

- Contributing to social, economic, and environmental projects that demonstrate strong community support through the Community Development Program.
- Ensuring long-term water quality and quantity issues in the Columbia Basin region are addressed according to residents' values and views.
- Working with the youth community in the Basin by supporting youth-driven and youth-selected projects, and creating a forum for Columbia Basin youth to connect with one another and exchange information about issues through a magazine and website.
- Protecting ecologically-sensitive land and maintaining it such that it reflects a range of community values through the Land Conservation Initiative.
- Funding for post-secondary education for high school and college students who volunteer in their communities.
- Partnering with each of the five Regional Districts in the Columbia Basin and the Ktunaxa Nation Council to support projects that are identified as priorities within their communities through the Community Initiatives Program.
- Supporting arts, culture and heritage projects throughout the Basin through the Columbia Kootenay Cultural Alliance.
- Support for Environmental Initiatives.
- Providing free and expert counselling to small and medium businesses throughout the Basin through the Basin Business Advocates Program.
- Sponsoring tuition and course fees for short-term training that helps people get jobs through the Training Fee Support Program.
- Helping address literacy issues in Basin communities through the Columbia Basin Alliance for Literacy.

## Investments

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



The 1995 Financing Agreement with the Province of B.C. commits CBT to investigating, (and if found to be commercially viable) developing and operating three hydroelectric projects in the Basin region. Each of the projects is to be undertaken in partnership with Columbia Power Corporation (CPC) and the risks and returns are to be shared on a fifty/fifty basis. CBT and CPC are also partners in another hydroelectric project, the Brilliant Dam, which they purchased together.

### **Brilliant Dam**

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

### **Arrow Lakes Generating Station**

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

**Brilliant Expansion**

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

**Waneta Expansion**

The joint venture partners have the rights to construct a new facility (expansion) downstream of Teck's Waneta Dam, outside Trail, BC.

**Private Placements**

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

**Real Estate**

CBT has an ownership interest in a number of seniors care facilities located in the Basin. Collectively, these properties contain more than 700 living suites and offer a range of services depending on the needs of the resident.

**Direct Lending**

On a select basis, CBT invests directly in Basin-based businesses. These investments are exclusively managed by CBT, so all risks and returns accrue fully to CBT.

**Loan Syndication**

In partnership with regional credit unions, CBT invests in Basin-based businesses. These investments are managed jointly with the credit unions, and both parties share the risk, as well as the return.

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

**Market Securities**

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

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

### KEY STRATEGIC ISSUES

#### Investments

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

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

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

Once an investment has been made, an administrative system is developed to ensure investment performance tracks expectations. This represents a continuing challenge as a result of the same resource limitations identified above. In order to mitigate this risk, efforts are made to partner with like-minded investors who have the size and resources to cost effectively administer the investment.

This partnership model has been applied to CBT's power project investment structure where Columbia Power Corporation acts as both investment partner, and power project manager. Although this structure reduces the administrative responsibilities of CBT, it results in significant dependency on Columbia Power Corporation. To reduce associated risks CBT participates on the CPC Board and various joint venture committees, and also actively engages with CPC management.

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

The recent volatility in the financial markets has impacted CBT's market securities, and may have further impacts on CBT. For a discussion of risks and sensitivities in this area, see the Summary Financial Outlook on page 15.

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

1. 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 result in the retention of sufficient funds to offset the effects of inflation in the long term.
2. CBT's priority is investment opportunities in the Columbia Basin.
3. 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.
4. CBT adheres to the principles of a prudent investor and requires investment returns commensurate with the level of risk assumed.
5. CBT recognizes that managing investment risk is just as important as generating returns.
6. CBT recognizes the benefits of investment diversification, however further recognizes such benefits may be constrained by the large investment in power projects.
7. CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

### **Delivery of Benefits**

CBT has a broad mandate to return social, economic and environmental benefits to the Columbia Basin. Each year, CBT returns several million dollars in benefits in Columbia Basin communities. Due to the numerous social, economic and environmental issues in the Columbia Basin, the challenge for CBT is in determining how to best return benefits to the region and accomplish its mission in the most meaningful and effective manner.

In the past year, CBT sought feedback from Columbia Basin residents on three-year strategic plans in each of the social and environmental areas. These plans have now been finalized, and set out three-year goals and objectives related to social and environmental issues in the Columbia Basin. The plans will help CBT prioritize its work in these areas, and allocate resources appropriately. CBT has also created strategic plans to guide its activities in water initiatives and youth engagement.

New initiatives and partnerships have already been developed as a result of the plans. From a capacity perspective, CBT has the resources available to pursue these new initiatives and partnerships.

CBT has created a draft economic strategic plan, which will guide its approach to addressing economic issues with communities. An additional staff person has been retained who will help implement the economic strategic plan.

With increased funding available to distribute in the region as a result of positive returns from the Investment Program, CBT faces a unique challenge of matching new funding to appropriate programs and initiatives. Funding increases in recent years have been significant, and are expected to continue, but it remains a challenge to quickly identify and create opportunities for the disbursement of those funds. While the identification of strategic priorities in key areas, like social, environment, economic, youth and water, will assist with the allocation of funds, additional staff to move plans and priorities from paper into action may be required.

An unfortunate outcome of recent financial market volatility and economic uncertainty has been the curtailing of grant funding by many organizations, like community foundations. These organizations were traditional funders of many of the same grant requests that CBT processes. In previous years, a local non-profit may have applied to CBT for a grant for project funding, and have already received funding for a portion of the project budget from another organization. With curtailing of that grant funding by these other organizations, CBT will have to consider whether to increase grants made to individual projects, or potentially assist local non-profits in identifying other funding pools.

## GOALS, STRATEGIES, MEASURES AND TARGETS

CBT primarily uses internal data in the measurement of its performance. Some of the financial data originates with third parties. In some cases, actual results are different from the targets for subsequent years. For more information on CBT's performance in 2007/08 or 2008/09, visit [www.cbt.org](http://www.cbt.org) to view CBT's Annual Reports.

### Investments

#### Goal

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

#### Strategies

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

Measures	Actual*	Actual	Targets		
	2007/08	2008/09	2009/10	2010/11	2011/12
Return on Power Projects (calculated as a cash-based return on investment)	6.62%	6.92%	8%	8%	8%
Return on Private Placements (calculated as a cash-based return on investment)	12.76%	8.34%	8%	8%	8%
Return on Market Securities	N/A	(15.8%)	6%	6%	6%

\* Restated in accordance with the methodology established by the SIPP.

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

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

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

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

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

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

With respect to Market Securities, there are a great number of reasonable market comparables. In arriving at a 6 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 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.

## Delivery of Benefits

### Goal

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

### Strategies

1. Complete a strategic plan that identifies priorities for work by CBT in the economic area. Implement programs, initiatives and activities to address the priorities identified in the social and environmental strategic plans.\*
2. Improve Basin residents understanding and involvement in water issues.
3. Work with youth in the Basin to ensure that they are actively engaged in addressing economic, social and environmental issues in the Basin.
4. Proactively identify and pursue opportunities to fundamentally strengthen the social, economic and environmental well-being of the Columbia Basin.
5. Have vibrant advisory committees in place.

\* This strategy has been adjusted from the previous Service Plan to reflect that CBT has now completed its social and environmental strategic plans. One strategy, improving support to community and organizations by increasing local presence, has also been removed, as CBT has fully implemented this strategy, and ensured staff members are available to assist communities.

Measures	Actual	Actual	Targets		
	2007/08	2008/09	2009/10	2010/11	2011/12
Benefits delivered by projects/ programs	One program evaluation commenced	Two programs evaluated, and two previously initiated evaluations concluded	At least one program evaluated	At least one program evaluated	At least one program evaluated

By committing to evaluating at least one program a year, CBT receives valuable information about the impact of its programs on Columbia Basin residents. CBT uses the information generated by the evaluations to implement improvements to programs, and to help guide future program direction. Given that this measure is very specific to CBT's context, no benchmarking comparison has been made.

A significant long-standing challenge for CBT has been creating measures for the Delivery of Benefits that will help the organization, Columbia Basin residents and the Province understand how CBT's work is tangibly strengthening the overall social, economic and environmental well-being of the Columbia Basin.

CBT is currently undertaking a comprehensive investigation of how it can better assess its performance in Delivery of Benefits. The purpose of this investigation is to attempt to create measures that will allow CBT to track its progress in achieving its strategies, provide meaningful information about the success of its programs and initiatives and improve accountability both within and outside of the organization.

### **Corporate**

Corporate operations include management, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures that CBT is able to manage its Investment Program and support its Delivery of Benefits activities. The Province is providing \$2 million per year for CBT's operating costs through 2010/11.

It is important to note that expenses incurred related to Delivery of Benefits include staff remuneration. Many staff directly work with communities, and this approach is consistent with CBT's principle of providing different forms of support to communities, in addition to direct funding of programs and projects.

**Goal**

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

**Strategies\***

1. Develop a formal risk management framework.
2. Complete a comprehensive review of CBT’s current information management system (the internal tracking and reporting mechanism for Delivery of Benefits funding) and implement required changes.
3. Develop a formal communications strategic plan.
4. Develop a formal corporate carbon neutral plan.
5. Strategies have been changed from the previous Service Plan, as the work related to those strategies was completed over the course of the previous twelve months.

Measures	Actual	Actual	Targets		
	2007/08	2008/09	2009/10**	2010/11**	2011/12
Corporate operations (net of recoveries) as a percentage of revenues	16%	17%	20%	17%	19%

\* Strategies have been updated from the previous Service Plan to reflect the completion of related work.

\*\* Targets have changed from the previous Service Plan to reflect updated financial forecasts.

Corporate operations (net of recoveries) as a percentage of revenues increased to 17 per cent in 2008/09 from 16 per cent in the previous year. As revenues increase in the future, the target will decrease accordingly. It is forecast to be 20 per cent in 2009/10.

CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report out on its actual performance after fiscal year end and once the external audit is complete. CBT forecasts are affected by information provided by CPC relating to the power projects. Columbia Power Corporation is the manager of the power projects, and therefore provides the financial forecasts to CBT.

## SUMMARY FINANCIAL OUTLOOK

The summary financial information is prepared on a consolidated basis. CBT has a number of subsidiaries, which are holding companies that retain power and non-power investments. The summary financial information is not provided on a subsidiary level, as revenues are reported by major category of investment (and the subsidiaries are simply holding companies for those categories of investment). Revenues are reported on a gross basis with the exception of joint venture revenues, which are net of joint venture expenses.

**Table 1. CBT Summary Financial Information**

(in thousands)	2007/08 Actual (As restated)	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
<b>REVENUES</b>					
Power Projects	\$17,581	\$18,891	\$19,010	\$23,818	\$24,755
Private Placement	1,840	1,479	1,778	1,720	1,926
Market Securities	-	208	250	250	250
Income Securities	1,872	1,540	1,280	1,280	1,280
Provincial Contribution	2,089	2,000	2,000	2,000	-
	<b>23,382</b>	<b>24,118</b>	<b>24,318</b>	<b>29,068</b>	<b>28,211</b>
<b>EXPENSES</b>					
Staff Remuneration and Development	2,752	3,129	3,631	3,670	3,825
General Operating Expenses	1,752	1,802	2,243	2,300	2,370
	<b>4,504</b>	<b>4,931</b>	<b>5,874</b>	<b>5,970</b>	<b>6,195</b>
RECOVERIES	713	804	918	900	900
DELIVERY OF BENEFITS	5,350	8,976	12,000	12,000	15,000
INCOME BEFORE OTHER ITEMS	14,241	11,015	7,362	11,998	7,916
UNREALIZED GAIN (LOSS) ON MARKET SECURITIES	-	(2,758)	1,050	1,410	1,790
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$14,241</b>	<b>\$8,257</b>	<b>\$8,412</b>	<b>\$13,408</b>	<b>\$9,706</b>
Total Debt	\$140,917	\$147,828	\$147,657	\$139,887	\$131,536
Net Assets	\$367,526	\$375,987	\$384,399	\$397,807	\$407,513
Capital Expenditures	\$21,563	\$21,123	\$14,300	\$3,393	\$3,253

## Revenues

The majority of CBT's revenues continue to be received from power project investments. Revenues for power projects are reported net of expenses. Power project revenues for Brilliant Expansion were impacted by a three-month shutdown to provide in-stream clean up work in the tailrace. These repairs were completed in November 2008. Power project revenues for 2008/09 -2011/12 include ecoENERGY grants to be received from the Government of Canada. This grant revenue is based on sales of eligible energy generated by the Brilliant Expansion. Total power revenues are expected to increase over the next three years, with all power projects expected to be fully operational on an annual basis.

Private Placement revenues include all revenues received from investments that CBT makes in businesses in the Columbia Basin region. It includes all revenues from Real Estate Investments and the direct lending and loan syndication programs. Overall, these revenues will have moderate growth over the next three years. Seniors care facilities within the Columbia Basin continue to account for the majority of real estate revenues. These revenues are reported net of expenses.

In 2008/09, real estate revenues increased with the expansion of two existing facilities and the completion of one new facility. These revenues are expected to continue increasing over the next three years as new projects become operational and interest expenses decrease. The direct lending program has one business loan that is scheduled for payout in 2009/10. This will result in a decrease in expected revenues from the direct lending program. The loan syndication program is expecting moderate increases in revenues over the forecasted periods.

Market Securities revenues includes revenues from an externally managed diversified securities portfolio. Due to financial market fluctuations, this portfolio declined in market value and experienced a negative return of 15.8 per cent in 2008/09. Forecasts have been prepared on the basis that financial markets will normalize from their current state and that new cash injections will be made into this portfolio.

Income Securities revenues include revenue from a portfolio of short-term deposits held at financial institutions within the Columbia Basin area. The Contribution from the Province is an annual operating grant that will be provided to CBT until 2010/11.

### Expenses

Operating expenses have been divided into two major categories: staff remuneration and development and general operating expenses. Through its staff resources, CBT continues to provide valuable support to communities and Basin residents. The number of full time staff at CBT is expected to increase nominally over the next few years. This will allow CBT to meet their specific business needs as Delivery of Benefits activities continue to grow.

### Recoveries

Recoveries are received from Columbia Power Corporation for information technology services and rental income. Recoveries are also received from CBT's power project joint venture companies for management services. These recoveries are expected to stay constant over the next three years.

### Capital Expenditures

Columbia Basin Trust classifies capital expenditures according to key projects and investments. With the exception of Real Estate Investments and CBT Corporate, the capital expenditures are provided by CBT's joint venture partner and manager of the power projects, Columbia Power Corporation. The figures in Table 2 represent CBT's 50 per cent share of the amount.

The Waneta Expansion project construction is forecast to commence in 2009/10, and will take four years to complete. Due to commercial sensitivity, capital cost budgets for the Waneta Expansion are not included in this Service Plan, other than capitalized development costs incurred prior to construction.

Real Estate Investments consist of the construction of new seniors care facilities in the Columbia Basin. In 2008/09, included in the CBT Corporate category was a major completion of the third floor of CBT's Columbia Basin Building, leasehold improvements to a satellite office of CBT, and new furnishings and information technology equipment. With the building renovations completed in 2008/09, capital expenditures for CBT Corporate are expected to decline over the next three years.

Table 2. Consolidated Capital Spending Forecast

(in thousands)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/2011 Forecast	2011/12 Forecast
Arrow Lakes Power Corporation	\$103	\$37	\$701	\$318	\$350
Brilliant Expansion Power Corporation	11,579	8,754	763	330	320
Power Project Planning					
Waneta Expansion	2,539	4,531	4,479	-	-
Other Projects	-	-	65	65	65
General Power Project Planning	-	-	200	200	200
Brilliant Power Corporation	1,157	1,459	2,275	2,205	2,043
Real Estate Investments	5,956	5,682	5,517	-	-
CBT Corporate	229	660	300	275	275
<b>Total</b>	<b>\$21,563</b>	<b>\$21,123</b>	<b>\$14,300</b>	<b>\$3,393</b>	<b>\$3,253</b>

## SUMMARY FINANCIAL OUTLOOK

### Key Assumptions and Issues

### Forecast Risks and Sensitivities

Power Project Revenue

- In 2009/10, close to 80 per cent of CBT revenues is forecast to come from power project investments. If the power projects experience operational challenges, and revenues are reduced, CBT's ability to deliver benefits will likely be impacted.

Waneta Expansion Project:  
Earliest possible construction start date is fall 2009

- Project negotiations and assessment of financing viability are in process and final approval will be subject to economic/industry feasibility as well as Board and Provincial approval.
- Assessing project viability assumes a significant amount of attention from CBT senior management.

Market Securities returns:  
6 per cent return per annum

- Financial markets are volatile and returns may vary significantly when measured over the short term.
- A 1 per cent change in return would have a \$150,000 impact on revenue given the current level of investment.

Private Placements revenue:  
8 per cent return per annum

- Fluctuating interest rates have a direct effect on the income from business loans.
- Changes in the economic environment influence the performance of business loans.
- A negative material change in economic activity could result in business loan write-downs.

Income Securities Revenue:  
4 per cent per annum.

- Fluctuating interest rates have a direct impact on returns from Income Securities. A 1 per cent change in interest rates would have a \$330,000 impact on revenue given the current level of investment.

Corporate Operations

- CBT's ability to deliver programs and initiatives is heavily dependent on human resources – both within CBT and within our delivery partners. CBT will have to ensure that it is an “employer of choice” to retain and attract skilled employees, and that its delivery partners have adequate resources to deliver their programs.

Delivery of Benefits:  
\$12 million distributed in the Basin in 2009/10

- CBT's ability to deliver benefits is directly linked to its revenue. If actual revenues are less than forecast, delivered benefits may have to be reduced.

## GOVERNANCE

### Board of Directors

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

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

### Governance Principles

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

#### Preparation

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

#### Transparency

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

#### Participation and Commitment

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

## Service

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

## Directors

- Garry Merkel, Chair
- Greg Deck, Vice Chair
- Paul Peterson
- Mike Berg
- Ron Miles
- Kim Deane
- Denise Birdstone
- Jim Miller
- Jeannette Townsend
- Evelyn Cutts
- Loni Parker
- Bill Trehwella

## Board Committees

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

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

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

### Members

- Garry Merkel, Chair
- Greg Deck, Vice Chair
- Paul Peterson
- Denise Birdstone
- Jim Miller

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

### Members

- Mike Berg, Chair
- Jeannette Townsend
- Ron Miles

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

### Members

- Jim Miller, Chair
- Denise Birdstone
- Greg Deck
- Ron Miles

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

#### Members

- Denise Birdstone, Chair
- Kim Deane
- Bill Trehella
- Evelyn Cutts
- Loni Parker

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

#### Members

- Evelyn Cutts, Chair
- Jeannette Townsend
- Bill Trehella
- Mike Berg
- Paul Peterson

The **Communications Task Force** assists with the development of a Communications Strategic Plan.

#### Members

- Evelyn Cutts
- Kim Deane
- Loni Parker
- Greg Deck
- Jim Miller

### Senior Management

- Neil Muth, President and CEO
- Sabrina Curtis, Director, Planning and Development
- Delphi Hoodicoff, Director, Communications
- Wally Penner, VP, Community Partnerships
- Kindy Gosal, Director, Water and Environment
- Christine Lloyd, Director, Finance and Operations
- Johnny Strilaeff, VP, Investments

## Boards of CBT Subsidiaries

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

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

## The Province of BC and Columbia Basin Trust

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

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

Visit [www.cbt.org](http://www.cbt.org) to view a copy of the Shareholder’s Letter of Expectations. Specific actions that will be taken as a result of the most recent Shareholder’s Letter of Expectations include:

Direction from Shareholder’s Letter	CBT Alignment
<ul style="list-style-type: none"> <li>• Comply with requirements to make public sector carbon neutral by 2010.</li> <li>• Work with joint venture partner, Columbia Power Corporation, to reduce duplication of effort.</li> <li>• CBT Board members nominated by Regional Districts and the Ktunaxa Nation Council report to their respective nominating bodies.</li> <li>• Develop framework for measuring the social, economic and environmental activities of CBT.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of a corporate carbon neutral plan will begin in 2009/10.</li> <li>• CBT and CPC continue to work jointly on a number of projects related to power project management.</li> <li>• CBT regularly communicates with Regional Districts and the Ktunaxa Nation Council, and annually offers to review the year’s activities with these groups.</li> <li>• Development of a framework has commenced.</li> </ul>



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