

BC Hydro Peace Region Agricultural
Compensation Fund

2019 Annual Report

Message from the Chair

2019 was the first full operational year of the BC Hydro Peace Region Agricultural Compensation Fund, and I am pleased to report that the time spent developing the fund in the years leading up to it generated results for the region it is intended to serve. First, 2019 marked the first application intake for the fund. The public outreach we conducted in advance of the intake generated significant interest from Peace Region producers, resulting in more than 20 applications to that first intake.

The Board's deliberations resulted in seven project approvals, resulting in more than \$200,000 in investment from the fund to initiatives that ranged from crop research to agriculture education programs, irrigation and fencing improvements and the use of drone technology to monitor livestock and forage conditions.

The success of that intake was a result of the time and effort the Board, our partners at BC Hydro and Northern Development, invested in creating the foundational documents, criteria and processes to ensure the fund would have a strong, successful start. And again, that work was a result of years of grassroots, community-led discussions about what this fund could be and how best it could be structured to improve productivity in Peace Region agriculture.

Aside from the success of the first intake, I am pleased to report that the fund enjoyed a healthy investment return in 2019, exceeding 15%. That return helped to ensure the first intake commitments did not reduce the overall health of the fund below \$20 million and helped to create a bit of cushion in the event of lower market returns in future years.

Again, I want to express a heartfelt thank you to our partners at BC Hydro, the Province of British Columbia and Northern Development Initiative Trust for their hard work to generate success in this first year of the fund's operation. And a special thank you to all the producers in the Peace Region who have lent their voices to informing the basis and purpose of this fund – without you we would not be where we are today.

Sincerely,

Chair
Rick Kantz

2019 Key Milestones



2019 Board Composition

Director Name	Appointing Organization	Initial Term	Regular Term
Rick Kantz (Chair)	BC Grain Producers Association	3 years	3 years
Heather Fossum	Peace River Forage Association of BC	1 year	Renewed for 3 years
Howard Goertz	Peace River Regional Cattlemen’s Association	2 years	3 years
Connie Patterson	BC Breeder and Feeder Association	2 years	3 years
Blair Hill	Peace Region Forage Seed Association	3 years	3 years
Angela Watson	Peace River Regional District	1 year	Renewed for 3 years
Gene Gladysz	Member-at-large	1 year	Renewed for 3 years
Travis Winnicky	Member-at-large	2 years	3 years
Malcolm Odermatt	Member-at-large	3 years	3 years
Colin Meek	Peace River Valley Agricultural Producer	2 years	3 years

2019 In Review

When the original Five-Year and Financial Plan was submitted to BC Hydro, the Board recognized it was unlikely the fund would generate enough investment returns to host an intake in 2019. However, extraordinary market returns in the first quarter of 2019 resulted in the Board submitting a request to BC Hydro to withdraw funds and support a funding intake later in 2019. BC Hydro approved this request and \$300,000 was withdrawn from the investment account, with \$250,000 designated for to support the intake, \$25,000 for administrative fees and the remaining to cover Board operational costs.

In the spring, the Board conducted a final review of the eligibility criteria for the first intake. In July, the Board hosted its first public meeting to report on the fund's activities thus far and answer any questions from Peace Region producers.

In August, the first intake for the Agricultural Fund was opened, accepting applications until the end of September. The first intake received 22 applications for a total funding request of \$1.6 million dollars. The Board met in early November 2019 to adjudicate the applications and approved seven projects for a total of \$209,086. The remaining uncommitted funds, totalling \$40,914, were carried forward to be used to support project applications in 2020 intakes.

In September 2019, the Board and Northern Development updated and submitted the second Five-Year and Financial Plan to BC Hydro, as per the requirements of the Agricultural Mitigation and Compensation Plan.

The Board also held elections for three members whose initial terms were up in the fall of 2019. As a result, Heather Fossum, Angela Watson and Gene Gladysz were reappointed each for another three-year term.

In November, following investment returns that exceed 15% in 2019, the Board requested a \$500,000 allocation to support two grant funding intakes in 2020. BC Hydro approved the request. The Board anticipates holding an intake early in 2020, to be followed by a second one in the fall of 2020.

Results of Project Reviews and Audits

Below is a chart of the projects that were received, with due diligence that was completed on each project and presented to the Board for approval consideration. Of the 22 applications received, seven were approved for funding.

BC Hydro Peace Agricultural Compensation Fund
Applications Received

Project #	Proponent	Project Name	Funding Request
6356 88	BC Grain Producers Association	Viability of Crops in the Peace Region	\$ 100,000.00
6357 88	QCR Contracting Ltd.	QCR Land Development	\$ 121,986.00
6358 88	Peace River Regional 4-H Council	Regional 4-H Communication and Leadership Training	\$ 2,000.00
6363 88	Rafter JJ Enterprises Ltd.	Fresh off the Farm	\$ 20,421.00
6364 88	Julie Stipkala	Firewood Processing Business	\$ 26,693.00
6367 88	Mary Paulette Flamond	Symbols Lodge Permaculture Farm	\$ 10,360.00
6368 88	Lime Stone Cowboys Industries Limited	Peace Ag-lime	\$ 250,000.00
6369 88	Blackbird Environmental Ltd.	Peace Region Agricultural Drone Field School	\$ 24,140.00
6370 88	Hasberry Farms Inc.	Bird Control-Pollination Trial for Commercial Haskap Production	\$ 14,727.75
6371 88	Shadow Creek Developments Ltd.	Shadow Creek Farm's Upper Stoddart Irrigation	\$ 30,900.00
6372 88	Chet Jans	Fallen Timber Farms - Calving/Handling Barn Expansion	\$ 124,191.00
6373 88	Ardills Ranch Ltd.	Ardill Wildlife Control Fencing - Many Springs	\$ 25,000.00
6374 88	Don Titus Parent Advisory Council	Don Titus Agricultural Education Program	\$ 5,625.00
6375 88	RDR Ventures Ltd. (Rainey Ranch)	Rainey Ranch Rotational Grazing Water Enhancement	\$ 25,209.00
6376 88	Bailie Copeland and Terry Hambrook	Agricultural Irrigation	\$ 250,000.00
6378 88	Copeland Farms	Grazing Management	\$ 250,000.00
6379 88	Northern Berry Society	Peace Beekeeping Initiative	\$ 9,016.00
6380 88	Peace Haskap Society	Peace Haskap Irrigation	\$ 29,020.00
6381 88	Northern Environmental Action Team	Northern Co-Hort Extension and Outreach Program	\$ 27,112.00
6382 88	Peace Valley Produce	Peace Valley Produce Game Fence	\$ 16,500.00
6383 88	Kalem Monte Phillips - Fresh Development Inc.	Country Meadow Estates, Phase II	\$ 250,000.00
6384 88	David Mailman	Regenerative Grazing	\$ 13,803.00
			\$ 1,626,703.75

Estimate of Total Amount Awarded to Projects

The Agriculture Fund held one intake in 2019. That intake opened the beginning of August and received 22 applications. Seven projects were approved for funding in November 2019. The chart below outlines the projects that were supported. All seven successful proponents entered into a contribution agreement with Northern Development, but none of the projects had been completed by December 31, 2019. Project audits will be conducted beginning in 2020.

BC Hydro Peace Agricultural Compensation Fund

Project #	Proponent	Project Name	Date Approved	Approved Amount
6356 88	BC Grain Producers Association	Viability of Crops in the Peace Region	11/15/2019	\$ 100,000.00
6358 88	Peace River Regional 4-H Council	Regional 4-H Communication and Leadership Training	11/15/2019	\$ 2,000.00
6369 88	Blackbird Environmental Ltd.	Peace Region Agricultural Drone Field School	11/15/2019	\$ 24,140.00
6373 88	Ardills Ranch Ltd.	Ardill Wildlife Control Fencing - Many Springs	11/15/2019	\$ 25,000.00
6374 88	Don Titus Parent Advisory Council	Don Titus Agricultural Education Program	11/15/2019	\$ 5,625.00
6375 88	RDR Ventures Ltd. (Rainey Ranch)	Rainey Ranch Rotational Grazing Water Enhancement	11/15/2019	\$ 25,209.00
6381 88	Northern Environmental Action Team	Northern Co-Hort Extension and Outreach Program	11/15/2019	\$ 27,112.00
				\$ 209,086.00

Summary of the Application Process and Projects Funded in 2019

The original application process was developed in partnership between the Board and Northern Development in the fall of 2018. The process was fine-tuned in the spring of 2019 and used to support the first intake in the summer and fall of 2019.

The process was successful and following the 2019 intake the Board expressed a desire to continue using it in 2020. The process will be reviewed and fine-tuned annually as regional priorities and needs shift.

Five-Year and Financial Management Plan

The Five-Year and Financial Management Plan for the BC Hydro Agricultural Fund are required documents for the successful administration of the Agricultural Fund according to BC Hydro's Agricultural Mitigation and Compensation Plan (AMCP). The Board of Directors, together with Northern Development, developed the plan in the early autumn of 2018 before it was submitted to BC Hydro that October for approval.

The plan clearly defines the roles and responsibilities of the Board, Fund Administrator and BC Hydro, provides an in-depth overview of the financial management structure of the Agriculture Fund, including investment policies, a five-year budget, a three-year grant distribution model, expense policies, audited processes and a process for project reviews.

The Five-Year and Financial Management Plan was updated and approved by the Board in September 2019 and then submitted to BC Hydro. BC Hydro approved the updated report following its submission.

Transfer of Funds to Administrator

Following the completion of the Five Year and Financial Management Plan, as well as the Application Process Materials, the \$20 million Agriculture Fund (the Funds) were transferred to the Fund Administrator and invested at the end of December 2018.

Throughout 2019, the funds were invested with Mawer Investment Management, as per Northern Development's Statement of Investment Policies and Procedures and generated a 15.5% return as of December 31, 2019.

The funds will continue to be managed in such a way to preserve the initial \$20 million capital, while generating strong enough returns to support future funding intakes.

Budget for Board and Administrator Operations

In 2019 \$11,080 dollars were budgeted for Board costs. Actual costs for the year came in significantly lower, ending the year with a total of \$4,548. Claims for meeting preparation time, and travel to in-person board meetings are elective. Any remaining costs from 2019 are carried over and used as part of the 2020 claims.

The Trust fee for the first intake was \$25,000, those fees were used toward costs related to hire a new position within the Trust dedicated to third party delivery, travel and meeting expenses to travel to the Peace Region to meet with the Board.

Independent Audited Financial Statements

KPMG is the official auditor of Northern Development and they have provided an audit of the Balance Sheet (the Financial Statement for the Agricultural Fund). The Balance Sheet is the only financial statement required as per Generally Accepted Accounting Principles (GAAP), which state that since the decision-making process rests with a Board that is independent of Northern Development's Board, the funds are deemed to be a liability owed to the client. Northern Development's 2019 Financial Audit was presented at its April 2020 Annual General Meeting. Northern Development accepted a clean audit report as presented by KPMG. A letter from Northern Development Initiative Trust's auditor KPMG has been included at the end of this report, alongside the Balance Sheet acknowledging that the funds are held with the investment manager Mawer Investment Management, as per the agreement between Northern Development and BC Hydro.