BRITISH
COLUMBIA

January 21, 2013

XRef: 95745

Mr. Gary Deck
Chair
Columbia Basin Trust
Suite 300-445 13th Avenue
Castlegar, BC V1N 1G1

Dear Mr. Deck:

Enclosed you will find (2) updated copies the Government's Letter of Expectations for Columbia Basin Trust for your review and signature.

The copies that were sent to you earlier have now been updated to reflect the change in Chair from Gary Merkel to yourself.

Please retain one copy for your files and return the second signed copy to:

Mr. George Farkas
Assistant Deputy Minister
Management Services Division
Ministry of Jobs, Tourism and Skills Training
PO Box 9842 Stn Prov Govt
Victoria, B.C. V8W 9T2

Thank you for your assistance.

Yours truly,

B. Pearson

Barbera Pearson
Executive Administrative Assistant

Enclosures

BRITISH
COLUMBIA

GOVERNMENT'S LETTER OF EXPECTATIONS

BETWEEN

THE MINISTER OF JOBS, TOURISM AND SKILLS TRAINING
(AS REPRESENTATIVE OF THE GOVERNMENT OF BRITISH COLUMBIA)

AND

THE CHAIR OF THE COLUMBIA BASIN TRUST
(AS REPRESENTATIVE OF THE CORPORATION)

FOR 2013/ 14

PURPOSE

This Letter of Expectations (the Letter) provides Government's annual direction to the Crown corporation and is an agreement on the parties' respective accountabilities, roles, and responsibilities. The Letter confirms the Corporation's mandate and priority actions, articulates the key performance expectations as documented in the Government's Expectations Manual for British Columbia Crown Agencies[1], and forms the basis for the development of the Corporation's Service Plan and Annual Service Plan Report. The Letter does not create any legal or binding obligations on the parties and is intended to promote a co-operative working relationship.

[1] The Province of British Columbia's Crown Agency Accountability System (http://www.gov.bc.ca/caro/publications/index.html) establishes guiding principles for the governance of Crown corporations. The Government's s Expectations Manual identifies roles and responsibilities for the Government and Crown corporations, and provides for a Government's Letter of Expectations (Letter) to be developed.

INTRODUCTION

A. Columbia Basin Trust (Corporation) was formed as a regional entity through an extensive community engagement process driven by Columbia Basin residents' desire to create a mechanism to address ongoing impacts arising from the construction and operation of the Columbia River Treaty dams.

B. Columbia Basin residents shaped the creation of the Corporation, including through the development of an initial draft of the Columbia Basin Trust Act and by requesting that the Province pass the Act in order to establish a legislatively protected entity on behalf of the people of the region.

C. In creating the Corporation as a statutory corporation, the Province recognized that:
   - The desires of the people of the Columbia Basin were not adequately considered in the original negotiations of the Columbia River Treaty,
   - The people of the Columbia Basin must be included in decisions that affect their lives and determine their future, and
   - It must work with the people of the Columbia Basin to ensure that the benefits derived from the Columbia River Treaty help to create a prosperous economy with a healthy, renewed natural environment.

D. A mutually beneficial relationship is in the collective best interests of the Province, the Corporation and the people of the Columbia Basin, and regular and open dialogue with each other is valued by each of the Province and the Corporation.

CORPORATION ACCOUNTABILITIES

Government has provided the following mandate direction to Columbia Basin Trust under the *Columbia Basin Trust Act*:

- continue, in accordance with the Act, to invest and otherwise manage the Corporation's assets to create an ongoing legacy of economic, environmental and social well-being for present and future generations; and,

- seek the guidance of, and remain accountable to the residents of the Columbia Basin through the implementation and further development of the Columbia Basin Management Plan.

In carrying out its mandate, the Government confirms that:

- the purpose of the Corporation is to manage resources for the ongoing economic, environmental and social benefit of the Columbia Basin region, for the well-being of the Columbia Basin residents to whom it is ultimately responsible;

- the Corporation has a unique mandate that is legislated in the Act and is reflected in the various agreements the Corporation has entered into;
- ongoing efforts of the Corporation support the desire of the Columbia Basin residents to sustain a legacy of social, environmental and economic well-being for present and future generations; and
- in fulfilling its role under the Act, the Corporation solicits the input of region residents before affecting any major amendments to the Columbia Basin Management Plan.

SPECIFIC CORPORATION ACCOUNTABILITIES

To achieve this mandate, the Corporation is directed to take the following specific actions:

- support the efforts of Basin residents and communities to strengthen the social, economic and environmental well-being in the region through Delivery of Benefits activities and effective stewardship of the Corporation's resources.
- manage its investments in a manner consistent with its Board-approved Statement of Investment Policies and Procedures such that the Corporation can fund current and future Delivery of Benefits activities and corporate operations.
- report on performance measures that demonstrate levels of success achieved during the reporting year. This includes ensuring directors nominated by regional districts and the tribal council pursuant to the Columbia Basin Trust Act report on the Corporation's activities to their respective nominating bodies.
- ensure that it does not purport to represent the Government in any statements or matters of an inter-provincial, federal-provincial or international nature; and,
- 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.

GENERAL CORPORATION ACCOUNTABILITIES

Over the past decades, British Columbians have come to expect high quality products and services delivered by their Crown corporations. The Province is well served by our Crown corporations and it is up to the Boards and Senior Management teams of these organizations to manage in the best interests of the Province and our citizens.

For those Crown corporations that are commercial entities, they are expected to earn positive returns for their shareholders, the people of British Columbia, to help provide health care, education and other critical social services required by our growing and aging population.

As a Crown corporation, it is critical that the operations of the entity be done as efficiently as possible, in order to ensure families are provided with services at the lowest cost possible. In addition, it is expected that Crown corporations, to the greatest extent possible, participate in the Government's open data and public engagement opportunities.

British Columbians rightly expect openness and transparency from both their Government and Crown corporations and it is incumbent upon both parties to be as open and transparent as possible with citizens.

Government sets broad policy direction to ensure the Corporation's operation and performance is consistent with government's strategic priorities and Fiscal Plan, and as such, the Corporation will:

- Ensure that the Corporation's priorities reflect Government's goals of putting families first; creating jobs and building a strong economy; and open government and public engagement;

- Ensure that prior to commencing collective bargaining or initiating changes to non-union compensation on or after January 1, 2012, coordination with Government occurs to develop detailed plans for funding proposed compensation changes or other incentives under the Province's Cooperative Gains Mandate and to ensure clarity on the applicability of the freeze on executive and management compensation announced on September 14, 2012. Savings plans must be based on real savings that are measurable and incremental to existing business plans that are included in the Province's budgets and three-year fiscal plan. They must not include proposals for:

    - increased funding from Government,
    - reductions in service, or
    - transferring the costs of existing services to the public.

  However, plans may also include new revenue generation opportunities that are voluntary in nature to consumers and taxpayers.

  In any year, incremental realized savings/revenues must fully offset incremental costs of compensation increases.

  Savings and bargaining plans must be reviewed and approved by Government before any proposed changes to union or non-union compensation are made. Any changes to an approved plan also require approval by Government.

  Commencing the effective date of any changes to the collective agreement and/or non-union compensation plans, the Corporation must report to Government on the implementation of a plan, including information on progress in meeting savings targets. The frequency and metrics used in that reporting will be defined by Government in consultation with the Corporation;

- Government is undertaking reviews of all Crown corporations. The Corporation is expected to participate in the review as requested, and to implement the recommendations of the review;

- A review of executive compensation in Crown corporations and related recommendations were provided to government by a working group of Crown corporation board chairs in July, 2012. Government has responded to those recommendations by changing elements of its executive compensation policies for Crown corporations. These policies are found at http://www.fin.gov.bc.ca/psec/disclosuredocs/crown_corporation_executive_compensation_july_2012.pdf and include the requirement to incorporate the performance priorities articulated in this letter in any performance-related compensation the board establishes for executives. Boards should be familiar with this policy and contact the Public Sector Employers' Council Secretariat for assistance in applying it;

- Conduct its affairs with the principles of integrity, efficiency, effectiveness, and customer service;

- Display annual *Financial Information Act* – Statement of Financial Information and Executive Compensation Disclosure Schedules, a Remuneration for Appointees to Crown Agency Boards Schedule and Corporate Governance Disclosure in an easily accessible website location;

- Inform Government immediately if the Corporation is unable to meet the performance and financial targets identified in its Service Plan;

- Ensure that any planned deficit spending or use of the retained earnings is approved in advance by Treasury Board;

- Comply with Government's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations;

- Ensure Government is advised in advance of the release of any information requests by the Corporation under the *Freedom of Information and Protection of Privacy Act*;

- Ensure any debit/credit card payment services provided to the public are in compliance with the international Payment Card Industry Data Security Standards;

- For Corporations subject to the *Public Sector Employers Act*, ensure the Corporation's membership in the Crown Corporation Employers' Association is in good standing;

- Annually assess the Board appointment process to ensure that succession results in a balance of renewal and continuity of Board membership, and provide the results of this assessment to the Shareholder for consideration;

- Ensure that Board appointments to Crown corporation subsidiaries comply with Board Resourcing and Development Office's Best Practice Guidelines and are approved by Cabinet; and

- Comply with Government's requirement that lobbyists not be engaged to act on behalf of the Corporation in its dealings with Government.

GOVERNMENT'S RESPONSIBILITIES

SPECIFIC GOVERNMENT RESPONSIBILITIES

Specific to the Corporation, Government will:

- continue discussions with the Corporation that may ultimately lead to a Memorandum of Understanding to provide guidance and greater clarity to both the Province and the Corporation on their relationship. The Memorandum of Understanding would reflect the level of the Corporation's independence, autonomy and accountability to Columbia Basin residents as a regionally based entity and the Corporation's accountability to the Province of British Columbia as its shareholder;

- ensure government direction provided to CBT remains consistent with the *Columbia Basin Trust Act;*

- appoint ministry staff to liaise with, consult and serve as a point of contact for the Corporation to provide advice and information on a timely basis as requested by the Corporation;

- ensure consultation and notification with the Corporation as required, particularly regarding significant policy and legislative issues that may impact the Corporation;

- arrange for the appointment of nominees brought forward by the Corporation for one-third of the membership of the Board of Directors of Columbia Power Corporation.

GENERAL GOVERNMENT RESPONSIBILITIES

Government is responsible for the legislative, regulatory, and public policy frameworks in which Crown corporations operate. In order to meet these responsibilities and support achievement of government's performance expectations, Government will:

- Issue performance management guidelines, including annual guidelines for Service Plans and Annual Service Plan Reports (http://www.gov.bc.ca/caro/publications/index.html);

- Review and provide feedback and final approval of the Corporation's Service Plans and Annual Service Plan Reports; and

- On a quarterly basis, meet with the Corporation to review the achievement of the goals, objectives, performance and financial targets and risk assessments identified in the Corporation's Service Plan, and provide direction to the Corporation as required.

Government has developed the following policies and resources to support the Ministries and Corporations with their regulatory and public policy requirements:

- Shareholder's (Government's) Expectations Manual for British Columbia's Crown Agencies
- Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations
- Remuneration Guidelines for Appointees to Crown Agency Boards
- Capital Asset Management Framework

AREAS OF SHARED ACCOUNTABILITY

REPORTING

Government and the Corporation are committed to transparency and accountability to the public and have reporting and disclosure requirements in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and/or the *Financial Information Act.* Government provides an Information Requirements and Events Calendar (http://www.gov.bc.ca/caro/publications/index.html) to the ministries responsible and the Corporations that set out the dates the Crown corporations must submit their financial information, service plans, annual service plan reports, and other information to government in order to meet the statutory reporting dates and other government requirements.

The parties agree that each will advise the other in a timely manner of any issues that may materially affect the business of the Corporation and/or the interests of Government, including information on any risks to achieving financial forecasts and performance targets.

The Corporation will post the most recent signed copy of the Government's Letter of Expectations on its website and the Crown Agencies Resource Office will post a signed copy of the Letter on its website.

REVIEW AND REVISION OF THIS LETTER

The Minister of Jobs, Tourism and Skills Training is accountable for undertaking reviews of this Letter and monitoring its implementation. Government and the Corporation may agree to amend this Letter on a more frequent than annual basis.

Honourable Pat Bell
Minister of Jobs, Tourism and Skills Training

Greg Deck
Chair, Columbia Basin Trust

January 15, 2013

Date

Date

cc. Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Sheila Taylor
Associate Deputy Minister
Ministry of Finance

Dave Byng
Deputy Minister
Ministry of Jobs, Tourism and Skills Training

Neil Muth
Chief Executive Officer
Columbia Basin Trust