

Southern Interior
DEVELOPMENT INITIATIVE TRUST



THREE YEAR STRATEGIC PLAN

FISCAL YEARS – 2019 – 2021

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST
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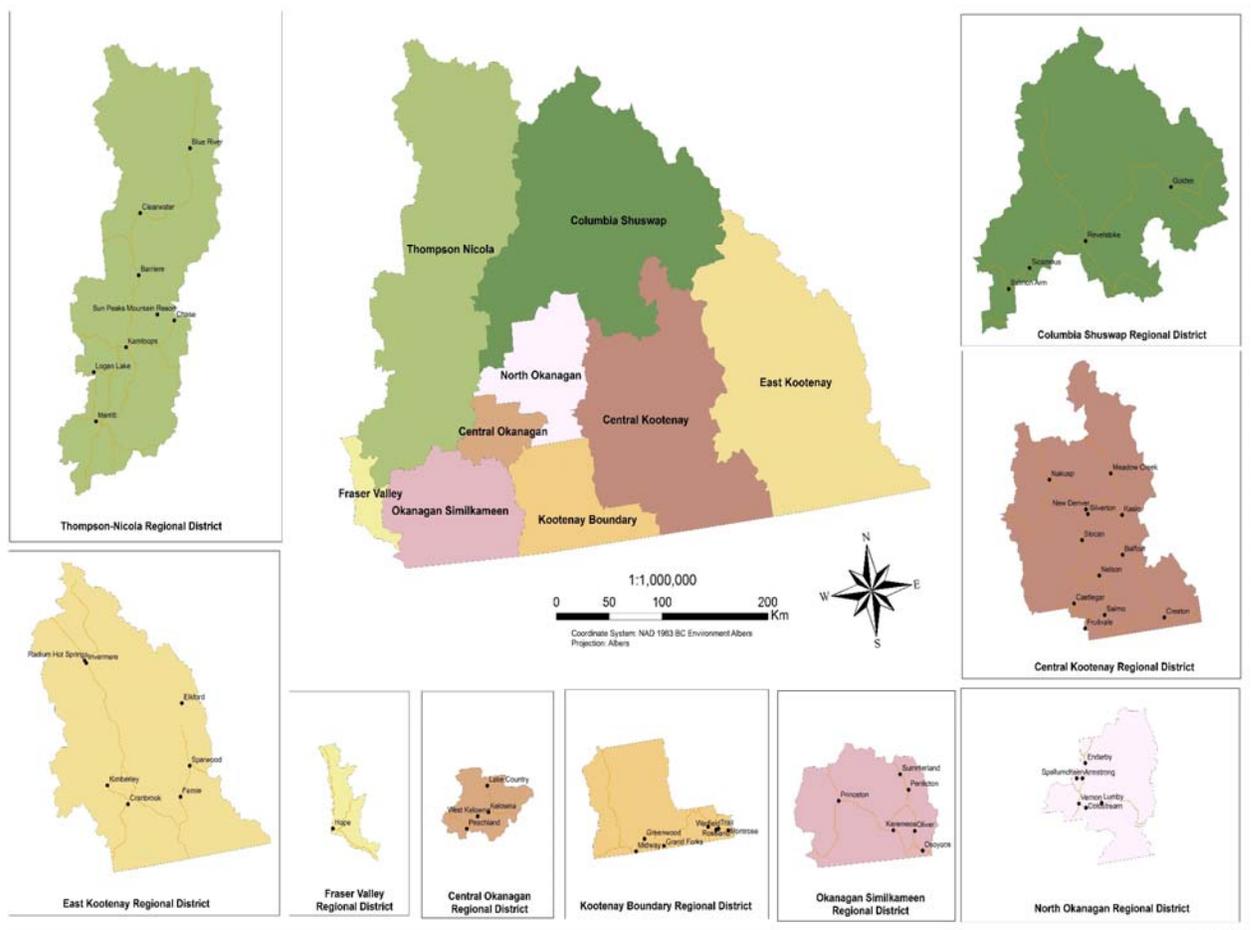
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Background

On February 27, 2006, the Province of British Columbia enacted legislation to establish the Southern Interior Development Initiative Trust (SIDIT). On February 28, 2006, SIDIT was launched with a one-time \$50 million grant to be managed by an independent Board of Directors. The Trust's Directors apply these funds to help support strategic economic development initiatives that focus on regional benefits and those that help diversify local economies.

SIDIT's service area covers the Southern Interior of British Columbia, an area generally described as bounded by the US border to the south, the Alberta border to the east, Hope to the west and Blue River to the north.



I. Governance

Board of Directors

SIDIT is governed by a Board of Directors, comprised of eight local government officials and five members-at-large appointed by the Provincial government. The Board is responsible for making strategic investments in support of regional economic priorities, as well as opportunities that they deem will contribute to the economic diversification of the Southern Interior. In setting up the Trust, it was the expectation of the Provincial government that the Board would use the funds to develop partnerships and leverage investments with the private sector and other government partners, including First Nations.

Committee Structure

SIDIT operates with three committees, as follows:

1. Finance Committee, comprised of up to five Directors representing both the Thompson-Okanagan and Columbia-Kootenay regions, oversees the development and implementation of SIDIT's Market Investment Strategy and ensures the fiduciary responsibilities of the Trust are properly carried out.
2. Management Committee, comprised of the Chair and/or Vice Chair and up to four other Directors, representing both the Thompson-Okanagan and Columbia-Kootenay regions, oversees the operational management of the Trust.
3. Audit Committee, comprised of up to four Directors representing both the Thompson-Okanagan and Columbia-Kootenay regions, oversees the selection of SIDIT's external auditors and the Trust's annual financial audit processes.

Regional Advisory Committees

In addition to the Board of Directors, there are two Regional Advisory Committees (RACs) consisting of local government officials and MLAs. The regions represented by the RACs are as follows:

- Thompson-Okanagan Committee: electoral districts in region from Hope to Kamloops, to Salmon Arm and the Okanagan Valley.
- Columbia-Kootenay Committee: electoral districts from Columbia-Revelstoke, East Kootenay, to the West Kootenay-Boundary area.

The role of the RACs is to:

- Appoint members as Directors to the Trust Board
- Provide advice to the Board on projects suitable for Trust funding
- Establish the terms of office for its members
- Provide opportunity for communities and regional district areas with populations under 500 to be represented on the RAC.

II. Strategic Framework

Strategic Planning Process

The SIDIT Board of Directors and members from the two Regional Advisory Committees developed the initial three-year strategic plan in January 2007. This plan was designed to guide the Southern Interior Development Initiative Trust in its first year of operations. The current Strategic Plan represents an amended version of that original Strategic Plan as SIDIT commences its eleventh year of operations. Pursuant to the Act, the Board must approve the revised Strategic Plan before the first day of each fiscal year.

Vision

The SIDIT Board of Directors and RAC members share a vision of the future for the Southern Interior.

That vision is:

- *A future where economic opportunities are enabled, providing long-lasting measurable benefits to communities*
- *A future where regional investment creates significant positive impacts across the region and smaller communities are given opportunities to remain or become economically sustainable*
- *A future where there is a strong and diversified economy in the Southern Interior that supports the development of viable, healthy, vital and sustainable communities throughout the Region*

Mission

The mission of the Southern Interior Development Initiative Trust is to support strategic investments in economic development projects that will have long-lasting and measurable benefits in the Southern Interior.

III. Guiding Principles

In all our dealings SIDIT is:

- Responsive to the diverse economic development needs and aspirations of the people and communities in the Southern Interior region
- Accountable to the public for all decisions, activities and outcomes
- Sustainable to ensure the ongoing viability of the Trust's operations and investments
- Development-focused supporting economic initiatives that create employment, enhance business performance, leverage partnerships and add value to people and communities across the region

IV. Socio-Economic Impact Assessment

Complete an external Socio-Economic Impact Assessment every five years:

- A regional impact assessment was completed by Urban Matters and Lochaven Management Consultants in August 2016.
- The impact assessment will be updated in 2021.
- The assessment, and additional economic data, was reviewed by the SIDIT Board of Directors in the strategic planning session on September 8, 2016 to prepare SIDIT's fiscal 2018-2020 three-year strategic plan.
- The August 2016 Socio-Economic Impact Assessment is appended to this plan.

V. Funding Overview

SIDIT provides two broad types of funding:

Loans/equity financing for business ventures that meet SIDIT's objectives and criteria

Grant funding for programs and projects including:

- Educational Initiatives: Funding in support of trades, technology, academic, innovation and participating post-secondary institutions in the Southern Interior.
- Community Economic Initiatives: Funding in support of community investment that creates economically sustainable communities.

The amount of funding available is subject to annual review by the Board and will vary from year-to-year based on various factors:

Loan/equity investments depend on the amount of funds available in the investment pool, as well as the current make-up of the investment portfolio. The Trust's funding policy sets maximum limits on how much can be invested into companies at various stages of development, both on an individual basis and as a percentage of the total investment pool.

Grant funding is generated from the Trust's income stream and is dependent upon SIDIT's investment returns and operational performance.

Funding Targets:

The following areas are mandated as the primary targets for funding support:

- Agriculture
- Economic development
- Energy
- Forestry
- Mining
- Olympic opportunities
- Pine beetle recovery
- Small business
- Tourism
- Transportation

We emphasize:

- Initiatives that lead to increased commercial activity
- Initiatives that result in sustainable job creation, job preservation, or enhancement
- Initiatives that contribute to the diversification of the economy
- Initiatives that contribute to small community sustainability
- Initiatives that have a regional impact
- Public/private sector partnerships (P3s)

What SIDIT Will Not Fund

The following are not eligible for SIDIT funding. Note that this list is indicative and not necessarily a complete summary of all excluded initiatives:

- Stand-alone feasibility and marketing studies
- Health studies
- Education facilities and infrastructure
- Religious institutions
- Activities which do not comply with local, provincial or federal legislation
- Major sponsorships of events in which SIDIT is not directly involved
- Political donations
- Controversial initiatives with moral, social, religious or public safety concerns
- Projects that primarily fund social initiatives (i.e., community beautification projects, downtown revitalization projects, signs, trails, pedestrian bridges)
- Projects where the primary economic impact is the construction of the project.
- Projects without a clear proposal and management plan or a clear leadership role
- Infrastructure projects that would normally be funded by government (with certain exceptions as outlined in our funding policy guidelines)

VI. Strategic Goals

SIDIT's objective is to maintain the Trust so that it is sustainable, increasing the value of the Trust over time and achieving the Trusts' desired ends within available means.

The Board has established a core strategy, supported by five strategic goals and defined performance targets with metrics that track progress and measure each goal's achievement.

Core Strategy

- Identify and support community development projects and regionally based commercial ventures that match the objectives of the Trust and demonstrate sustainability.
- Maintain the Trust so that it is financially sustainable, providing continual support for economic initiatives for the Southern Interior and increase the social and economic impact of the Trust over time
- Supporting each of SIDIT's five strategic goals are strategies, performance targets and metrics that track progress and measure goal achievement

Strategic Goals

- **Goal 1:** Enhance the Southern Interior economy by promoting greater economic growth, resiliency and diversification.
- **Goal 2:** Preserve existing jobs, stimulate new employment and address skill shortages in the Southern Interior region.
- **Goal 3:** Attract new capital to the Southern Interior region to drive incremental economic development activities.
- **Goal 4:** Increase the value of the investment pool, thereby increasing opportunities to support regionally strategic investments in the Southern Interior.
- **Goal 5:** Create and sustain public awareness of and support for SIDIT's purpose, goals, achievements and successes with a focus on partnership development, collaboration and extending rural reach.

Performance Targets and Metrics:

Performance targets and metrics for each strategic goal assist SIDIT and its stakeholders to measure and assess SIDIT's progress, impact and results. Metrics are selected on the following criteria:

Connection to our goals – reflect our progress in achieving desired outcomes.

Longevity – track impact over time; identify trends and provide information for performance improvement.

Validity – ensure relevant, accurate data to guide decisions and assess impact

Performance Metrics focus on activities, behaviors, and processes necessary to deliver an effective funding system.

Metrics and Goal achievement are reviewed in-depth during the annual Strategic Planning Session, and throughout the year as required to ensure ongoing refinement.

Goal 1

Enhance the Southern Interior economy by promoting greater economic growth, resiliency and diversification.

Strategies:

1. Positively impact each region in the Southern Interior through strategic investments in communities, effective partnerships and by focusing on primary target industries.

Performance Targets and Metrics:

- a) Focus on primary targeted industries measured as cumulative \$ invested per sector.
 - b) Subject to proponent demand, positively impact the economy by investing in each region measured as cumulative number and \$ invested per capita by sub-region.
 - c) Achieve a minimum 2 times leverage of SIDIT \$ funding, measured as the percentage of SIDIT dollars committed vs other investment and project financing approved and committed.
2. Invest in existing enterprises that are seeking to create diversification in their own business by introducing new products; targeting new markets; creating diversification through other means; ensuring successful business transition; or succession to the next generation.

Performance Targets and Metrics:

- a) Approve minimum annual investments of \$7 Million in fiscal 2019
 - b) Achieve cumulative investments of \$68 Million by 2021.
3. Invest in innovation and entrepreneurship and projects that assist individuals to create or expand businesses, develop innovative products, enhance services and utilize technologies.

Performance Targets and Metrics:

- a) Co-invest in Early Stage Seed Funds aligned with SIDIT priorities and eligibility criteria.
- b) Achieve cumulative investment of \$500,000 commencing fiscal 2019.
- c) Achieve a minimum of 4 times leverage of SIDIT \$ invested.
- d) Measure and report impact and outcomes based on investment partners' annual investee reports.

Goal 2

Preserve existing jobs, stimulate new employment and address skill shortages in the Southern Interior region.

Strategies:

1. Invest in new and existing commercial enterprises that will use the infusion of capital to preserve jobs and/or create new jobs.

Performance Targets and Metrics:

- a) Create or preserve 3,250 jobs by 2021 at an annual rate of 250 jobs.
 - b) Measure annual and cumulative impact on job creation and retention as reported by existing and new SIDIT clients in annual reviews and by grant funds recipients in annual impact reports to SIDIT.
 - c) Report impact by industry sector.
2. Invest a percentage of the income of the Fund into educational programs and internships focused on trades, technology and academic programs that address skill shortages and enhance economic growth in the region.

Performance Targets and Metrics:

- a) Achieve cumulative investments of \$6.450 million by 2021.
- b) Approve annual minimum investment of \$250,000 in programs and internships, allocated among SIDIT's partners on the basis of number of students supported, alignment with SIDIT priority industries, impacts on employment and skill shortages.
- c) Ensure SIDIT internship contributions are matched by recipient organizations.
- d) Measure impact through recipient annual performance reporting of program outcomes including: benefits to SIDIT priority target industries and employment; alignment with regional skill shortages; number of students supported and recipient success stories.
- e) Track student graduation rates.

Goal 3

Attract new capital to the Southern Interior region to drive incremental economic development activities.

Strategies:

1. Attract capital into the region and contribute to the economic sustainability of the community by providing grants supporting community economic initiatives.

Performance Targets and Metrics:

- a) Achieve cumulative investments of \$7 Million in support of community economic initiatives by 2021.
 - b) Advance a minimum of \$500,000 annually in grants to community economic initiatives with a priority on projects that enhance access to technology and economic opportunities in smaller and rural communities.
 - c) Measure impact through annual recipient and partner reporting on immediate and on-going project outcomes.
2. Through leverage and partnerships, achieve a multiplier effect through SIDIT loans, equity investments and grants.

Performance Targets and Metrics:

- a) Achieve minimum 4:1 leverage of SIDIT's grant funding defined as an investment of \$4 from sources unrelated to SIDIT for every \$1 invested by SIDIT as verified by third party review of project funding.
- b) Achieve minimum 2:1 leverage of SIDIT's loan and equity investments defined as investment of \$2 from other sources (i.e. private equity/institutional investors/conventional and development lenders) for every \$ invested by SIDIT.
- c) At proponent application and annual review, track project financing from other sources. Report annual and cumulative results.
- d) Leverage partnerships through collaboration on best practices and joint business and community economic development initiatives.
- e) Track and report annually on partnership activities and impact.
- f) Track and report annually on data collected on grants.

Goal 4

Increase the value of the investment pool, thereby increasing opportunities to support regionally strategic investments in the Southern Interior.

Strategies:

1. Prudently manage SIDIT's credit investment risk by establishing and following clear guidelines for assessing lending and investment opportunities and by setting maximum limits of funding at various stages of development and categories of risk. Provide ongoing business mentoring and monitoring to investee companies to enhance their performance and success.

Performance Targets and Metrics:

- a) Balance investment of the fund pool in companies at various stages of development by limiting exposure to the following percentages: 5% at seed stage, 15% early stage, 50% growth stage, 30% mature stage.
 - b) Limit loan size by stage of development to: \$200,000 seed stage, \$500,000 early stage, \$1,000,000 growth, expansion or mature stage.
 - c) Monitor the fund pool risk for balanced investment in specific categories of risk based on loan purpose, proponent's industry sector and operational performance.
 - d) Proactively manage portfolio risk by downgrading risk at the time of material adverse changes, and by appropriate provision for losses.
2. Achieve a return on market investment portfolio (ROI) at or above industry benchmarks. Prudently manage SIDIT's market investment risk by establishing and following investment policy guidelines that set out investment risk tolerance and portfolio structure. Increase the value of the trust over time.

Performance Targets and Metrics:

- a) Engage high-quality investment management professionals to manage the market investment portfolio and achieve target rates of return on investment, established by SIDIT's Board of Directors and specified in SIDIT's investment policy and bylaws.
- b) Annually establish target return on investment.
- c) Report and manage investments on the basis of investment type and risk, benchmarked against industry performance for each category of investment as provided by the professional investment manager.
- d) Report on actual net return achieved vs target ROI and vs industry benchmark performance for each category of investment, as well as the overall portfolio.

Goal 5:

Create and sustain public awareness of and support for SIDIT's purpose, goals, achievements and successes with a focus on partnership development, collaboration and extending rural reach.

Strategies:

1. Focus on collaborative partnership development and extending rural reach.

Performance Targets and Metrics:

- a) Measure and report annually on the extension of SIDIT's profile and community reach including: media profile/hits, community and partner presentations, joint activities, testimonials and success stories
 - b) Support and facilitate Staff, Regional Advisory Committee and Board member presentations and ambassadorship by providing a "toolkit" for use in presenting and promoting SIDIT to community stakeholders.
 - c) Distribute a press release for every SIDIT loan, investment and grant.
2. Deliver customized messages to specific stakeholder group using a variety of communication tools. Target audiences and stakeholders include:

Business Community

- Potential and Existing Investee Companies and Organizations
- Chambers of Commerce/Boards of Trade
- Business/Industry Associations
- Economic Development Agencies
- Tourism Associations
- Professional Service Providers (i.e., lawyers, accountants, bankers)

Lending Partners

- Financial Institutions/Banks/Credit Unions
- Development Lenders and Investors (BDC/CFDC/WEC)
- Federal/Provincial/Institutional Grant Funders
- Private Equity Groups

Educational Partners

- Universities and colleges
- Accredited training schools

Government/Communities

- Municipal Governments
- Regional Advisory Committees
- Community-Based Organizations Involved in Community and/or Economic Development Activities
- First Nations

- The General Public
- Members of the Legislative Assembly
- Senior Ministry officials
- SIDIT Area Members of Parliament

Performance Targets and Metrics:

- a) Share client success stories in all forms of media (print, publications, social media).
- b) Encourage the impact of Staff, Regional Advisory Committee and Board members' presentations and ambassadorship by providing a "toolkit", including video and print materials for use in presenting and promoting SIDIT to stakeholders in their communities.

CONTACT INFORMATION

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