

# **AGM DIRECTORS' REPORT**

**Sept. 16, 2020**

## **Introduction**

Welcome and thank you for attending.

Composition of the board:

- Thank you to board members who are leaving: Marie-Ange Fournier-Beck and Carl Hall.
- Welcome to new board members who join the board by acclimation: Jeff Mattes and Greg Lay. The continuing board members are: Steve Anderson (Village appointee), Neil Johnson (RDCK appointee), Steve Fawcett, Tara Clapp, Graham McKeller, Tom Duschastel, Stephen Neville.
- Thank you to all board members for their contributions

Management:

- Managers: Sabrina Mutterer and Jeff Reyden
- Accounting: Alicia Sergeant

## **Director's Report**

- My report pertains to 2019 but much of what is in my mind, and perhaps yours too, has transpired in 2020. So I will be reviewing 2019 but also talking about a number of things that are currently in progress in 2020.
- Operations: I will let the managers describe what our operational activities were in their management report. I will just say that in 2019 we were actively logging on Cooper Face while we engaged the Community in our wildfire consultations and development planning for the Kaslo Wildfire Corridor in the Wardner/Shutty area.
- Public Outreach: WIFF; many well attended public meetings in planning for fire interface work; on site tours. Thanks to our managers for these initiatives.
- Policy review: In 2019 committees of the board revised and updated a number of our policies including: Director Accountability; Financial Governance; Committees of the Society; Email Decision Making; Financial Management; Investment Policy; Operating Reserve; Contracting Policy.
- Budget considerations: Struggled to create a workable budget, low log prices left us reducing our activities and running a small deficit. Log prices are low again this year so it looks similar but we are currently trending into grant based operations for two reasons:

because there is a growing imperative to safeguard our communities and, at the same time, accessing this funding helps our bottom line. Concern about these budgets led us to undertake a board visioning activity in an attempt to explore new ideas and options.

- Visioning activity: Board members and staff participated in two retreats and this initiative did help the board consider and focus on various options. Two streams of action flowed out of these considerations – a recreation committee has started working on ways of enhancing recreational activities in our tenure area and a second committee is currently exploring the possibility of buying George Brinkman's sawmill.
- BBG: Have been in conversation with George, had a mill tour, currently working on a feasibility study with the support of CBT. Excited about the possibilities but cautious about investing Society money without a careful consideration of the actual implications of such an investment.
- Wildfire Risk Reduction: Our managers will probably say more about our current activities on Wardner face where we are logging to reduce the potential impact of a forest fire in the Kaslo Urban Interface. I just want to make it clear that this work is being done in consultation and cooperation with the community, the fire department, the village and the RDCK.
- **This concludes my Director's Report and I would now be happy to answer any questions you may have.**

## **Financial Report:**

- Before I get into the report I would like to first of all thank Tara Clapp for her considerable, careful and effective work as our treasurer. Tara resigned this position in June (which is why I am make this report) but in her term as our treasurer was instrumental in getting both our books and our financial policies in good order.
- I would also like to acknowledge the very difficult struggle our managers have faced in trying to find a dependable bookkeeper. Circumstances beyond their control have led to a frequent turnover in this position through most of this year which for them has been the cause of much frustration and considerable extra work. Hopefully that situation has now been resolved and settled.
- In a normal year we would make copies of the financial statements available to members at our AGM but that is not convenient to do via zoom. The statements have been, and continue to be, available on line for your information and we encourage you to look at them online if you're interested. I am going to draw your attention to some points in these statements, answer some questions that came to us a few days ago and then answer any questions that may come up tonight. If other questions occur to anyone at a later date feel free to get in touch and we will be happy to answer them.

- Board chose to establish a \$1 000 000 000 “Operating Reserve” which shows up in NET ASSETS pg 2. This table shows our showing a deficit of \$482, 694 but immediately below that you'll see an “Operating Reserve of a million dollars. The deficit is below the bench mark of \$1 million so the assets in our operating fund are actually in the positive at \$517 000. In addition to this we have monies in the Contingency Fund and the Legacy Fund. If we cashed in all Reserves and paid off our Liabilities we would be closer to ~\$680,000.
- If you look at the top of page 3 of the financial report you'll see that in 2018 our logging costs were far lower than they were in 2019 but our logging income was much higher in 2018. This apparent paradox is due to the fact that in 2018 we sold timber by means of a “timber sale” which means the buyer purchases the logs while they are still standing or “on the stump” and then they incur the logging and trucking costs. It is also important to understand that log prices were at an all time high in 2018 and we logged 6500 cubic meters more in that year which accounts for the high profits achieved in that year. 2019 was a much leaner year.
- Many of you are aware that we have identified a “silvicultural deficit” which means that over the past number of years the money put aside to meet our anticipated reforestation obligations was not adequate. We are presently setting aside money for silviculture at a rate of \$8 for every cubic meter of wood we cut which we assessed to be adequate. The nature of the reforestation work being done at this time is costing less than \$8 per meter so the net effect is, for the time being, a gradual reduction of the silviculture account deficit. This is good news.

Now let me address some questions that came to us in advance of this meeting and I'll start by thanking Andy Shadrack for asking the questions. Andy asks:

Q: To which account is the deferred contribution owed, under Current Liabilities, and are there any other amounts owing to other "contribution" accounts, such as for road building or enhanced silviculture, due to a shortfall in revenue?

A: Deferred contribution was allocated by the accountant. This is the \$5,000 CBT grant which was received in 2019 towards Business Planning and will be used in 2020. It has been transferred out of deferred and into current grants in 2020 books.

Q: Under "Net Assets" what are "operating funds" and "contingency funds" being set aside for?

Contingency Fund as defined in the 2019 Policy Manual:

**Purpose:** *To ensure that there is, at all times, an adequate reserve of funds to deal with any physical emergency situation that was not foreseen and provided for within the annual budget. Such situations could include but are not limited to events like: damage to a domestic water system caused by Community Forest activities; damage to infrastructure – roads, bridges, culverts etc. - caused by weather events; a fire that threatens Community Forest resources etc.*

Operating Reserve as defined in the 2019 Policy Manual:

*Purpose: to ensure that the KDCFS has the financial stability and autonomy to ensure that the KDCFS has the reserve funds available to survive operational setbacks, potential shutdowns, silvicultural obligations (if silviculture reserve is depleted), and to make the best decisions for land health, community, and long term forest income. The Operating Reserve shall also be used to identify funds that are available for non-operational expenses*

Q: The deficit in the "General" fund account has grown by \$35,055 in 2019 to just under half a \$ million. Is there an upper limit beyond which management and the board will not allow this deficit to grow, and can you give any time frame by which you hope to reduce this deficit in 2020/21 or beyond?

A: We introduced the \$1M Operations Reserve in the spring of 2019 as an internal restriction on operating accounts. This has changed the General Fund into a position of 'unrestricted funds' limiting spending. See Operations Reserve in Policy Manual. Compare right side of the table Net Assets 2018 vs 2019.

Q: What grants did we apply for and are we keeping up with necessary fire smarting in and around Kaslo, and is there an opportunity to collaborate with the Village of Kaslo and RDCK Area D on fire smarting as a means to share the cost burden?

A: RDCK and Village have their own funding stream that they can apply for to assist with fire smarting our community. We can access grant monies through a different stream. Our grants come through the WRR – wildfire risk reduction – program which is administered by the Ministry of Forests and BC Wildfire Service and applies to licensed crown land as opposed to municipal or regional district land.

With the monies we've been able to access we are currently putting into effect a landscape level fire plan which we have designed with a five year outlook to lower fire risk in forest land adjacent to populated structures next to our license area. This crown land is identified as high risk by the BC Wildfire Service Provincial Analysis and lies from Bjerkness Cr to Cooper Cr. We encourage the Village and Regional District to also apply for monies and we'd be delighted to cooperate with them in activities around the village and rural properties to enhance safety for all. FES Wildfire Risk Reduction - \$280,000 was obtained for work being done this summer and fall – 2020.

Q: Under Revenue, income was down by nearly \$700,000 in 2019 compared to 2018. Are there any plans to increase revenue in 2020/21 and what if any plans are there to use enhanced silviculture techniques to improve long term forest revenues? Are there any niche markets that we should consider trying such as poles, for example, or specialty furniture, or charging for removal of firewood?

A: This difference in Income relates to bookkeeping records showing a Timber Sale (2018) versus In-house logging (2019). Also log prices in 2018 were at an all-time high and we logged 6500m<sup>3</sup> more in 2018. Also, in 2019 the Board made a conscious decision to not liquidate resources for a poor return.

Q: Under Expenditures what were the professional fees, public relations and special projects fees for?

A: Special projects is Community Wildfire projects

Professional fees are for specialized consultant firms that were hired throughout the year, such as First Nations and Geotechnical Assessments.

Public relations covers advertisements released so Pennywise/Valley Voice, recreation assistance, tours such as Forest Week and Open House, events such as Winter in the Forest, Public presentations by experts on Wildfire and Climate Change. Also any time spent on these by management **although most public relations time is graciously donated.**

Q: Do you anticipate a deficit in 2020 and has Covid-19 impacted operations, and if yes, has management and the board applied for any federal or provincial government financial assistance?

A: Yes we anticipate a deficit in 2020 Covid has had an impact on lumber market and that unavoidably affects our operations. We are considered an essential service and with the grants we have been able to access we have been able to provide some employment locally. Not aware of any assistance we are eligible for, have continued operations as expected for the most part.

**This concludes my Financial Report and I would now be happy to answer any questions.**