

**IMPACTING**  
OUR COMMUNITIES,  
BUSINESSES AND REGION.

annual report  
2012 / 2013

# ICET BY THE NUMBERS

**40+** communities with ICET projects



**38%** projects in small (less than 5000) communities



**68** projects completed



**96**

economic infrastructure projects



**\$46.9** million committed

**\$261** million leveraged into the region



**\$40.7** million disbursed



**4.5**

dollars leveraged for every ICET dollar invested

+ ICET =



**2165** post completion jobs created<sup>1</sup>



**2500**

person years employment created (construction phase)

**\$9.4**

million annual provincial government revenue generated<sup>2</sup>

**50**

locally elected officials and MLAs working together



<sup>1</sup> Includes estimated direct, indirect and induced jobs in BC after project completion and several years of operation, meaning that some of these jobs have yet to be realized as some projects are still in the development phase. Based on analysis of projects accounting for 54% of approved funding and extrapolated to other projects.

<sup>2</sup> Same note as above but for provincial revenue.

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“We are most appreciative of the funding provided to

## CREATE OPPORTUNITIES

for new and sustainable economic growth in coastal communities. The diligent management and distribution of ICET funds indicate a clear understanding of the economic realities and challenges in our areas.”

Mayor David Formosa, City of Powell River



## ABOUT THE ISLAND COASTAL ECONOMIC TRUST

The \$50 million Island Coastal Economic Trust (ICET) was created by the Government of BC in 2006 to support economic development initiatives on central and northern Vancouver Island and the Sunshine Coast.

ICET funds community-driven economic development initiatives in targeted sectors to spark new and sustainable regional economic growth and diversification. These key sectors include: forestry, transportation, tourism, mining, small business, energy, agriculture and aquaculture, and economic development.

ICET is guided by a Board of Directors and two Regional Advisory Committees (RACs) which include more than 50 locally elected officials and MLAs and five appointees. This exceptional team of leaders collaborates to set regional priorities and build vital multi-regional networks.

The specific region where the Trust may invest is shown on the map at right and can be viewed in detail on the Trust's web page at [www.islandcoastaltrust.ca](http://www.islandcoastaltrust.ca)

"In our experience, ICET has consistently and successfully combined both

# VISION AND IMPLEMENTATION TO DRIVE POSITIVE CHANGE

in the people, places and projects across the coast."

Jonathan Lok,  
Strategic Natural Resource Consultants Inc.

## North Island Coast Development Initiative Trust Regions

- Central South Island
- North Island - Sunshine Coast
- Other



### Regional Districts in Trust Regions:

- ACRD – Alberni Clayoquot Regional District
- CVRD – Comox Valley Regional District
- CoVRD – Cowichan Valley Regional District
- MWRD – Mount Waddington Regional District
- NRD – Nanaimo Regional District
- PRRD – Powell River Regional District
- SCRd – Sunshine Coast Regional District
- SRD – Strathcona Regional District

# STRATEGIC OBJECTIVES

1

**LEVERAGE** economic development and diversification investment in the ICET region

2

**INVEST** in the development of key economic development infrastructure

3

**IMPROVE** the environment required for increased investment attraction and job creation

4

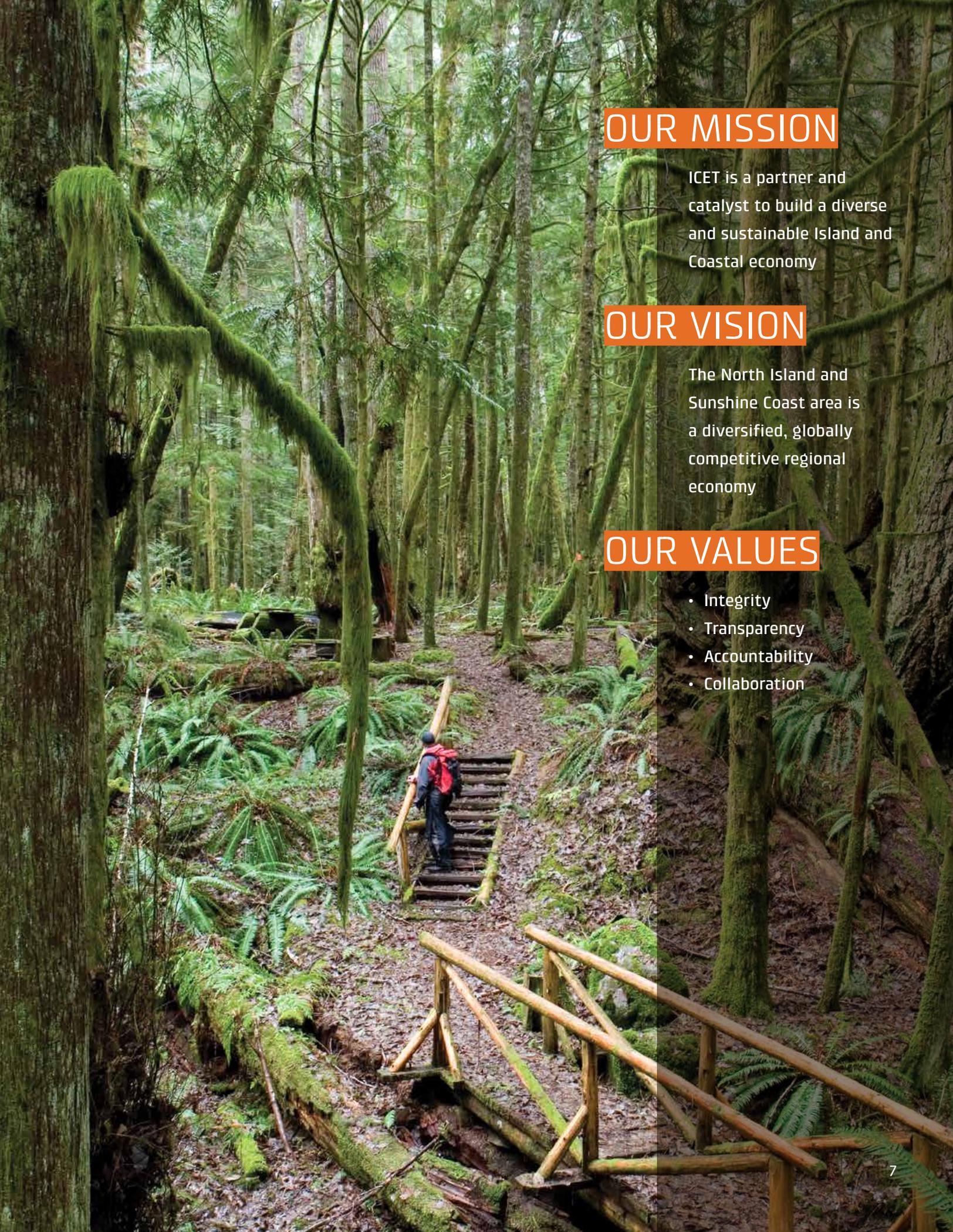
**ADVANCE** regional collaboration and planning

5

**MAXIMIZE** the impact of Trust resources through increased efficiency, accountability and implementation of best practices

Left: Nanaimo Visitor Centre | Center: Vancouver Island Discovery Centre | Right: Sunshine Coast Trail



A lush, moss-covered forest with a wooden staircase and a hiker. The forest is dense with tall, thin trees and a thick carpet of ferns and moss on the ground. A wooden staircase made of logs leads up a hillside. A hiker with a red backpack is walking up the stairs. The overall atmosphere is serene and natural.

## OUR MISSION

ICET is a partner and catalyst to build a diverse and sustainable Island and Coastal economy

## OUR VISION

The North Island and Sunshine Coast area is a diversified, globally competitive regional economy

## OUR VALUES

- Integrity
- Transparency
- Accountability
- Collaboration

# MESSAGE FROM THE CHAIR AND CEO

In the past seven years ICET has clearly demonstrated that it is a catalyst for change: total investments and commitments of \$47 million dollars in over 40 communities have leveraged more than \$260 million dollars into the region. In the past year alone we have disbursed \$8.6 million throughout the region.

Our organization is proud to have delivered on the expectations the Province expressed when we were created – to see the funds invested as soon as possible in key regional initiatives. We have delivered on our commitment by providing funding for much-needed economic infrastructure projects that are yielding jobs for residents, cash revenue and opportunities for industry and business, and tax revenue for local, provincial and federal governments. We are pleased to report on some of these cumulative and comparative results in this report.

ICET's investments in key pieces of regional infrastructure are now demonstrating their catalytic impact on communities and business. Given ICET's geographic situation, natural assets and transportation challenges, it is no surprise that many of its first major investments were related to harbours, transportation and tourism. For that reason, we have chosen to highlight a few of these "typical" projects and their impact on communities, business and industry.

The global economy continues to challenge our region, with the loss of high income employment in sawmills, pulp and paper and forestry supply companies and the slow emergence of other high-paying alternatives. In the recent climate of global caution and uncertainty, there are fewer large public and private capital projects and investments. Despite this, there is reason for optimism and pockets of good news in the forestry, professional services, agri-food and aquaculture sectors, as well as recent positive developments with Asia Pacific Gateway, mining and Liquid Natural Gas (LNG) opportunities in the region.

ICET's biggest internal challenge for the coming year is the recapitalization of the fund. The ICET region is a vibrant and important piece of the BC economy and must continue to pursue economic growth and diversification in order to support the Province's economic objectives. Our Board, RACs and stakeholders agree that this is a priority, and a business case for recapitalization has been submitted to the provincial government. Despite this financial uncertainty, our Board is moving forward with a vision of renewal and future possibility. The launch early this year of a new Economic Development Readiness program has been met with great enthusiasm by our communities and is already yielding benefits that have exceeded expectations.



Mayor Phil Kent  
Chair



Line Robert  
Chief Executive Officer



# WHO WE ARE

ICET's governance structure is defined in its legislation, the North Island Coast Initiative Development Trust Act. This arm's length decision-making model mandates two regional advisory committees made up of local government representatives and MLAs who function as Board Advisors. The Board of Directors is the final decision-making voice for the organization, providing all final decisions on project approval, strategic planning and operations oversight. The Board usually meets ten to twelve times per year and the Regional Advisory Committees (RACs) three to four times per year.

## Board of Directors

ICET is governed by a Board of Directors consisting of 13 Directors, eight of whom are appointed by two Regional Advisory Committees (RACs), representing the Central South Island Region and the North Island – Sunshine Coast Region. The remaining five Directors are appointed by BC's Lieutenant Governor in Council.

The Board incorporates best practices into its governance procedures as guided by the Best Practices Guidelines on Governance and Disclosure for Public Sector Organizations.

The Board includes representatives from diverse areas in the ICET region, from its largest community to its smallest, as well as from other urban, rural and remote areas. This diverse Board, complemented by the specific expertise of the provincial appointees, brings an exceptional skill set and wide-ranging perspectives to the table at each monthly meeting.

## Staff

Since its inception ICET's philosophy has been to favour a cost-effective and responsive approach to regional funding delivery. The core staffing model is lean, comprised of a Chief Executive Officer, a Project and Corporate Administrator and an administrative support position. Finances and investments are managed by a contract Chief Financial Officer and team of accounting and financial professionals. Additional consultants are used for due diligence, communications and other specialized duties on an as-needed basis to provide ICET with the high level expertise needed for the diverse nature of its work.

This past year saw some key leadership changes in the organization. Al Baronas, ICET's first CEO, retired in July 2012. Succession was assured by the organization's Project Manager and Acting CEO, Line Robert, ensuring continuity in vision and operations. In early 2013 Donna Cloutier and her team of accounting professionals assumed the financial management duties of the organization.

This past year the terms of four provincially appointed Directors came to an end. The province appointed Kevin Tevington to replace Bob Bennie, who had been with the organization since its inception. The three other provincially appointed directors – Camela Tang, Dallas Smith and Dave Mannix – were reappointed for an additional three years.

## Regional Advisory Committees

The ICET Board is advised by two Regional Advisory Committees comprised of the mayors, Regional District Chairs and Members of the Legislative Assembly from the region. Regional advisory committees meet three or four times a year to review funding applications to the Trust and provide advice to the Board on strategic issues. The Chairs from each of the RACs attend Board meetings as ex officio members.

The Regional Advisory Committees play a key role in ICET's operations. Their regional knowledge and ground-truth perspective assist the Board in better understanding project proposals and making decisions based on fact. The RACs also bring the region's voice to the table in the development of strategy and policy, ensuring, that no community is left unheard.

Two new members, Cindy Solda, Chair of the Alberni Clayoquot Regional District, and Dave Rushton, Chair of the Mt Waddington Regional District – joined the North Island-Sunshine Coast Regional Advisory Committee as a result of the sudden passing of Glenn Wong and Al Huddleston. A third new member, Mayor Josie Osborne of Tofino, replaces former Mayor Perry Schmunk.

## Board of Directors



**Mayor Phil Kent**  
Duncan – Board Chair



**Camela Tang**  
Provincial Appointee  
– Vice Chair



**Mayor Gerry Furney**  
Port McNeill – Board  
Treasurer



**Mayor Bev Parnham**  
Port Hardy,  
Board Secretary



**Dallas Smith**  
Provincial Appointee  
Member at Large



**Kevin Tevington**  
Provincial Appointee



**Mayor John Henderson**  
Sechelt



**Mayor Rob Hutchins**  
Ladysmith



**Mayor Edward Lewis**  
Zeballos



**Dave Mannix**  
Provincial Appointee



**Arlette Raen**  
Provincial Appointee



**Mayor John Ruttan**  
Nanaimo



**Joe Stanhope**  
Chair, Nanaimo  
Regional District



**Mayor Teunis Westbroek**  
Qualicum Beach  
NISCRCAC Chair, Ex-officio



**Gerry Giles**  
Cowichan Valley Regional District –  
CSIRAC Chair, Ex-officio

## North Island-Sunshine Coast Regional Advisory Committee Members

**Mayor Teunis Westbroek**  
Qualicum Beach – RAC  
Chair

**Mayor Paul Ives**  
Comox – RAC Vice-Chair

**Mayor Jan Allen**  
Port Alice

**Mayor Craig Anderson**  
Gold River

**Mayor Leslie Baird**  
Cumberland

**Mayor Michael Berry**  
Alert Bay

**Mayor John Douglas**  
Port Alberni

**Gary Feschuk**  
Chief Councillor,  
Sechelt Indian  
Government District

**Mayor Dave Formosa**  
Powell River

**Scott Fraser, MLA**  
Alberni-Qualicum

**Mayor Gerry Furney**  
Port McNeill

**Edwin Grieve**  
Chair, Comox Valley  
Regional District

**Mayor John Henderson**  
Sechelt

**Al Huddlestan**  
Chair, Mt.Waddington  
Regional District (passed  
away March 2013)

**Dave Rushton**  
Chair, Mt. Waddington  
Regional District

**Mayor Bill Irving**  
Ucluelet

**Mayor Walter Jakeway**  
Campbell River

**Mayor Larry Jangula**  
Courtenay

**Mayor Edward Lewis**  
Zeballos, and Chair,  
Strathcona Regional  
District

**Mayor John MacDonald**  
Sayward

**Honourable Don McRae,  
MLA**  
Comox Valley

**Garry Nohr**  
Chair, Sunshine Coast  
Regional District

**Colin Palmer**  
Chair, Powell River  
Regional District

**Mayor Bev Parnham**  
Port Hardy

**Mayor Wayne Rowe**  
Gibsons

**Mayor Perry Schmunk**  
Tofino (resigned)

**Mayor Josie Osborne**  
Tofino

**Mayor Jude Schooner**  
Tahsis

**Nicholas Simons, MLA**  
Powell River-Sunshine  
Coast

**Claire Trevena, MLA**  
North Island

**Glenn Wong,**  
Chair, Alberni-Clayoquot  
Regional District (passed  
away September 2012)

**Cindy Solda**  
Chair, Alberni-Clayoquot  
Regional District

## Central South Island Regional Advisory Committee Members

**Gerry Giles**  
Chair, Cowichan Valley  
Regional District

**Joe Stanhope, Chair**  
Nanaimo Regional District  
– RAC Vice-Chair

**Mayor Chris Burger**  
Parksville

**Ron Cantelon, MLA**  
Parksville-Qualicum

**Mayor Jack deJong**  
Lantzville

**Mayor Ross Forrest**  
Lake Cowichan

**George Holme,**  
Director Area “E”, Regional  
District of Nanaimo

**Mayor Rob Hutchins**  
Ladysmith

**Mayor Phil Kent**  
Duncan

**Leonard Krog, MLA**  
Nanaimo

**Mayor John Lefebvre**  
North Cowichan

**Bill Routley, MLA**  
Cowichan Valley

**Doug Routley, MLA**  
Nanaimo-North Cowichan

**Mayor John Ruttan**  
Nanaimo

## Key Staff and Contractors

**Line Robert**  
Chief Executive Officer

**Denice Regnier**  
Project and Corporate Administrator

**Donna Cloutier**  
Chief Financial Officer

**Jamie Vann Struth**  
Consulting Economist

# WHAT WE DO

ICET's mission is to be a partner and catalyst to build a diverse and sustainable Island and Coastal economy. This mission is primarily achieved through strategic investments in key economic sectors, leveraging new funding and investment to the region, improving community economic development readiness and fostering regional collaboration and planning. Guided by its governing legislation, ICET invests its funds in projects that enhance the region's competitive position in eight key sectors: forestry, transportation, tourism, mining, small business, energy, agriculture and aquaculture and economic development.

## GRANT PROGRAMS

ICET invests its funds primarily through two grant programs.

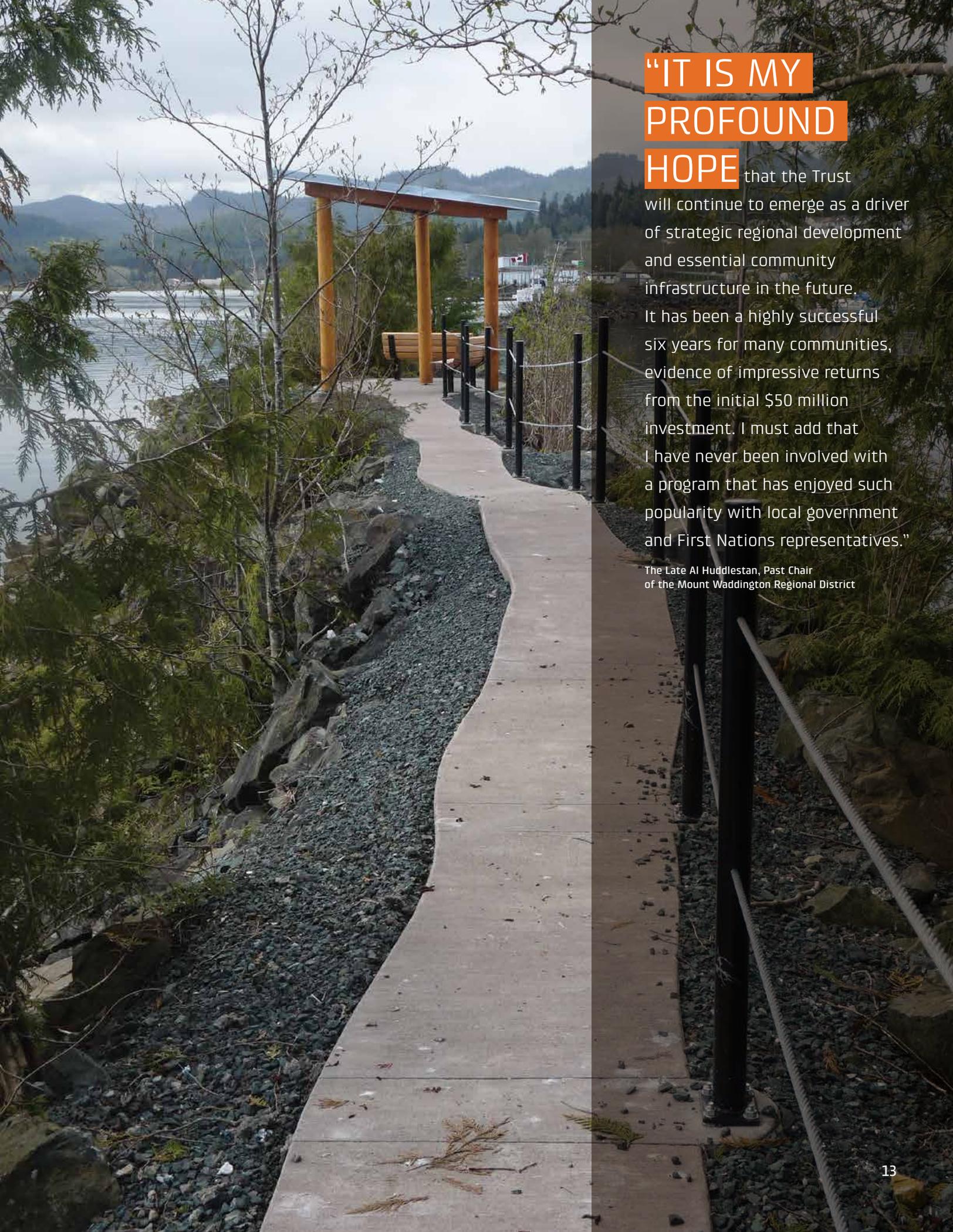
### ECONOMIC INFRASTRUCTURE PROGRAM

The Economic Infrastructure Program supports the development of a wide range of economic diversification infrastructure projects in targeted sectors, with non-repayable matching contributions up to a maximum of \$400,000. This program is designed to enable communities, non-profits, First Nations and other eligible applicants to develop projects and build needed infrastructure to support strategic economic development initiatives.

One of the highlights of this infrastructure funding program is its matching funding criteria. To adjust for variations in economic vitality between communities applying for funding, ICET relies upon a sliding scale matching funding criteria. Communities with significant economic challenges, such as remote rural resource-dependent applicants, are eligible for 1:1 funding (up to 50%). In smaller but thriving communities, applicants can access up to 1:2 funding (33.3%); for fast-growing and less resource-reliant communities, applicants must provide three times the ICET contribution (1:3).

**Below:** Workers load into helicopter to leave job site. **Right:** Port Hardy Seine Float and Area Improvement Project





# “IT IS MY PROFOUND HOPE

that the Trust will continue to emerge as a driver of strategic regional development and essential community infrastructure in the future. It has been a highly successful six years for many communities, evidence of impressive returns from the initial \$50 million investment. I must add that I have never been involved with a program that has enjoyed such popularity with local government and First Nations representatives.”

The Late Al Huddleston, Past Chair  
of the Mount Waddington Regional District



“ICET plays a critical role in both First Nations and non-First Nations communities. It promotes

## IMPORTANT SYNERGIES

between our communities such as the important relationship between Nuchatlaht and Zeballos where one of our many mutual goals is to increase tourism to the region.”

Tyee Ha'wilth, Walter Michael,  
Nuchatlaht Chief

The ICET grant application process consists of two main stages. The Stage One process determines eligibility and the Stage Two process provides more detailed information.

In early 2013, a one-step application process was launched to simplify and accelerate the project investment process for smaller projects of \$50,000 or less.

### **ECONOMIC DEVELOPMENT READINESS PROGRAM**

This program supports the growth of economic development readiness in communities by providing non-repayable matching funding. Funding may be used to develop economic development tools, economic strategies, regional marketing and investment attraction initiatives or for other activities focused on investment attraction and economic growth.

Eligible applicants including local governments, non-profit economic development organizations, First Nations and other regional or sectoral organizations may apply for up to 50% of total project costs to a maximum of \$30,000. The application process is designed to be time-sensitive and to provide applicants with a final decision within 60 days of receiving a completed application.

### **SPONSORSHIPS AND PARTNERSHIPS**

In addition to the core Grant Programs, ICET provides sponsorship funding for a few select regional or provincial events, provided they are held in its region and promote economic development or one of ICET's mandated sectors. ICET also initiates and collaborates on select partnership initiatives such as sectoral studies and regional economic development networking opportunities.

## **STAKEHOLDER AND FUNDING PARTNER RELATIONS**

ICET is involved in developing meaningful relationships throughout the region. The Trust engages with stakeholders in a variety of ways, guided by its core business needs, vision, mission and values and the needs of our stakeholders. These stakeholders each have an important role to play in our consultation and decision-making processes to ensure that our programs and decisions meet the needs of the region.

ICET's stakeholders and partners include organizations such as:

- Government of British Columbia
- First Nations
- Municipal Governments
- Federal Government
- Community and Regional Economic Development Organizations
- Industry and Sectoral Organizations
- Business Organizations
- Post Secondary Institutions
- Community Organizations
- Funding Organizations

"NISCRAC meetings are very popular with our members, and usually have close to perfect attendance. The forum provides us all with the opportunity to

**LEARN FROM  
EACH OTHER**

and work together to build our regional economy."

Mayor Teunis Westbroek,  
Town of Qualicum Beach and NISCRAC Chair



## OPERATIONAL RISK MANAGEMENT

ICET applies a variety of tools to ensure the sound management of its funds and incorporates risk management into its operational activities. These management practices have a positive influence on decision-making, accountability and transparency. Some of ICET's key operational risk management practices include the following:

### GRANT PROGRAMS, DUE DILIGENCE PROCESS AND PROJECT MONITORING

ICET has a thorough due diligence process and a number of protocols and systems in place to minimize the risks inherent to grant funding. There are established detailed selection criteria in place for each grant program to help guide the decision-making process. Once a project is approved, strict conditions provide ICET with assurance that the applicant has all of the requirements needed to ensure successful project completion.

The monitoring of grant contributions is an ongoing function of ICET staff, to ensure that funds are used effectively to attain expected results. Grant recipients are required to provide financial and operational reports addressing project progress on a quarterly basis. Upon project completion they are required to provide a full performance report and a financial statement. The final portion of funding is held back to ensure that projects are completed as planned and all final reports have been submitted and approved.

### DATA MANAGEMENT

ICET's project data is tracked and maintained in custom-designed databases. Information is managed centrally from the initial receipt of an application through the approval process. This centralized data management enables instantaneous updates of the status of ICET funds, and ensures data is current by cross-checking summary totals. The central database model also allows the regular performance measurement analysis of funding allocations, such as those found in this report. This performance analysis is done by a consulting economist to ensure that all economic analysis is consistent with accepted methodologies.

### FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY

ICET is committed to protecting the privacy of people whose personal information it holds. Any personal information provided to ICET is collected, used and disclosed in accordance with the Freedom of Information and Protection of Privacy Act. Security measures have been integrated into the design, implementation and day-to-day operating practices. All ICET documents and digital files containing personal information are securely stored in accordance with Freedom of Information and Protection of Privacy Act requirements.

ICET supports and encourages the routine disclosure of information in many ways. The ICET website, Annual Reports and Financial Statements, Strategic Plans, press releases, project completion reports and other reports are all good sources of information about ICET's operations, governance, program initiatives and activities. Information that is unavailable through these channels may be accessed according to the provisions of the Freedom of Information and Protection of Privacy Act.

Note: Financial Risk Management is discussed in the Management Discussion and Analysis section as well as in the audited financial statements.



Above: Wild Pacific Trail Expansion

## ENVIRONMENTAL SCAN

ICET operates in a dynamic economic and political environment which is highly influenced by external forces. These external forces have direct and indirect impacts on ICET operations and strategic priorities.

### ECONOMIC AND POLITICAL FORCES

The ICET region continued to face economic challenges in 2012 as the recovery from the 2008-2009 recession stalled and even moved backward in some areas. There are bright spots and reasons for optimism but the region is lacking some of the major employment opportunities on the horizon for other regions of the province, particularly northern BC.

The largest decline in employment over the last decade is in manufacturing, followed by tourism-related accommodation and food services and resource industries (including forestry and fishing). Average employment incomes in the ICET region are lower than in all other regions of the province, and the average real employment income in the region has been declining as the other regions have experienced growth. This is largely the result of the declining fortunes of key island industries like forestry and the resulting loss of high income employment in sawmills, pulp and paper, and forestry supply companies, and the slow emergence of other high paying alternatives.

There are also some positive trends and opportunities. The forest sector is recovering due to growth in exports to Asia and a greater focus on specialty products with higher value. Further growth is expected as the US housing market recovers. Agriculture and related food processing is also a growth industry due to the rising interest in locally grown food and the potential for higher value agricultural and seafood processing. Demand from Asia and other markets for certain seafood products currently exceeds the region's existing supply capacity. Growth in the education sector is also a positive sign. Some of the higher value services sectors, such as professional, scientific and technical services, should



rebound as activity increases in larger centres and as a result of the attraction of skilled professionals and businesses due to the region's quality of life.

While mining is not as prominent in the ICET region as in other areas of the province, exploration continues on northern Vancouver Island and there are some mining development proposals which could be realized in the longer term. The recently completed GeoScience BC and ICET collaborative exploration project has already yielded some promising staking by a multinational corporation. Further private sector follow-up exploration in the region is expected to yield benefits and opportunities for Campbell River and North Island businesses and service providers in the next few years.

Some significant new opportunities related to the Asia Pacific Gateway and liquefied natural gas (LNG) have emerged in recent months. These include potential trans-shipment initiatives in Nanaimo and Port Alberni as well as private sector interest in the development of an LNG processing facility at the old Catalyst pulp mill site in Campbell River.

The key to reversing the declining income and employment trends in the coming years will be to continue to encourage growth in new high value industries like professional services and technology. At the same time, there must be support for higher value economic activity within the existing dominant sectors in the regional economy, for example through continued growth in specialized forest and food products.

## IMPACT ON ICET OPERATIONS

Recovery from the global recession of 2008-09 has been uneven in most major economies. Stimulus spending by the federal and provincial governments intended to soften the recession is now largely exhausted as both governments take steps to return to balanced budgets. This fiscal tightening is shrinking the available pool of matching government funding sources. Challenging economic conditions in the region are reducing contributions to projects, and tempering the optimism and economic certainty required to move certain larger projects forward.

While the number of projects approved in 2012-2013 is similar to previous years, projects moving forward are smaller in scope, with the primary matching funding sources coming from community and non-government sources of funding. Most of these projects are coming from ICET's most economically challenged communities which benefit from a more favorable matching ratio of 1:1 and 1:2. This results in less funding leveraged than during the recent federal stimulus funding period when larger projects from thriving communities with a 1:3 matching ratio were approved. However, while total leveraging may have decreased, ICET's role as a key player and tipping point in projects is increasing. In many projects, ICET is the only major source of funding outside of applicant and community resources.



## INTERNAL FORCES

While ICET has seen some changes in its Regional Advisory Committee, Board and staff composition during the past year, these have not affected the organization's stability and direction. ICET has completed a review of its programs and operations and prepared a framework for the next three to five years, including a business case for additional funding. This direction includes new programs and initiatives but remains committed to ICET's proven funding delivery model.

One of these changes is the new Economic Development Readiness Program. Early results of this program's implementation indicate an immediate catalytic effect on the region.

In the past three years ICET has been involved in four separate review and audit processes, three of which were conducted by third parties. The past year marked the conclusion and publication of the results of all of the third party reviews. The positive nature of the reviews meant that no important changes to ICET operations were required; ICET has successfully implemented all of the key recommendations of the Auditor General and government. A letter from Minister Bell summarizes the results of the four reviews and concludes that ICET's direction and programs are having the desired catalytic effect on the region's economy.

The most significant internal challenge facing ICET in the past year has been the inability to effectively plan for the medium and long term, given the uncertainty regarding future funding. Fund recapitalization has once again been set as an urgent priority for the coming year.

## FUTURE OUTLOOK

The ICET Board is moving forward with optimism and implementing the new programs and tools which the region needs to respond and adapt to the changing economic climate, within its ability to do so with remaining funds.

The region is beginning to show signs of increased economic activity and project investments are yielding dividends. Many exciting new initiatives are being developed in some of ICET's more economically challenged communities, creating a new sense of progress, momentum and optimism. More new programs and initiatives have been planned for the ICET region in order to take full advantage of these economic opportunities and build on the success of previous projects. However, these will require additional capitalization in order to proceed.

# PERFORMANCE RESULTS

## STRATEGIC FRAMEWORK

Through the delivery of its flexible grant programs, ICET acts as a catalyst or enabler for community and regionally led economic development programs and activities which advance ICET's objective to build a diverse and sustainable Island and Coast economy.

Every year ICET's programs are reassessed and fine-tuned to respond to the changing economy, lessons learned and the funding environment. At its annual Strategic Planning session, ICET develops a series of annual priorities as part of a three year Strategic Plan in order to focus its direction for the coming year, hone its core program, respond to external and internal opportunities or threats, and develop new initiatives as needed.

## PERFORMANCE MEASUREMENT

ICET's approach at its inception was to invest the initial funding of \$50 million into economic development projects with a focus to maximize investment and minimize administrative structure and costs.

ICET uses a variety of robust performance measures to assess its performance. Given the unique structure of the organization and the progressive and cumulative nature of economic development project benefits, a combination of quantitative and qualitative measurements is used. ICET does not function on an annual funding cycle, but rather draws down from an endowment; consequently performance should be measured in the context of the investments made since inception, and not limited to annual performance. Given the nature of the fund, the organization may approve more or fewer projects in any given year due to a wide range of external factors such as the quality of submissions, the economic context, and limited or plentiful sources of matching funding. There are few annual funding limits to ensure that only the best projects are approved and communities have access to funding when they need it.

Also, ICET uses a number of assessment criteria which consider both the short term and long term impacts of projects within the specific community or regional context. ICET has remained focused on its mission to be a catalyst, knowing and understanding that the catalytic effect is difficult to measure. As an enabler ICET can help to address outcomes such as regional economic advantages, increased or safeguarded employment, increased or maintained incomes and economic diversification, but these types of outcomes cannot always be accurately

measured for individual projects. Certain projects may not show strong attribution at the direct outcome level. However, at the aggregate level, groupings of projects may demonstrate strong attribution, as demonstrated in the Port Hardy case study. Also, the gestation period for certain projects may require several years before demonstrating results.

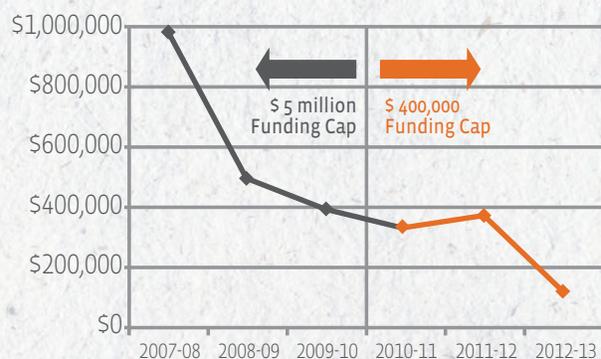
The performance measures presented in this report have been chosen for their probative value to the reader. All efforts have been made to provide measures which are transparent and to offer comparative data, enabling the reader to assess ICET's performance from a holistic perspective.

## PERFORMANCE HIGHLIGHTS

In the 2012-2013 year, ICET continued to focus on its core business, economic development and diversification projects, in addition to the development of a new focus on economic development readiness.

In the past year, ICET approved 12 new Economic Infrastructure Program projects, representing a total investment of \$1.2 million for project budgets totalling \$4.8 million. While the total number of new projects is similar to previous years, the total value of ICET investments and average project value is reduced. This is the result of an uncertain economic climate with few large infrastructure projects and few sources of matching funding available, which has resulted in smaller budget projects. ICET also instituted a per-project funding cap of \$400,000 in November 2010 which has contributed to a lower average funding level in the last few years.

### AVERAGE ICET FUNDING PER PROJECT



NOTE: Historic data may not match previous ICET annual reports due to the reclassification of projects after initial approval. For example, approved projects may not meet all subsequent conditions to receive funding and be retro-actively rejected. Final project reports may also identify additional matching funding.

The marginal impact of the Nanaimo Airport expansion, so far, is

**116 JOBS AND  
\$13 MILLION**

in economic output.



**CASE  
STUDY**

**IMPACT ON REGION:  
NANAIMO AIRPORT EXPANSION PROJECT**

The Nanaimo Airport Expansion project involved the lengthening of the runway to accommodate larger passenger jets, landing reliability equipment upgrades as well as terminal upgrades. The project's purpose was to provide superior linkages between the burgeoning Nanaimo and mid-Island markets and the world. As the second largest population centre on Vancouver Island, the Nanaimo area was believed to have significant untapped potential for increased air travel with minimal impact on the region's other airports.

The airport has enjoyed record-setting growth since the project was completed. Passenger traffic records increased every month of 2012 to culminate in a total yearly increase of more than 10%. These 2012 increases have been driven in large part by the much-improved reliability of the airport, which has increased to 99+% on an annual basis.

The airport improvements provided the foundation required to attract the new WestJet carrier Encore to the airport. This new service has opened a new transportation corridor with direct

service to Calgary and connecting service to other destinations across Canada and the US. The direct link to Alberta is expected to create significant investment and resident attraction opportunities for the entire region.

In 2013, passenger statistics are again up significantly with a year to date increase (June 2013) of 8.8% and this is expected to rise again due to the new carrier operations. June 2013 passenger numbers, with only 7 days of the carrier operations, have increased by 18.3%.

Prior to the expansion project it was estimated the airport supported 584 jobs in the mid-Island region and \$41 million in direct and indirect economic output. These figures are estimated to have increased to 700 jobs and \$54 million in economic output in 2012 and are expected to rise significantly in 2013.

The Nanaimo Airport Commission is continuing to work with air carriers to increase the number of daily flights to Vancouver and to establish direct service to other destinations. Discussions are underway to secure new airport tenants. These new businesses are expected to be added within 18-24 months.

Almost half of this project funding was distributed to communities with the greatest economic challenges and almost two thirds of the funding went to communities with fewer than 5,000 residents.

In 2012-2013 ICET disbursed \$8.6 million to projects underway and saw several of its large infrastructure projects reach completion. Total fund disbursements and commitments to date have reached \$46.9 million and represent an estimated 2,100 new jobs, or 4.9 jobs per \$100,000 investment.

A new Economic Development Readiness program was launched in January of 2013. Interest in the new program has been high and early success can be measured by the number of communities that have undertaken the development of new economic development functions and partnerships only weeks after the program's soft launch.

In addition, ICET continued to partner with other economic development organizations by providing sponsorship for regional events. In keeping with ICET's philosophy of a collaborative approach to project development, staff has continued to support applicants with guidance and one-on-one assistance as required.

ICET increased its presence at economic development events as a feature speaker. The organization is also consolidating its partnerships with key regional economic development organizations to work on long-term economic development visioning for the region.

## RESULTS IN RELATION TO STRATEGIC OBJECTIVES

In early 2013, at its annual planning session, the ICET Board modified the wording and structure of the organization's goals to better reflect the evolution of its activities and programs over the past six years and to meet the challenges expected in the coming years. In this transition year, the organization's results from the previous strategic plan will be presented under the new strategic objective headings.

STRATEGIC OBJECTIVE

1

### LEVERAGE ECONOMIC DEVELOPMENT AND DIVERSIFICATION INVESTMENT IN THE ICET REGION

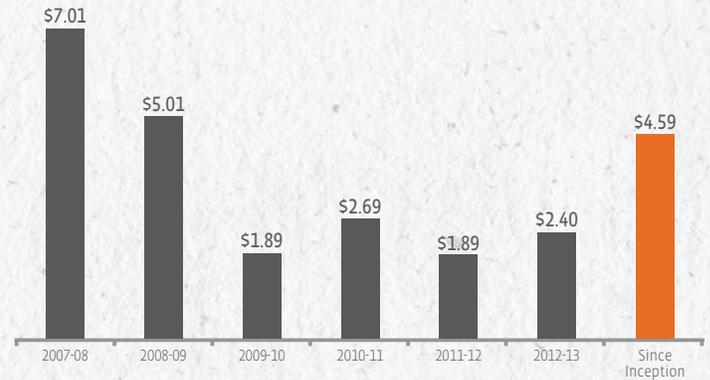
ICET uses its \$50 million endowment as a lever to attract incremental investment from other levels of government, non-government sources and private sector sources, in individual project investments as well as larger community and regional investments.

ICET funding was leveraged with \$2.40 in funding from other sources in 2012-2013, marking the fourth consecutive year it was in the 2:1 range. This is consistent with the trends in recent

years, reflecting more limited availability of matching funding as well as ICET's commitment to continue funding worthwhile regional projects. It must also be noted that the very high funding leverage in the first two years was driven by two projects with exceptionally high leverage ratios of 36:1 and 102:1.

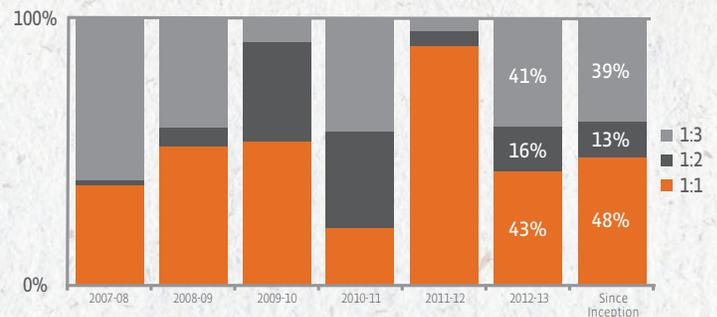
The cumulative leveraging ratio for funds committed to date stands at 1:4.6, which is well above ICET's target of 1:3.

### AVERAGE FUNDING LEVERAGE



While leveraging targets represents one key indicator of the impact of ICET projects in the region, it is important to view them in the context of the economic climate and ICET's unique matching policy. In difficult economic times, lower leveraging indicates that ICET is investing in communities with the greatest need. It also indicates that ICET is a major funder and likely the tipping point for the realization of the project.

### DISTRIBUTION OF ICET FUNDING BY MATCHING LEVEL



ICET's project funding in 2012-2013 was almost evenly distributed between the 1:1 matching level (for communities with the most challenging economic conditions) and the 1:3 matching level (for larger and faster-growing communities). The 1:2 category includes fewer communities and consistently has a smaller share of funding.

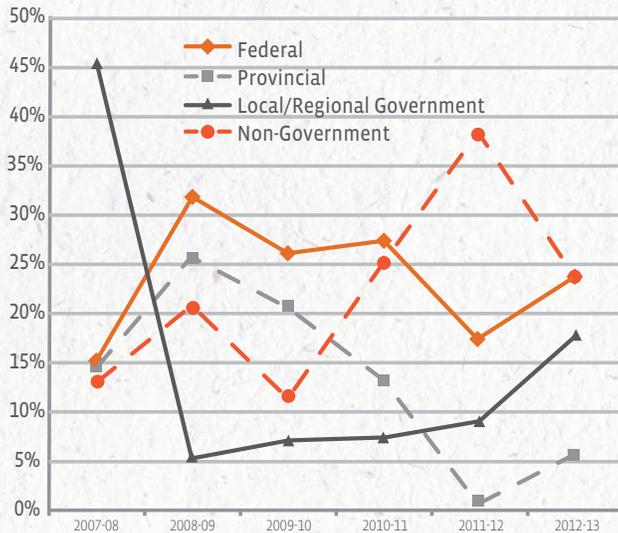
The 2012-2013 distribution was very similar to ICET's total funding distribution since its inception; in that time just under half (48%) of funding has gone to communities facing the most serious challenges.

## MATCHING FUNDING BY SOURCE

Funding Source	2010-11	2011-12	2012-13	Since Inception
Federal	\$3,625,176	\$2,609,748	\$1,140,000	\$52,957,448
Provincial	\$1,782,078	\$131,111	\$277,858	\$41,963,483
Local/Regional Government	\$986,539	\$1,392,873	\$854,440	\$75,593,555
Non-Government	\$3,328,304	\$5,754,764	\$1,137,539	\$43,374,741

Matching funding from all sources has declined significantly since ICET's initial years of operation. In percentage terms, the share of total project budgets from local and regional government funding increased for the fourth consecutive year in 2012-2013. Non-government funding has also been higher for the last three years than it was in the previous three years.

## SHARE OF TOTAL PROJECT BUDGETS



## SUPPORT FOR APPLICANTS

ICET has a role to play in maximizing the leveraging of funding into the region by providing applicants with the right type of support for project development and project financing. Strong projects with strong business cases are more likely to be successfully funded. ICET has acquired a reputation for a strong due diligence process that is respected and considered by other funders.

This role also includes connecting applicants with sources of funding. ICET maintains good relationships with other funding organizations and continues to develop relationships with new funders. There have been several instances in the past year where ICET's knowledge of the funding landscape and its relationships with other funders enabled it to match applicants with sources of funding that they would otherwise not have been able to access.

## RECAPITALIZATION OF THE FUND

ICET has been very successful in allocating its endowment and stimulating economic development and growth in the region. However, a significant amount of work remains to be done.

For those reasons the Board has made it a priority to recapitalize the fund and transition to a role as a long-term regional economic development resource. In order to continue to meet its strategic objectives and prepare a new three year strategic plan in 2014, ICET must secure additional funding.

In the past year, ICET staff has been working with Ministry of Jobs, Tourism and Skills Training staff to explore recapitalization options and has developed a framework for continued operations once the \$50 million endowment has been fully committed. ICET has prepared an extensive business case for funding which was submitted to the Minister for Jobs Tourism and Skills Training in January of 2013.

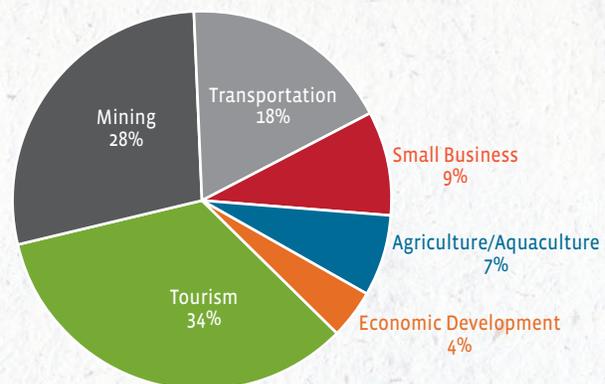
## INVEST IN THE DEVELOPMENT OF KEY ECONOMIC DEVELOPMENT INFRASTRUCTURE

STRATEGIC OBJECTIVE

2

ICET supports strategic investment in key local and regional economic development infrastructure, with a strong focus on incremental economic benefits, economic growth and diversification, regional cooperation and long term economic and environmental sustainability. This is done primarily through its Economic Infrastructure Grant Program. These investments are made in the sectors specified in ICET's legislation: forestry, transportation, tourism, mining, small business, energy, agriculture and aquaculture, and economic development.

## ICET FUNDING BY SECTOR, 2012 – 2013



Tourism and mining projects received the most ICET funding in 2012-2013. The top rank for tourism is consistent with previous years, as tourism projects have received nearly half of all ICET project funding since its inception. The natural, undeveloped tourism asset base on Vancouver Island has been an excellent fit for ICET economic diversification investments in the region. Several ICET funded tourism projects are now considered "world class experiences," attracting visitors from around the world and creating positive impacts in communities with incremental spending, improved transportation services and an increase in local amenities and services. These benefits are proving to be the key to revitalization and growth for some of ICET's smaller more remote communities.

The mining funding supported the GeoScience BC aerial mapping project for northern Vancouver Island and was the first mining project funded by ICET.

## TARGETING SPECIFIC SECTORS

While ICET recognizes that due to geography, natural assets, workforce capacity, transportation and other pragmatic factors, not all sectors will receive equal representation in project approvals, there is the potential for greater intervention from ICET in certain sectors.

One of the strategic priorities for 2012-2013 was to explore and develop options for select targeted sector approaches or programs to ensure optimal participation from all sectors in ICET programs and funding opportunities.

### Agriculture

Agriculture was previously identified by ICET as a priority sector to target to increase participation in ICET programming.

The results of a sectoral study and consultation with key stakeholders have provided ICET with greater insight into the gaps in service and needs of the regional industry. ICET continues to network with regional organizations to determine whether it can play a more significant role to support the industry in addition to the support provided for the Islands Agriculture Show and agri-tourism initiatives.

### Small Business

While most of ICET's approved projects will benefit small businesses either directly or indirectly, ICET has in the past supported applicant initiatives designed to directly support small business.

As part of its 2012-2013 strategic priorities, ICET researched the potential for "in-house" targeted approaches or programs to support small businesses in the ICET region. Research and consultation determined that the ICET region is well served, with services and support offered to businesses through existing organizations. Given the declining financial resources at its disposal, the Board determined that business interests would best be served by maintaining the current focus on economic infrastructure and investment readiness.

## SUPPORTING THE BC JOBS PLAN

While ICET is an arm's length organization and very proud of its local decision-making model, which prioritizes community and regional needs, the organization is mindful of considering and aligning with provincial economic development initiatives and strategies. For example, ICET has developed specific criteria for trails projects that are consistent with the draft Provincial Trails Strategy in the provincial tourism strategy, Gaining the Edge.

During the past year, ICET prioritized collaboration with the provincial government to identify new areas of intervention to complement the Jobs Plan. The new Economic Development Readiness program is one of the outcomes from discussions with Ministry of International Trade staff regarding the readiness of ICET communities to participate in emerging trade and investment opportunities. ICET has also had discussions with several other ministries to ensure that its policies and programs support or complement provincial initiatives which can benefit the region.



## The anticipated **JOB CREATION**

from increased  
shellfish product is  
25 new full-time jobs  
in a nearby processing  
facility and 15 new  
full-time jobs  
on Baynes Sound  
shellfish farms.

# IMPACT ON INDUSTRY: SHELLFISH AQUACULTURE – FANNY BAY



**CASE  
STUDY**

Shellfish aquaculture is an important piece of the Island and Coastal economy. In recent years, the industry has expanded rapidly and the aging infrastructure has not been able to accommodate the growth needed to meet market demand.

In order to support increased sector and business growth, ICET provided funding to the Fanny Bay, Heriot Bay and Deep Bay harbours to complete productivity improvements and allow the industry to address offloading and food safety issues related to lack of appropriate infrastructure.

## CASE STUDY: FANNY BAY HARBOUR

The project's primary objective was to increase shellfish offloading capacity. It involved the replacement of the existing wood wharf and installation of a new, floating concrete wharf with ramp access. The improvements enabled an increase in the load bearing capacity and dock space to allow multiple trucks to drive on and offload at the same time, thus improving product handling times and meeting food inspection regulations.

## INCREASED SHELLFISH PRODUCTION

One of the key economic impacts for area producers and the industry in general is the ability to increase shellfish production. With increasing demand for seafood from Asia and world markets, demand for shellfish products exceeds the region's current production capacity.

In response to this increasing demand, shellfish operators in the Fanny Bay area are boosting their production as quickly as possible in order to take full advantage of this growing market share opportunity. Offloading capacity at Fanny Bay has increased by 50% to date and is expected to increase by more than 300% by 2014.

## INCREASED PRIVATE INVESTMENT AND MORE SECURE STABLE INDUSTRY

One of the ongoing operational challenges of BC's shellfish aquaculture sector is securing a reliable supply of seed. Producers have collaborated on several projects to increase the amount of seed production and "seed boosting," for example, constructing a large oyster setting barge in the summer of 2012 which yielded a stimulus impact of 8 full-time jobs for two months. A former Alaska ferry was moored off Fanny Bay for three months employing 12 people in an "intermediate seed boosting" process. A group of oyster growers is considering investing in a different barge technology for single-seed or tray culture seed production.

All of these activities are examples of vertical integration within the shellfish aquaculture sector that are providing the local industry with greater security of supply and ultimately enhancing quality and stability of production on an annual basis, which would not have been possible without the improvements.

**IMPROVE THE ENVIRONMENT REQUIRED FOR INCREASED INVESTMENT ATTRACTION AND JOB CREATION**

ICET will invest in projects, planning and training to support the development of attractive, liveable, competitive, investment-ready communities capable of attracting high value investment and job creation for the region.

The 2012-2013 strategic priorities included researching targeted approaches to connect small communities to economic development resources. There are several communities in the ICET region with limited human resources and financial capacity to address pressing economic development issues. Another priority was to identify areas where ICET could complement the Provincial Jobs Plan to ensure the region's communities have the tools and capacity to take full advantage of emerging opportunities.

ICET responded with the creation of the new Economic Development Readiness Program. The program is designed to address the economic development and investment readiness of communities as they move through the economic development continuum. Communities with few or no economic development resources may apply for funding to create economic development strategic plans, economic development functions or other foundational pieces required to move economic development forward in a structured approach. Other communities may apply to fund more specific economic development or investment readiness strategies or to develop the key tools needed to move these strategies forward. The program also supports regional investment attraction or marketing initiatives to promote collaboration and economies of scale.

The goal of the program is to support and accelerate the communities' ability to effectively plan for, and respond to, economic opportunity, and the early results of the program have exceeded expectations. At least six communities or areas in the region have begun processes to implement economic development functions where previously there were none. This rapid response to the funding opportunity and to developing regional functions is indicative of the increased regional collaboration which has come about due to the Trust model.

**COLLABORATION WITH MINISTRY OF JOBS, TOURISM AND SKILLS TRAINING INITIATIVES**

While ICET was developing its new program to address economic and investment readiness, the Ministry of Jobs, Tourism and Skills Training was simultaneously developing a set of tools to support investment readiness. Consequently it was a natural step to collaborate with Ministry staff to facilitate the beta testing of these new tools in ICET communities initiating the development of economic and investment readiness initiatives. During this period, the provincial government was also preparing and presenting economic development workshops in the region. ICET

collaborated with government staff on content development and also offered financial support for two workshops held in the ICET region.

**DISTRIBUTION OF FUNDING BY COMMUNITY SIZE**

Despite the fact that there are no regional allocations, ICET funding has been distributed widely to communities of all sizes and levels of vitality. ICET projects approved in 2012-2013 will provide direct benefits and new infrastructure, services or support to 15 different communities. ICET has approved projects in more than 40 communities since its inception.

It is very important to the ICET Board and to ICET's largest communities that the smaller and more economically challenged communities receive support in order to develop their economic potential and reverse negative growth trends.

**ICET FUNDING BY COMMUNITY SIZE**



In 2012-2013 more than two-thirds of ICET funding went to projects located in communities with fewer than 5,000 residents. Since the organization's inception nearly 40% of funding has gone to these smaller communities. Historically, the largest share of funding has gone to communities in the 5,000 to 20,000 population range.

In the past year, almost one quarter of newly approved projects were in communities with less than 1,000 residents. This represents 13% of annual funding allocations and compares to 8% since inception.



## CASE STUDY

# IMPACT ON COMMUNITY: PORT HARDY AREA

The Port Hardy area has benefited from a series of ICET-funded projects that have jointly created significant new economic activity and follow-up private investment.

Several of the projects are expanding tourism activity in the community and others are creating growth in fishing and fish processing activities. Individually, each of these projects has yielded significant economic benefits, from increased business activity for existing businesses to attraction of new businesses. Collectively, the projects have reached a critical mass which is having a measurable impact on community growth. In the 2006-2011 period, Port Hardy was the only community north of Campbell River to experience growth in population. While there are many internal and external factors which can affect community growth, the cumulative benefits of these projects is believed to be an important contributing factor.

### TOURISM PROJECTS

The first project ever approved by ICET was the North Coast Trail, a spectacular 43 km wilderness hiking experience in Cape Scott Provincial Park. ICET has also provided funding to the San Josef Bay Trail and the Raft Cove Trail, which has created new access to surfing in the Port Hardy area. Surfing is a growing tourism market with the younger demographic and this improved access

in a beautiful, wild and remote setting has been attracting surfing adventurers and new surfing related business ventures.

One of the significant results of the development of these world class adventure tourism assets is that they have increased Port Hardy's international profile as an attractive destination and place to live for the younger demographic. This is evident with the development of traveller's hostels in the area, which signals Port Hardy's growing profile as a hip travel destination for outdoor enthusiasts.

Other tourism projects in the region include the Quatse Salmon Stewardship Centre, an interpretive centre which has so far been attracting over 1500 seasonal visitors and is especially popular with Europeans.

The most recent ICET approved project in the Port Hardy area is the Bear Cove recreation site, which provides improved access and amenities for kayakers. It has recently been designated as the launching point for the BC Marine Trail. Located adjacent to the Prince Rupert Ferry terminal, this project is expected to be the catalyst for increased business development in the area, such as an increase in the number of Eco-cabins, new ecotourism, aboriginal tourism and related service business opportunities.



CASE  
STUDY

## IMPACT ON BUSINESS: STRATEGIC NATURAL RESOURCE CONSULTANTS

“Despite a global recession, Strategic has grown from a dozen staff to over 150, and we are still evolving,” says Jonathan Lok. “The average age of our staff is between 30 and 35, and we attract both recently graduated professionals and seasoned mid-career professionals. Attracting and retaining the best and brightest allows us to benefit from their

NEW IDEAS,  
NEW ENERGY  
AND NEW  
FAMILIES

to our communities.”

ICET funded projects have demonstrated traditional direct and indirect economic benefits for the region, communities, individuals and businesses. In certain cases, the projects have also had a catalytic impact on a specific business. This is the case with Strategic Natural Resource Consultants Inc., which was known as Strategic Forest Management in 2006 when it obtained the contract to build the North Coast Trail project. At that time the company was in its infancy, with approximately a dozen employees offering traditional forestry consulting services.

The North Coast Trail project not only allowed Strategic to exercise its expertise in professional planning, access development and remote operations, but also prompted the company to bring in new people from outside the traditional forestry realm, which enhanced their perspective on non-forestry uses of the forest land base. Through the construction of a number of new trail projects, co-funded by the Jobs Opportunity Program (JOP) and ICET, this team quickly acquired valued expertise and recognition in trail construction and recreation management, which allowed staffing to increase. Ultimately, a new business line evolved, which now flourishes across BC.

“The North Coast Trail project created a paradigm shift in Strategic and initiated an evolution in our identity across the marketplace. Using this as a differentiator, we have been able to develop a whole array of new business lines which derive value from non-traditional forestland resources and remote operations, a natural – yet calculated – extension of the forestry work which we had been doing,” states Jonathan Lok, Managing Partner for Strategic Group.

Today the company has eight business lines delivering a wide array of services. “Our path was by no means the easy one... but it was the right one for us. We knew all along that our key to success was centered around being respected, diverse & sustainable – and that takes leadership, investment and commitment, especially when times are tough,” concludes Lok.



## Some examples of new businesses and growth generated by tourism in the Port Hardy region include:

- **The North Coast Trail Hostel and RetroZ Coffee and Tea house**
- **C & N Backpackers Hostel, which opened its Port Hardy branch in Spring 2013**
- **3-4 new registered guide outfitters now operating tours on the North Coast Trail**
- **Strategic Group: 6-7 full-time North Coast Trail seasonal jobs at Cape Scott**
- **Strategic Group: 4 full-time year-round Recreation Management positions in Port McNeill and Campbell River.**
- **Development of new Eco-cabin style accommodations (Bear Cove Cabins and Ecoscape cabins)**
- **The North Coast Trail Shuttle: increased staffing and over \$200,000 in expansion investment**
- **Development of surfing-related retail and service businesses**
- **Increased accommodation, food and retail spending**
- **North Coast trail users alone generated more than \$250,000 in direct spending in 2012**
- **Increased international profile and recognition**
- **Interest from tour operators in Germany, US, Australia and Japan**

## Port Hardy Harbour Projects

ICET has provided funding to three harbour improvement projects in the Port Hardy area, the Port Hardy Seine Floats Harbour project and two smaller infrastructure improvement projects in Coal Harbour.

The Seine Floats project significantly improved the infrastructure for commercial activity in the Port Hardy harbour by providing more moorage space for larger vessels and allowing for direct truck access with a drive-on ramp to the main float.

The project also included a range of upland improvements and tourism benefits. The new moorage space has provided a permanent home for Nakwakto Rapids Tours, which is a growing aboriginal ecotourism business.

Moorage revenue has increased 7% in 2011 and 35% in 2012. The increase includes both commercial and recreational vessels, and each additional vessel leads to increased expenditures on fuel and other supplies, repair services, food and beverage services and other tourist spending.

The increase in vessel repair is especially notable. The additional space and the ease of access for trucks driving onto the floats has allowed Port Hardy to attract larger vessels for repair

services such as welding and engine overhauls and American recreational vessels travelling to and from Alaska.

The improved Coal Harbour Dock has created increased opportunities for fishing and more efficient offloading from Quatsino Sound, particularly for species like sardines.

The majority of fish caught in this area is destined for processing in Port Hardy. The ability to offload in Coal Harbour for the short 18 km drive to Port Hardy allows for better freshness and preservation of quality than if the fish was kept on ice for the 10-15 hour trip around the northern tip of Vancouver Island.

The expanded wharf provides more moorage space and can attract larger vessels. The new facility has also solidified Coal Harbour's role in the offloading of Marine Harvest's farmed fish.

The Quatsino First Nation is also considering a variety of tourism and recreation-related businesses, including kayak guiding, a rowboat fishing area, and establishing a campground.



**CASE  
STUDY**

## IMPACT ON BUSINESS: KELTIC SEAFOODS

Two of ICET's earliest harbour improvement projects, the Port Hardy Harbour improvement project and the Coal Harbour improvement project have had a positive impact on the vitality and growth of Keltic Seafoods, a Port Hardy seafood processing company.

The Port Hardy harbour improvement project has attracted more boats and especially larger operators to the harbour, resulting in an increase in fish offloading and processing for Keltic. The improvements have impacted the boat service industry, with more work for local trades and service businesses as well as hospitality businesses. As a processor, Keltic is vulnerable to the movements of the fishing fleet, and the improvement in amenities and the availability of services helps to stabilize the business environment and facilitate further investment and growth. As a result of the added capacity generated by the harbour improvements, Keltic has recently injected new infrastructure investment to its facility.

The improvements to the Coal Harbour facility have had an immediate, direct impact on Keltic's operations. The resulting revival of the sardine fishery has generated 20-30 seasonal local jobs in Coal Harbour in fish offloading and transportation. In Port Hardy, at the processing facility, 40 new seasonal positions were generated. The 60+ new, seasonal positions are equivalent to 20+ full-time, permanent jobs, with 65% of the labour force being First Nation. In addition, Keltic's decision to invest more than \$150,000 for sardine processing equipment was influenced by the Coal Harbour Wharf project.

The second phase of the Coal Harbour wharf project, which ICET also supported, is also generating more processing for Keltic by attracting more boats which might otherwise have to go around the Island or be sent to the Lower Mainland for processing. The positive impact is also being felt by the Quatsino fishery, which is now more self-sustaining due to the improved amenities and providing Keltic with additional processing of salmon, halibut and prawns.

"These harbour improvements have had a very positive and measurable influence on the support and growth of our business, in direct terms with job creation and indirectly with the improved environment for the fishing fleet and increased opportunities for the local trades and service sector. This

## IMPROVED BUSINESS ENVIRONMENT

will prompt us to invest further and continue to grow our business, enhancing industry opportunities throughout the North Island," states Mickey Flanagan, CEO of Keltic Seafoods.

## STRATEGIC OBJECTIVE

# 4

## ADVANCE REGIONAL COLLABORATION AND PLANNING

ICET facilitates and provides financial or operational assistance to support regional collaboration, key networking or learning events and long-term regional or sectoral planning initiatives. This collaboration happens internally at Board and RAC meetings as well as externally with participation in events and meetings with stakeholders.

### BOARD AND RAC MEETINGS

ICET's unique Trust governance model has contributed significantly to the advancement of regional collaboration. The model, with its two regional advisory committees, enables a bottom-up investment and capacity building approach that is well adapted to local realities. No one is better placed to evaluate the needs of the region and the projects most likely to succeed than those who live and work there. This ground truthing process ensures that only the best projects, meeting the best interests of the region, are allowed to proceed.

The region's ability to play an active role in determining investment priorities has resulted in the creation of significant lasting capacity in individual communities, a regional vision of economic development and a common purpose. New collaborative regional planning initiatives are underway throughout the region. Some of these include initiatives in the Strathcona Regional District, the Sunshine Coast Regional District, the Ucluelet and Tofino area and in the Zeballos area, with the participation of the local First Nations communities.

This shared learning and regional collaboration would not be possible without the process designed by the ICET legislation and the strong attendance and participation of the 50 Board and RAC members at ICET meetings. In 2012-2013 the ICET Board of Directors held 10 in-person meetings. Each RAC held four meetings, some in person, some online. These meetings allow members to fully understand project strengths and weaknesses, share best practices, learn about emerging practices and develop the level of understanding and trust required for successful collaboration.

### SUPPORT FOR ECONOMIC DEVELOPMENT EVENTS

In the past year ICET has provided strategic and financial support for a number of economic development events. These included the VIEA State of the Island Economic Summit, the second annual Islands Agriculture Show, the Mid-Island Science and Technology Council (MISTIC) Innovation Awards and two provincial government economic development workshops.

### PARTICIPATION IN ECONOMIC DEVELOPMENT EVENTS

ICET has increased its outreach to the community and stakeholders with staff participation as presenters and participants in a number of regional, provincial and national economic development events and training sessions.

ICET's CEO shared best practices as a panelist at three events, including the Harbour Association annual conference, the VIEA Economic Summit as well as an event related to the establishment of Economuseums®.



ICET Chair Phil Kent chats with then Governor of the Bank of Canada Marc Carney at the VIEA Economic Summit

## MAXIMIZE THE IMPACT OF TRUST RESOURCES THROUGH INCREASED EFFICIENCY, ACCOUNTABILITY AND IMPLEMENTATION OF BEST PRACTICES

## STRATEGIC OBJECTIVE

# 5

ICET will ensure that Trust resources are maximized through frugal administrative practices, continuous improvement of operations and programs, strong accountability processes and the implementation and sharing of best practices to promote state-of-the-art administrative and economic development practices.

Some of the key administrative practices implemented or improved this year include:

### ONE-STEP APPLICATION PROCESS

One of the key administrative improvements targeted this past year was to simplify the granting process for smaller projects. ICET developed and implemented a new one-step process for Economic Development Infrastructure program applications of less than \$50,000. Launched in January 2013, this new process greatly accelerates approval timelines and significantly reduces paperwork for both applicants and ICET staff.



## Homalco Wildlife Tours Project

### REDUCTION IN REIMBURSEMENT TIMELINES

In 2012-2013 ICET implemented changes to the financial approval processes in order to ensure more timely reimbursement of expenses to applicants. This will help to alleviate some of the financial burden on smaller organizations with limited cash flow capacity.

### IMPROVEMENT OF COMMUNICATIONS

One of the key operational priorities was communications. A messaging strategy was successfully developed and a new web-based format for distributing news releases was implemented.

The plan also prioritized a number of website improvements and the development of a more varied range of communications, including project stories, project reports and other project-related information for the ICET website. Some of the website improvements have been implemented, including an improved applicant information section, an improved organization information section and more effective web distribution of communications. A number of detailed case studies were prepared for the business case, however the bulk of the project stories work has been postponed until 2013-2014 due to time constraints created by the retirement of the CEO and the resulting staffing reductions.

### IMPLEMENTATION OF THE BC REPORTING PRINCIPLES

The 2012-2013 strategic priorities included the implementation of the BC Reporting Principles as recommended by the BC Auditor General in his audit report of the three Trusts. The auditor's recommendations were immediately applied to the 2011-2012 Annual Report. The current Annual Report includes additional performance measures in an effort to continuously improve ICET transparency and the transmission of results to the general public.

Photo credit: Aboriginal Journeys Wildlife and Adventure Tours

## OPPORTUNITIES FOR IMPROVEMENT AND FUTURE OUTLOOK

Over the past year ICET has reviewed and refined its programs and developed an action framework for the next three to five years. The current global and provincial climate of fiscal restraint has proven a challenge for the ICET region: first, in terms of not allowing promising new projects to move forward due to the lack of matching financial resources; and second, from an internal perspective for ICET, in increasing the challenge of securing additional funding to plan for the next phase of operations.

The 2013-2015 Strategic Plan addresses ways that ICET can improve its operations and mitigate some of the external economic conditions that it cannot control. ICET's first priority will be to pursue the recapitalization process. The organization will also target its strategies and operations to ensure that the region is equipped with globally competitive economic infrastructure, development plans, tools and best practices, and well prepared for the rapid economic changes that have been the hallmark of the past decade.

### INCREASE OUTREACH TO FIRST NATIONS

In 2012-2013, ICET increased its work and outreach to First Nations in addition to participating in First Nations economic development events.

While ICET has funded a number of projects led by First Nations, the organization realizes that there is room for improvement to ensure that all of the area's First Nations fully understand and take full advantage of programs, support and funding opportunities. In recognition of this, the Board has prioritized First Nations outreach with a goal to increase First Nations participation and develop long term and meaningful relationships and collaborative initiatives.

### INCREASE OUTREACH AND APPLICATIONS FROM UNDER-REPRESENTED SECTORS

In the past year, ICET pursued its approach of targeting specific sectors in order to increase the diversity of applications to the program and of economic activity in the region. The targeted approach has been very successful with the mining sector. To date, the approach with the agriculture sector has yielded some results, but ICET recognizes that there is more which could be done to support this sector and will continue to work with stakeholders in the coming year.

Since its inception ICET has received few applications for projects from the energy sector. Consequently, the Board has prioritized research into this sector to determine if there are gaps or opportunities that ICET could address with targeted approaches or new programs.

### INCREASE THE DIVERSITY OF MATCHING FUNDING SOURCES

Matching funding sources have become scarce in the past year, and consequently project values and approvals have been reduced. The year-over-year trend indicates reductions in senior government sources of funding and increases in local, regional, non-profit and private sector sources of funding. Recognizing

that these trends will likely continue for the next two to three years, ICET has prioritized the development of relationships with new funding sources.

Several of ICET's "world class" tourism initiatives have been developed by non-profit societies with significant private and non-government funding support. ICET will increase its outreach to the non-profit and private sectors in order to leverage existing local capacity and assets and encourage increased non-government involvement in community and regional economic initiatives.

### INCREASE SUPPORT FOR REGIONAL COLLABORATION AND PLANNING

One of the greatest benefits of the ICET model is the increase in regional collaboration. The region has now reached the point where this increased collaboration and trust can be leveraged to accomplish longer term planning and visioning.

The organization will increase its support and participation in economic development events. ICET will continue to make presentations, participate in panels and take part in a wide range of economic development events in order to ensure that best practices in the region and elsewhere are shared and acquired. The Board recognizes that some of ICET's more economically challenged communities have limited budgets for economic development learning and networking, and has allocated funding to enable those communities to participate in these events.

The Board also recognizes that the region must look farther into the future to prepare and plan for significant change in the years to come and develop a long-term regional visioning and planning process with other like-minded stakeholders.

### SUPPORT ECONOMIC DEVELOPMENT AND INVESTMENT READINESS

In the past year, ICET has proactively addressed the issues of community capacity and investment readiness with its new Economic Development Readiness program. ICET will continue to use this program as a lever to encourage strong economic planning activities, to provide the capacity to respond quickly and professionally to economic opportunities, to promote high value investment opportunity development and implementation and to encourage efficiencies of scale with proactive regional collaboration.

### IMPROVE AND DEVELOP COMMUNICATIONS AND WEB/SOCIAL MEDIA PRESENCE

ICET has made significant improvements to its communications in the past two years. However, there is room for improvement in the areas of communicating success stories as well as web presence and social media presence.

In the coming year ICET will make important improvements to its website in order to make it more user friendly and relevant to applicants and stakeholders. This will include the development of new tools to support applicants, and improved sharing of success stories and best practices as well as more regional economic data analysis. ICET will also develop a new social media presence to promote a more responsive and interactive relationship with stakeholders.

# APPROVED PROJECTS 2012-2013

The projects approved by ICET from April, 2012 to the end of March, 2013 reflect the wide reach and range of initiatives occurring throughout the area. ICET is proud to partner with each of these organizations:

## DEEP BAY HARBOUR AUTHORITY - DEEP BAY HARBOUR EXPANSION PROJECT - \$88,918



ICET funding allowed the Deep Bay Harbour Authority to respond to market opportunities for aquaculture production through additional capacity at the harbour. The increased capacity will provide improved access to current and future aquaculture producers. The project was completed in early 2013, and the harbour is already generating new economic benefits with the attraction of a new marine service company, two charter boats and increased shipwright activity.

## GEOSCIENCE BC - NORTHERN VANCOUVER ISLAND EXPLORATION PROJECT - \$400,000



Photo credit: W. Jackman

ICET funding allowed GeoScience BC to implement the Northern Vancouver Island Exploration GeoScience Project designed to generate new geoscience information for northern Vancouver Island, an area that has a strong history of mineral exploration and mining. The geoscience data includes an airborne magnetic geophysical survey and a regional stream sediment geochemical sampling and reanalysis program.

This project was developed in collaboration with all North Island communities and First Nations. One component of the project was to provide local First Nations and communities with interactive workshops and information sessions related to geosciences, mineral exploration and mining.

This new data will help attract interest and investment in mineral exploration, increase the understanding of the mineral potential of the region, and provide local First Nations and communities with more information on the geology of the area. It will provide North Vancouver Island communities and First Nations with a competitive advantage and an opportunity to attract high value investment to the region.

The results of the airborne survey were released in January, 2013 at the Mineral Exploration Roundup conference in Vancouver and the results of the regional geochemical program were released in May in Campbell River.

Early results of exploration are promising and have yielded new staking of claims by multinational corporations as well as planning for further private sector surveying and analysis in the region.

**“This new scientific data ... will help explorationists to generate new ideas and targets in this highly prospective area, and thereby provide new mineral resource development opportunities for the region and province.”**

Jacques Houle, Vancouver Island Exploration Group

“We are very grateful to ICET for this funding support. This expansion of the trail is remarkably important. Not only is this the largest expansion of the trail we have ever undertaken, there are outstanding unique features to be gained, notably the most significant stand of old growth forest within the District of Ucluelet. This trail will provide an unforgettable “walk through the giant cedars” experience. This construction is a ‘Big Win’ for us all; locals, our visitors and the world at large.” Jim Martin (Oyster Jim), Wild Pacific Trail Society

### VILLAGE OF PORT ALICE - RUMBLE BEACH MARINA PROJECT - \$140,000

The Village of Port Alice is using ICET funding to establish a new marina to be located at the existing public boat ramp. The mini marina will generate economic benefits to the area by serving as a gateway to Port Alice for other communities in Quatsino Sound. The increased marine activity and tourism that will result from this project will showcase Port Alice as an attractive destination for the regular stream of seafaring visitors navigating the waters of Vancouver Island’s Marine Highway.



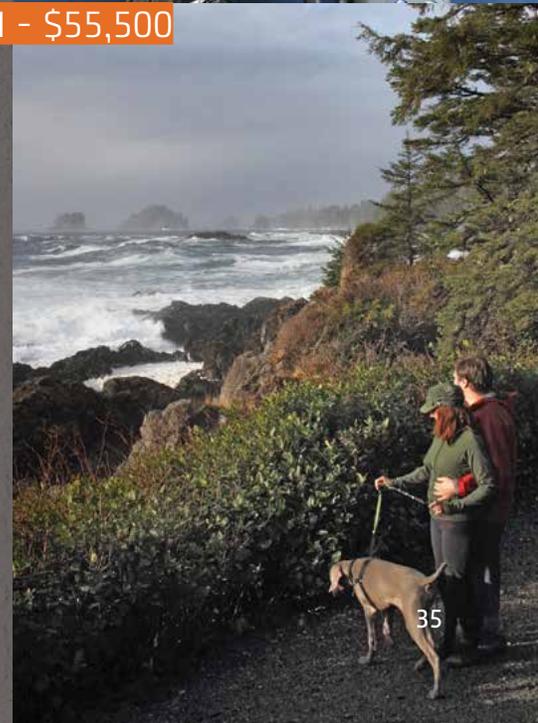
### SID WILLIAMS THEATRE SOCIETY - PERFORMANCE TECHNOLOGY MODERNIZATION PROJECT - \$20,000

The Sid Williams Theatre Society in Courtenay is using ICET funds to install state-of-the-art sound and lighting equipment to upgrade its technical operation, attract new events, diversify programming and appeal to a wider audience. The investment will help to create a high quality performance venue that will improve the entertainment experience for audiences and boost economic activity in the Comox Valley.



### WILD PACIFIC TRAIL SOCIETY – WILD PACIFIC TRAIL SECTION H - \$55,500

ICET funding has allowed the Wild Pacific Trail Society to develop an extension to the world class Wild Pacific Trail in Ucluelet. The 1.5 km trail extension north of the existing trail represents an important next step in the strategy to connect the Wild Pacific Trail to Pacific Rim National Park Reserve. The new trail will feature a stand of very large old growth cedars and dramatic rocky headlands along a rugged coastline. The ICET investment will enable Ucluelet to attract more tourism, new businesses and investment to the region, ensuring continued sustainable development focused on the region’s strengths and existing assets.





**TOWN OF LAKE COWICHAN – RENFREW TOWN SQUARE PROJECT - \$126,500**

The Town of Lake Cowichan is enhancing economic opportunities through the revitalization of its downtown core. The Renfrew Town Square will be a focal point for social and cultural gatherings and serve to link pedestrian and cycle movements in all directions. It will act as an outdoor gathering space and will be used to host live performances, art displays and a wide range of other community uses. This revitalization will breathe new energy and vitality into the community of Lake Cowichan, which will attract more visitors, business activity and economic benefits to the region at large.

**VILLAGE OF SAYWARD – KELLY'S BRIDGE PROJECT - \$37,600**

The Village of Sayward is using ICET funding to construct a bridge on Mary Kelly's Trail that will re-establish a pedestrian walkway connecting the community to trails within the Salmon River Estuary Conservation Area. The expanded trail network will build on the area's existing tourism and outdoor recreation infrastructure and encourage new economic activity in the region.

**GIBSONS LANDING HARBOUR AUTHORITY- DOCK UPGRADE PROJECT - \$330,000**



Funding from ICET allowed the Gibsons Landing Harbour Authority to expand the harbour facility through the construction of a concrete float and commercial grade drive-on ramp. The harbour expansion project supports the needs of the commercial fishery through improvements in loading and unloading efficiencies, the needs of residents and businesses through improved barge access to the surrounding island communities, and the needs of tourists through increased marine capacity.

**ALBERNI CLAYOQUOT REGIONAL DISTRICT – ALBERNI INLET TRAIL CHINA CREEK BRIDGE PROJECT - \$26,945**

The Alberni Clayoquot Regional District will receive \$26,945 towards the Alberni Inlet Trail China Creek Bridge Project for the construction of a new pedestrian bridge linking segments of the Alberni Inlet Trail. The bridge construction project will increase the use of one of the most scenic trails in the Alberni Valley and provide user-friendly public access for residents and tourists alike.

## DISTRICT OF TOFINO – STREETScape IMPROVEMENT PROJECT - \$132,007

The District of Tofino is using ICET funding to revitalize its downtown core and improve the overall tourist experience, which will result in enhanced economic opportunities for the entire region. The first phase of the larger award-winning Tofino Downtown Vitalization Plan features wider sidewalks, public seating areas and viewpoints designed to improve the pedestrian connections and pedestrian access to the downtown commercial area. This strategy aligns with research demonstrating that increased pedestrian access is a significant catalyst for increased economic development and diversification in downtown areas. The downtown revitalization project uses the Main Street Four Point Approach®, a time-tested initiative that encourages a holistic approach to downtown revitalization. This approach, required by ICET in all downtown revitalization projects, integrates community organization and collaboration, professional design and promotion with economic restructuring to strengthen the community's existing assets while diversifying its economic base.



Upper: Tofino Streetscape BEFORE  
Lower: Tofino Streetscape AFTER

## SUNSHINE COAST SALMONID ENHANCEMENT SOCIETY – GEOTHERMAL HEAT AND HOT WATER PROJECT - \$15,000

ICET funding has been approved to allow the Sunshine Coast Salmonid Enhancement Society to establish a sustainable power source through a geothermal installation at the Chapman Creek Hatchery near Sechelt. Public demonstration of modern technology at the site will stimulate interest, attract visitors and build capacity for community-driven energy initiatives in the region.

## DISTRICT OF UCLUELET - SEAPLANE BASE BOAT LAUNCH -\$45,837

The District of Ucluelet is using ICET funds to construct a boat launch to benefit a wide range of users including commercial fishers, tour and charter operators and recreational users. For this resort municipality the addition of the boat launch is a key step to attracting seafaring visitors to the area, and improved deep water access will extend the season for commercial fishers. The boat launch will promote improved experiences and attract more first-time visitors, as well as encourage existing visitors to extend their stay, helping to grow the region's economy.

### PROJECTS APPROVED BY FISCAL YEAR

	2010-11	2011-12	2012-13	Since Inception <sup>3</sup>
Projects Approved	11	14	12	96
Approved ICET Funding	\$3,610,389	\$5,241,357	\$1,418,307	\$46,622,534
Average ICET Funding per Project	\$328,217	\$374,383	\$118,192	\$485,651

<sup>3</sup> Total project numbers since inception include completed projects, projects underway and newly approved projects. This number does not include slippage, i.e.: approved projects that have been withdrawn or have not proceeded.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following financial management discussion and analysis (MD&A) is the responsibility of ICET management and reflects events known to management up to July 3, 2013. It is intended to help the reader understand ICET operations, financial performance and present and future obligations. It should be read in conjunction with the annual audited financial statements and related notes.

## 2013 FINANCIAL HIGHLIGHTS

ICET's primary objective is to build a diverse and sustainable Island Coastal Economy. This is done primarily by investing all of its capital in economic development initiatives, within the short term. This is accomplished by drawing down from the \$50 million capital endowment. Operational expenses are financed by income and operational reserves generated by the interest on the capital.

## CHANGES IN ACCOUNTING STANDARDS

On April 1, 2012, the Trust adopted Canadian accounting standards for not-for-profit organizations (ASNPO). These are the first financial statements prepared in accordance with ASNPO. In accordance with the transitional provisions ICET has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO. There were no transitional adjustments to the fund balances as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to ASNPO.

## RESULTS OF OPERATIONS

In the 2012-2013 year, ICET's operational expenses exceeded its interest income for the first time since inception, resulting in a net operating loss of \$60,061. This is a significant decrease from the previous year's net income of \$295,268.

The net decrease in income is explained by the fact that ICET continues to draw down from its capital fund for project investments. Net investment income is generated by the interest on its capital balance held in the Municipal Finance Authority (MFA) pooled investment funds. In the past year these funds have decreased from \$23.6 million to 15.6 million, resulting in a net investment income decline of \$387,831, from \$865,937 in 2012 to \$478,106 in 2013.

Over the past several years, ICET has built up operational reserves of \$5,828,431. These reserves will be used to sustain operations in the coming years when the MFA investment balance is no longer sufficient to meet the operational needs of the Trust.



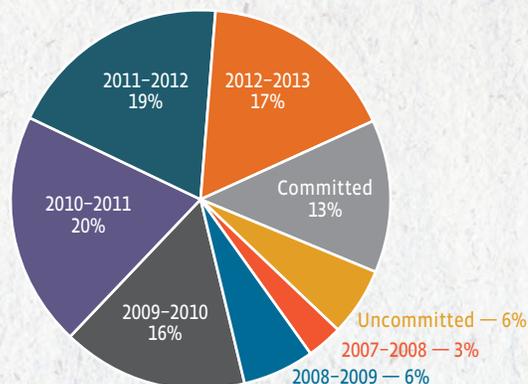
**In 2012-2013, ICET demonstrated its operational efficiencies for the third consecutive year with less than six cents of every grant dollar disbursed spent on administration.**

## PROJECT DISBURSEMENTS:

During the 2012-2013 fiscal year, ICET disbursed a total of \$8,597,480 to approved projects, partnerships and sponsorships. This represents a decrease of \$917,449 from \$9,608,765 disbursed in 2012.



Since its inception ICET has disbursed \$40.7 million of its original \$50 million endowment to approved economic development investments. The balance of funding left to be disbursed is \$9,237,251. This amount includes \$6,180,268 which has been formally committed to approved projects and \$3,056,983 which remains available for future project commitments.



## OPERATIONS

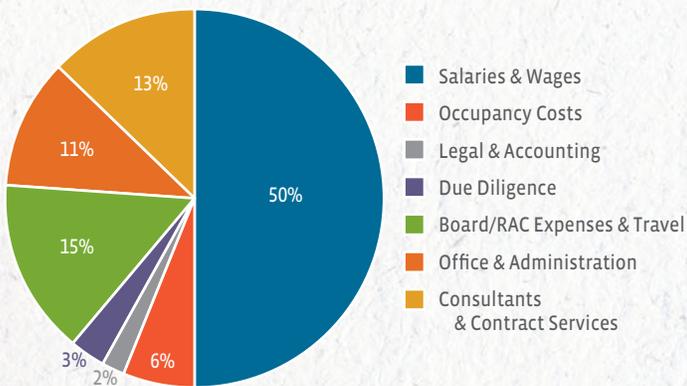
Operating Expenditures for 2013 totalled \$538,167, representing a decrease of 5.6% or \$32,502 from 2012. These expenditures were generally managed within the approved budget with some savings from wages, benefits and training, consultants and regional advisory meeting costs.

The ICET Board prides itself on being a low-cost funder, with less than 6 cents of every grant dollar disbursed spent on administrative costs. This has been sustained over the last 3 years. Operating expenses in the early years, 2007-2009, were considered start-up costs and do not truly reflect the operational efficiencies of the organization.



Individual operating expenses are consistent with the prior year, with 50% of expenses consisting of salaries and wages. 15% of operating expenses relates to Board and RAC travel and 13% to Consultant and Contract Services.

### 2013 OPERATING EXPENSES

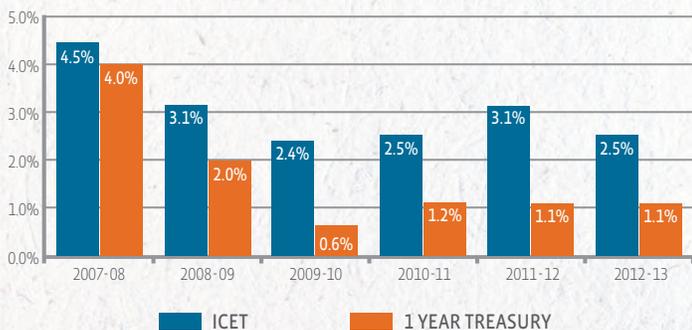


## INVESTMENTS

Given ICET’s strategy to invest its capital in the region in the short term, it has adopted a conservative investment approach in order to preserve its capital and keep it available for allocation. ICET funds are invested through the Municipal Finance Authority (MFA) pooled funds.

The Chief Financial Officer, along with ICET staff and Board regularly monitor the performance of its investment funds to ensure maximum earnings and the preservation of capital.

Since its inception ICET has earned an average of 2.7%, which compares to the market average for similar conservative investments. On a yearly basis, ICET’s investments have equalled or exceeded the market index of 1 year treasury bills.



## INTERNAL CONTROLS

The management team is responsible for establishing and maintaining adequate internal control over financial reporting. This process is designed by the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with ASNPO.

Internal controls of the MFA investments are designed to manage financial risk. Investments are currently limited to MFA funds and returns are reviewed at every monthly board meeting.

All project reimbursement requests are subject to a review by staff for eligibility and legitimacy before payment. Staff approvals, including the full details of the request, are subsequently forwarded to the Board Executive for approval and signature prior to the payment being issued. All other organization expenses and payments are authorized by two duly authorized ICET signatories.

Based on this evaluation, management concluded that internal control over financial reporting was effective at March 31, 2013, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

In 2012-2013, there was no change in ICET’s internal control over financial reporting that materially affected or is reasonably likely to materially affect ICET’s internal control over financial reporting.

## FINANCIAL FORECAST

In the coming year ICET expects to continue its operations within a framework and administrative structure similar to previous years. There are no major changes anticipated which would significantly impact ICET’s ability to continue to disburse economic development funding as it has in the past or significantly modify its operations.

In the past four years, ICET has consistently disbursed funding in the range of \$8 – 9 million per year. Disbursements of funding to previously approved projects in the next year should be approximately \$5.5 million. This estimate is based on the lower value of projects approved in recent years that have now reached the implementation and reimbursement stage.

ICET expects to approve approximately \$2 million in new projects. While economic conditions indicate that Economic Development Infrastructure project numbers will be similar to recent years, the new Economic Development Readiness program should generate approximately 12 additional projects. Consequently, the operational demands and expenses should remain consistent with previous years given the increase in project volume and the increased staff support required for the economic development readiness approval process.

With the declining balance of the ICET capital fund and the poor returns from bond markets early in the 2013-2014 fiscal year, ICET’s operation expenditures will almost certainly exceed its investment income. Should new project approvals exceed the balance in the capital fund, ICET will continue to approve worthwhile projects by drawing down from its operational reserves. These reductions in the operational reserves will affect ICET’s ability to continue operations in future years, should recapitalization of the fund not occur.

# AUDITED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

To the Directors of Island Coastal Economic Trust

We have audited the accompanying financial statements of Island Coastal Economic Trust, which comprise the statement of financial position as at March 31, 2013 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organization, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Island Coastal Economic Trust as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Island Coastal Economic Trust adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011 and the statements of revenue and expenditures, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the comparative information and, as such, it is unaudited.

Port Alberni, B.C.  
July 31, 2013

*Duncan Sobene Collyer Partners LLP.*

CERTIFIED GENERAL ACCOUNTANTS

ISLAND COASTAL ECONOMIC TRUST  
Statement of Revenues and Expenditures  
Year Ended March 31, 2013

	2013 Operating	2013 Project	2013 Total	2012 Total
<b>REVENUES</b>				
Investment income	\$ 478,106	\$ -	\$ 478,106	\$ 865,937
<b>EXPENSES</b>				
Advertising, travel and communications	40,871	-	40,871	32,004
Amortization	3,563	-	3,563	4,274
Bad debts	2,423	-	2,423	-
Consultants	38,279	-	38,279	45,452
Contract services	32,949	-	32,949	32,099
Directors' expenses	56,416	-	56,416	47,961
Due Dilligence	15,854	-	15,854	34,972
Grants - Schedule 1	-	8,582,202	8,582,202	9,546,569
Insurance	10,093	-	10,093	9,874
Interest and bank charges	920	-	920	420
Internet and web site	1,961	-	1,961	2,090
Office and sundry	12,980	-	12,980	9,293
Partnerships and Sponsorships - Schedule 1	-	15,278	15,278	62,196
Professional fees	9,895	-	9,895	5,909
Regional advisory meeting costs	21,658	-	21,658	39,767
Rent	16,078	-	16,078	19,001
Telephone	3,954	-	3,954	5,841
Wages, benefits and training	270,273	-	270,273	281,712
	538,167	8,597,480	9,135,647	10,179,434
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ (60,061)</b>	<b>\$ (8,597,480)</b>	<b>\$ (8,657,541)</b>	<b>\$ (9,313,497)</b>

The accompanying notes are an integral part of these financial statements

*DSCP*

ISLAND COASTAL ECONOMIC TRUST

Statement of Changes in Net Assets

Year Ended March 31, 2013

	Operating Fund	Project Fund	Capital Asset Fund	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 5,887,914	\$ 17,834,731	\$ 13,017	\$ 23,735,662	\$ 33,049,159
Deficiency of revenues over expenses	(56,498)	(8,597,480)	(3,563)	(8,657,541)	(9,313,497)
Capital expenditures	(2,985)	-	2,985	-	-
NET ASSETS - END OF YEAR	\$ 5,828,431	\$ 9,237,251	\$ 12,439	\$ 15,078,121	\$ 23,735,662

Committed funds - Schedule 1	6,180,268
Uncommitted funds	<u>3,056,983</u>
Total project funds	<u>9,237,251</u>

The accompanying notes are an integral part of these financial statements

*DSCP*

ISLAND COASTAL ECONOMIC TRUST

Statement of Cash Flows

Year Ended March 31, 2013

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	\$ (8,657,541)	\$ (9,313,497)
Item not affecting cash:		
Amortization of capital assets	3,563	4,274
	<u>(8,653,978)</u>	<u>(9,309,223)</u>
Changes in non-cash working capital:		
Accounts receivable	6,324	(6,324)
Accounts payable	(161,416)	153,909
Prepaid expenses	(594)	(510)
Government agencies payable	6,659	-
	<u>(149,027)</u>	<u>147,075</u>
Cash flow used by operating activities	<u>(8,803,005)</u>	<u>(9,162,148)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,985)	-
Long term Investments	8,567,162	9,334,509
Cash flow from investing activities	<u>8,564,177</u>	<u>9,334,509</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(238,828)</b>	<b>172,361</b>
Cash - beginning of year	267,826	95,465
<b>CASH - END OF YEAR</b>	<b>\$ 28,998</b>	<b>\$ 267,826</b>
<b>CASH CONSISTS OF:</b>		
Cash	<u>\$ 28,998</u>	<u>\$ 267,826</u>

The accompanying notes are an integral part of these financial statements

ISLAND COASTAL ECONOMIC TRUST

Statement of Financial Position

March 31, 2013

	March 31 2013	March 31 2012	April 1 2011
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 28,998	\$ 267,826	\$ 95,465
Accounts receivable	-	6,324	-
Prepaid expenses	10,835	10,241	9,731
	39,833	284,391	105,196
PROPERTY AND EQUIPMENT <i>(Note 4)</i>	12,439	13,017	17,291
LONG TERM INVESTMENTS <i>(Note 5)</i>	15,052,262	23,619,424	32,953,933
	\$ 15,104,534	\$ 23,916,832	\$ 33,076,420
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT</b>			
Accounts payable	\$ 19,754	\$ 181,170	\$ 27,264
Government agencies payable	6,659	-	-
	26,413	181,170	27,264
<b>NET ASSETS</b>			
Operating fund	5,828,431	5,887,914	5,588,370
Project fund	9,237,251	17,834,731	27,443,495
Capital asset fund	12,439	13,017	17,291
	15,078,121	23,735,662	33,049,156
	\$ 15,104,534	\$ 23,916,832	\$ 33,076,420

APPROVED BY THE BOARD



Phil Kent, Chair



Gerry Furney, Treasurer

The accompanying notes are an integral part of these financial statements



# ISLAND COASTAL ECONOMIC TRUST

## Notes to Financial Statements

Year Ended March 31, 2013

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### 1. DESCRIPTION OF OPERATIONS

The Island Coastal Economic Trust is a not-for-profit organization incorporated under the North Island - Coast Development Initiative Trust Act on February 27, 2006.

The Trust is a partner and catalyst to build diverse and sustainable Island and coastal communities.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On April 1, 2012, the Trust adopted Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, The Trust has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO,

There were no transitional adjustments to the fund balances as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to ASNPO.

These financial statements have been prepared using the significant accounting policies described below:

#### Fund Accounting

The Operating Fund reports the revenues and expenditures related to general activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenditures related to the Trust's capital assets.

The Project Fund reports contributions restricted to activities outlined in the Trust's strategic plan.

At year end within the Project Fund:

Externally restricted future committed funds represent funds for specific project proposals that have been approved by the Board of Directors but the cash disbursements will not occur until a future date after year end once the conditions of the signed funding agreement are met.

Externally restricted uncommitted funds represent funds not committed to specific project proposals.

#### Revenue recognition

Island Coastal Economic Trust follows the restricted fund method of accounting for contributions.

Investment income is recognized when the income becomes due.

#### Grants and repayable grants

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met.

*(continues)*

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# ISLAND COASTAL ECONOMIC TRUST

## Notes to Financial Statements

Year Ended March 31, 2013

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

#### Financial instruments policy

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in net income in the period incurred. All other financial instruments are subsequently reported at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Trust has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, The Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realized by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

#### Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture, fixtures & equipment	20%	declining balance method
Computer equipment	30%	declining balance method

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates

#### Income taxes

No provision has been made for income taxes in these financial statements as the Trust is exempt under paragraph 149(1) of the Income Tax Act

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### 3. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash, accounts receivable, long term investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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ISLAND COASTAL ECONOMIC TRUST

Notes to Financial Statements

Year Ended March 31, 2013

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Furniture, fixtures & equipment	\$ 21,510	\$ 14,592	\$ 6,918	\$ 7,313
Computer equipment	25,846	20,325	5,521	5,704
	\$ 47,356	\$ 34,917	\$ 12,439	\$ 13,017

5. LONG TERM INVESTMENTS

	2013	2012
Money Market Fund	\$ 249,521	\$ 465,106
Intermediate Fund	38,894	6,124,720
Short term Bond Fund	14,763,847	17,029,598
	\$ 15,052,262	\$ 23,619,424

These investments are held with the Municipal Finance Authority of BC and are carried at amortized cost.

6. FINANCIAL RISK AND CONCENTRATION OF RISK

The trust is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the trust's risk exposure and concentration as of March 31, 2013.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The trust is exposed to credit risk from customers. In order to reduce its credit risk, the trust reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The trust has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The trust is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the trust manages exposure through its normal operating and financing activities. The trust is exposed to interest rate risk primarily through its long term investments held with the Municipal Finance Authority of BC.

NORTH ISLAND - COAST INITIATIVE TRUST

Project Expenditure Report

March 31, 2013

(Schedule 1)

Project	Approved Budget	2008-2011 Disbursed	2012 Disbursed	2013 Disbursed	Total Disbursed	Future Committed
Alberin Inlet CNPR Trail	76,000	39,574	36,426	0	76,000	0
Alberni Visitor Centre	706,192	536,336	169,856	0	706,192	0
Bear Cove Recreation	400,000	0	0	239,340	239,340	160,660
Biathlon Project	25,083	18,812	0	6,271	25,083	0
Campbell River Airport	2,310,000	0	1,848,000	462,000	2,310,000	0
Campbell River Attractions	23,453	23,453	0	0	23,453	0
Campbell River Marina	150,000	120,000	0	30,000	150,000	0
China Creek Bridge	26,945	0	0	0	0	26,945
Coal Harbour Dock Expansion	182,095	0	63,653	118,442	182,095	0
Comox Valley Harbour	400,000	0	320,000	80,000	400,000	0
Cowichan Valley Estuary	87,500	0	32,473	55,027	87,500	0
Cowichan Valley Trail	1,743,891	0	0	1,585,693	1,585,693	158,198
Cowichan Regional Visitor Centre	638,500	0	0	0	0	638,500
Craig Street Revitalization	190,000	0	190,000	0	190,000	0
Deep Bay Field Station	1,000,000	800,000	200,000	0	1,000,000	0
Deep Bay Harbour Expansion	88,918	0	0	80,026	80,026	8,892
Denman Island Dock	115,503	40,556	74,947	0	115,503	0
Duncan Cowichan Visitor's Centre	28,000	0	28,000	0	28,000	0
Ecomuseum Project	46,300	0	25,506	20,794	46,300	0
Fanny Bay Harbour	515,000	176,300	338,700	0	515,000	0
Geoscience Project	400,000	0	0	0	0	400,000
Gibsons Geothermal	244,080	182,290	12,995	48,795	244,080	0
Gibsons Harbour Upgrade	330,000	0	0	197,644	197,644	132,356
Gwayasdums Bighouse Restoration	120,000	0	0	0	0	120,000
Heriot Bay Wharf	450,000	0	274,345	175,655	450,000	0
High Speed North Island	72,625	72,625	0	0	72,625	0
Holmalco Wildlife Tours	195,000	103,822	52,178	4,341	160,341	34,659
INFILM Film Industry Dev.	43,250	22,181	8,861	0	31,042	12,208
Job Opportunities Program	1,465,272	1,243,024	222,248	0	1,465,272	0
Kelsey Bay Wharf	13,086	0	13,086	0	13,086	0
Kelly's Bridge	37,600	0	0	0	0	37,600
Ladysmith Marina	543,750	0	489,375	54,375	543,750	0
Mt Cain Capital Improvements	208,650	196,184	0	12,466	208,650	0
Namgis Waterfront	499,300	399,440	99,860	0	499,300	0
Nanaimo Cruise Ship Terminal	3,500,000	2,800,000	0	0	2,800,000	700,000
North VI Integrated Tourist Plan	137,500	123,750	0	0	123,750	13,750
Northfield Visitor Kiosk	155,000	0	0	72,085	72,085	82,915
Nuchatlaht First Nation	235,000	0	0	0	0	235,000
Pacific to Plate	49,668	0	26,128	0	26,128	23,540
Port Alberni Port Authority	3,545,000	0	0	2,355,776	2,355,776	1,189,224
Port Hardy Marina	1,994,000	1,195,106	16,220	782,674	1,994,000	0
Port McNeill Harbour	3,500,000	3,150,100	0	349,900	3,500,000	0
Port of Nanaimo Centre	2,000,000	2,000,000	0	0	2,000,000	0
Powell River South Harbour	2,237,830	90,797	1,699,467	0	1,790,264	447,566
Powell River Wharf & Infill	1,481,342	117,180	32,829	1,035,064	1,185,073	296,269
Quatse Salmon Centre	340,303	243,494	96,809	0	340,303	0
Renfrew Town Square	126,500	0	0	0	0	126,500
Roberts Lake Trail	50,000	35,955	14,045	0	50,000	0
Rumble Beach Marina	140,000	0	0	0	0	140,000
Salmon Brewster Equine Trail	40,000	0	0	40,000	40,000	0
SCSES Geothermal Heat	15,000	0	0	0	0	15,000
Seaplane Base Boat Launch	45,837	0	0	0	0	45,837
Sechelt Groves Society	6,681	0	4,800	1,881	6,681	0
<b>Balance brought forward</b>	<b>32,975,654</b>	<b>13,730,979</b>	<b>6,390,807</b>	<b>7,808,249</b>	<b>27,930,035</b>	<b>5,045,619</b>

NORTH ISLAND - COAST INITIATIVE TRUST

Project Expenditure Report

March 31, 2013

(Schedule 1)

Project	Approved Budget	2008-2011 Disbursed	2012 Disbursed	2013 Disbursed	Total Disbursed	Future Committed
Balance carried forward	32,975,654	13,730,979	6,390,807	7,808,249	27,930,035	5,045,619
Sid Williams Theatre	20,000	0	0	0	0	20,000
Sunshine Coast Botanical	370,295	283,693	86,602	0	370,295	0
Sunshine Coast Information Park	55,357	0	48,165	7,192	55,357	0
Sunshine Coast Trail	1,471,050	124,190	417,635	635,014	1,176,839	294,211
TAVI 2010 Strategic Plan	463,145	424,736	38,409	0	463,145	0
Tent Island	113,143	0	0	0	0	113,143
Texada Wireless	10,334	10,334	0	0	10,334	0
The Runner's Trail	419,581	360,000	0	0	360,000	59,581
Tidemark Theatre	153,000	0	0	0	0	153,000
Tofino Airport Navigation	169,000	0	0	0	0	169,000
Tofino Streetscape	132,007	0	0	0	0	132,007
Tourism Powell River	44,507	31,725	12,782	0	44,507	0
Ucluelet Aquarium	515,000	0	412,000	103,000	515,000	0
V.I. Mountain Adventure Centre	555,500	288,692	266,808	0	555,500	0
V.I.U. Sturgeon Studies	1,139,852	0	1,139,852	0	1,139,852	0
Vancouver Island Discovery Ct.	745,000	24,463	720,537	0	745,000	0
West Bamfield Dockside	12,972	0	12,972	0	12,972	0
West Bamfield Docks	37,028	0	0	6,821	6,821	30,207
Wild Pacific Trail	91,893	91,893	0	0	91,893	0
Wild Pacific Trail - Section H	55,500	0	0	0	0	55,500
Yellow Cedar Marketing Initiative	109,926	88,000	0	21,926	109,926	0
Prior year Projects	7,087,299	7,087,299	0	0	7,087,299	0
	<b>46,747,043</b>	<b>22,546,004</b>	<b>9,546,569</b>	<b>8,582,202</b>	<b>40,674,775</b>	<b>6,072,268</b>
Programs	195,974	10,500	62,196	15,278	87,974	108,000
<b>Total Projects</b>	<b>46,943,017</b>	<b>22,556,504</b>	<b>9,608,765</b>	<b>8,597,480</b>	<b>40,762,749</b>	<b>6,180,268</b>

*DSCP*

# FUNDING RECIPIENTS

Organizations funded by ICET initiate and deliver economic development projects in communities across the region. Project proponents offer unique insights and strategic approaches to attracting economic benefits to their communities.

Sunshine Coast Salmonid Enhancement Society  
Homalco First Nation  
Quadra Island Harbour Authority  
Quatsino Community Society  
Village of Alert Bay  
Campbell River Economic Development Corporation (Rivercorp)  
Campbell River District Fish and Wildlife Association  
Campbell River Harbour Authority  
Fanny Bay Harbour Authority  
Town of Gibsons  
Town of Port McNeill  
Ucluelet Aquarium Society  
Village of Port Alice  
GeoScience BC  
Village of Cumberland  
Kwicksutaineuk Haxwa'mis First Nation  
Société de développement économique de la Colombie-Britannique  
Sunshine Coast Botanical Garden Society  
Tourism Vancouver Island  
North Vancouver Island Salmonid Enhancement Society  
Port Alberni Port Authority  
Community Futures Alberni Clayoquot  
Ragged Edge Community Network Society  
Regional District of Mount Waddington  
Regional District of Nanaimo  
Village of Zeballos  
School District #47 (Powell River)  
Sechelt Community Projects Inc.  
Sayward Futures Society  
Sechelt Groves Society  
Tseshat First Nation  
Tidemark Theatre Society  
Town of Lake Cowichan  
Island North Film Commission  
North Vancouver Island Trails Society

# Vancouver Island Association of Wood Processors

Nanaimo  
Airport  
Commission

Vancouver Island Mountain Sports Society  
Woss Residents  
Association

Vancouver Island University

Alberni Valley Chamber of Commerce

Deep Bay  
Harbour  
Authority

Alberni-Clayoquot Regional District

Alberni Valley Enhancement Association

Denman Island  
Residents Association

Coast Cultural  
Alliance

# Area G Troll Association

Gillies Bay  
Internet  
Society

Wild Pacific Trail Society

Village of Sayward

Bamfield Harbour Authority

7 Hills Golf  
& Country  
Club

Cowichan 2008 Indigenous Games Society  
Cowichan Bay Fisherman's Wharf Association  
Cowichan Community Land Trust Society  
Cowichan Valley Regional District

District of Port Hardy  
District of Ucluelet  
District of Tofino

City of Campbell River

Nanaimo  
Port  
Authority

City of Duncan

City of Nanaimo

City of Parksville Economic Alliance

City of Port Alberni

City of Powell River

Comox Valley Economic Development Society

Comox Valley Harbour Authority

Ladysmith Maritime Society

Mount Cain Alpine Park Society

'Namgis First Nation

Tourism  
Powell  
River  
Society

Sunshine Coast  
Regional District

Backcountry  
Horsemen of BC

British Columbia Forest Museum Society  
Business Development Bank of Canada

Sid Williams Theatre Society

2009 World Under 17 Hockey Challenge Society

Gibsons and District Chamber of Commerce

Gibsons Landing Harbour Authority



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