

A Historical Perspective

Revelstoke Community Forest Corporation

**A Community Venture to Repatriate
Benefits from Local Public Forests
October 1995**

Introduction

The City of Revelstoke is nestled in the rugged and picturesque North Columbia Mountains of southeastern British Columbia. The community's economic history has long been tied to the natural resources of the area through the mining, transportation and timber industries. In 1993, the City became the sole shareholder in the Revelstoke Community Forest Corporation, a private corporation established by the City to purchase and manage an area of public forest land now known as Tree Farm License 56. This tree farm license is now the largest community forest in British Columbia, a province where forestry provides the foundation for the economy.

Other communities have taken a keen interest in this endeavor. City staff and the citizens who were involved in this historic undertaking are often asked how it was achieved. This report was prepared to document the context, history, achievements and challenges of this venture.. The report begins with a historical perspective of the events which lead to the unique opportunity that made this venture possible. This is followed by a detailed description of the steps taken to form the corporation. A description of the corporate structure and operations, its achievements to date, as well as the challenges for the future, are included.

Background

ECONOMIC HISTORY

As with many communities in the Kootenay area, Revelstoke began in the late 1880s as a transportation and supply centre for the mining industry. This was soon bolstered by the location of a major station and important maintenance yard for the new Canadian Pacific Railway at the beginning of its passage through the treacherous Selkirk, Purcell and Rocky Mountains. Both the mining industry and railway construction required substantial amounts of timber which prompted the early establishment and growth of the timber industry in the area.

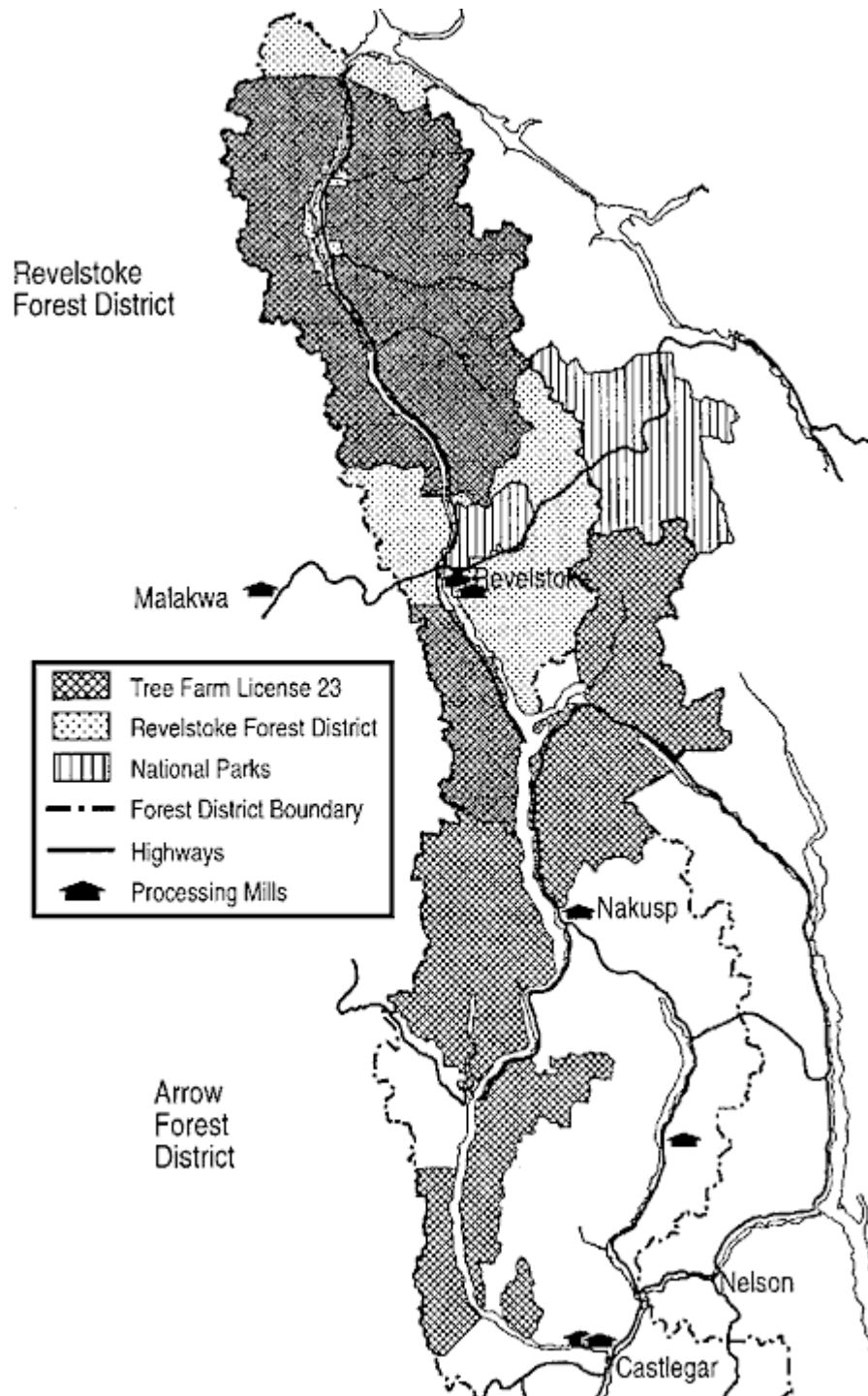
Beginning in 1965, three hydroelectric dams which created large reservoirs were built in the area. While these mega-projects fortified the economy of the city, they also flooded vast expanses of prime forestlands, reducing the timber and natural environmental resources of the area.

When the mega-project boom ended in 1985, the town experienced a significant downturn. This downturn was admirably overcome through the development and implementation of a community economic development strategy which included a downtown revitalization project, development and diversification of small businesses, encouragement of tourism and strengthening of the timber industry. Today, the economy of the community is based on four primary components, each having almost equal importance: the timber industry, transportation (primarily rail), tourism and government.

FOREST INDUSTRY DEVELOPMENT

The City of Revelstoke is the only major community within the Revelstoke Forest District, which stretches from the Mica dam in the north to Arrow Lake in the south. The forestlands in the District are almost equally divided between tree farm license (TFL) area and a timber supply area.

As Figure 1 illustrates, the original tree farm license, TFL 23, which included approximately half a million hectares stretching from north of the Mica dam through the Revelstoke District and into the Arrow Forest District to the south, had been granted to Celgar Ltd. in 1955 primarily to supply a pulpmill and sawmill complex in Castlegar. Prior to 1986, the timber harvested from the timber supply area had historically been processed in Revelstoke by one large sawmill which had been recently purchased by Federated Cooperatives, a Saskatchewan-based firm, and several smaller, locally-owned mills.



1986 - A LOW POINT

In 1986, the major sawmill in the community was closed, adding to the already depressed economy following the end of the dam construction boom. A small amount of harvesting continued under the company's cutting rights in the timber supply area, but these logs were trucked to processing facilities outside Revelstoke.

This left three small sawmills and a pole yard operating in the community, processing four per cent of the timber harvested from public lands in the area (28,000 of the total of 700,000 cubic metres harvested). This situation was not acceptable to the community.

COMMUNITY ADVOCATES CHANGE

Between 1987 and 1990, the City of Revelstoke and community groups worked together to advocate the community's view that more of the timber harvested from the area should be processed in the community:

- *in 1987, the Chamber of Commerce publicly supported the provincial government's decision to downsize the northern block of TFL 23 because of inadequate harvesting levels. In the same year, the City of Revelstoke was successful in convincing the Ministry of Forests to cancel Federated Cooperative's tenure due to lack of local processing. At the same time, the large sawmill in Revelstoke reopened under new ownership.*
- *in 1988, the City became involved in the consultation process to award a new license. The City demanded the decision include an assessment of community, social and economic benefits. The City's recommendation that community-based processors be provided cutting rights was followed by the Minister of Forests, and two local mills were awarded tenures:*
 - *Joe Kozek Sawmills Ltd. 21,000 cubic metres*
 - *Downie Timber Ltd. 159,000 cubic metres*
- *during 1988 and 1989, the Management and Working Plans for TFL 23 were thoroughly reviewed by the City of Revelstoke and the Economic Development Commission. Experience gained by city staff during these reviews prompted the City to identify serious underlying problems with the management and utilization of the timber resources of the TFL. Submissions to the Forest Service and the Ministry of Forests resulted in substantial changes to the original plans.*
- *during 1989 and 1990, the City and the Economic Development Commission worked together to submit briefs first to a panel conducting public hearings on converting forest licenses to TFLs, and then to the Forest Resources Commission. Both briefings highlighted the concerns about the management of TFL 23, and the alienation of cutting rights from community based processors. The City made the following recommendations to the Forest Resources Commission:*
 - *communities should have more input on management plans for licenses*
 - *local processing would improve utilization and management*
 - *improved forest management would increase benefits and reduce potential allowable annual cut reductions*
 - *improved utilization standards were required*
 - *improved recreational and tourism use of the forest should be encouraged*
 - *consistent application of the Forest Act was needed*

In 1991, Westar Timber offered TFL 23 and its sawmill in Castlegar for sale. In March, 1992, sale of the portion south of Revelstoke, including the sawmill, to Pope and Talbot Ltd., a U.S. lumber firm, was negotiated. The government created a review panel including local provincial politicians to provide recommendations on the proposed transfer of harvesting rights.

Over 500 residents of Revelstoke attended a public meeting to give the review panel the strong message that local control of local resources was demanded; specifically that the area of forestland within Revelstoke Forest District should not be included in the sale because it was a critical source of supply for local mills. The provincial government agreed, and 35,000 cubic metres of timber from this area was allocated to the Small Business Forest Enterprise Program and is thus available to local processors. Cutting rights for the southern portion were transferred to Pope and Talbot Ltd. and Westar Timber retained the northern portion of the tree farm license which was renumbered TFL 55.

Opportunity is Created

October, 1992, saw Westar Timber negotiate the sale of the remaining TFL area, as well as a sawmill in Malakwa and other cutting rights, to Evans Forest Products Ltd., a plywood and sawmilling firm based in Golden. A new review panel was struck to examine the proposed transfer of harvesting rights.

Revelstoke opposed the proposed transfer. During a four-hour public hearing in Revelstoke, almost 500 people packed the community centre auditorium to hear representatives for the city, the local forest industry, environmental groups, the business community and the recreation sector tell the panel why the Ministry had to reject the proposed transfer. Most of the criticism echoed the message from the previous meeting - giving control of a large amount of forestland in the Revelstoke area to an out-of-town company with no guarantees for local processing of the timber was not acceptable.

In mid-December the government rejected the proposal largely because of the 'strong case' presented by Revelstoke that the proposed transfer did not meet the economic and social needs of the three communities involved - Revelstoke, Golden and Malakwa. The forest industry outside the community was very concerned that, for the first time in the history of the province, the government had denied a proposed transfer of cutting rights between companies because economic and social needs would not be met.

In its report, the review panel recommended the Ministry consider a variety of alternatives such as allocating the area to create a log market or creating a community controlled forest. It further recommended that, at a minimum, 50 per cent of the allowable annual cut from TFL 55 would have to be allocated to a community forest proposal suggested by Revelstoke if this venture was to be viable. This presented a unique opportunity for the City to act on its commitment to 'local control of local resources' by becoming actively involved in the timber industry. It was felt by some Revelstokians that by creating a community forest 'We could do a better job of forest management, protect local forestry and processing employment and ensure security for the future.'

A whirlwind of activity was necessary before this opportunity became a reality.

From Opportunity to Reality

QUICK INITIAL ACTION

The City moved quickly to capture the opportunity:

- *on December 17, City Council met and agreed to the concept of creating a consortium with local timber industry partners.*
- *on December 29, representatives from the provincial government, Westar Timber, Evans Forest Products Ltd. and the City met to seek a mutually agreeable resolution. Dan Miller, the then Minister of Forests, allowed the City until January 21, 1993 to demonstrate progress on a proposal.*

The City recognized the need to bring in knowledgeable and innovative advisors to develop their proposal. Advisors with three areas of expertise were retained:

- *operations and financial advice was provided by Garth Langford, an experienced timber industry financial advisor and past manager of Downie Timber Ltd.;*
- *an assessment of the timber resources and liabilities was provided by Micheal Stewart, an internationally experienced forest resource consultant; and*
- *legal advice was secured from Susan Lloyd of Lidstone, Young and Anderson for the incorporation and from Jim MacLean of Sutherland, Johnston and MacLean for the industry partnership agreement.*

Although these services cost the City approximately \$200,000 at a time when some risk existed that the proposal might not be successful, this expertise was critical to the success of the venture.

During this period, three local milling operations proposed a unique partnership which provided financing, industry expertise and some sharing of risk with the City in return for a secure timber supply.

Based on the work of the advisors, and with the support of local timber companies, the City was able to show substantial progress by January 21 and the Minister of Forests agreed to consider a proposal from the City. On February 1, 1993, the following terms of acquisition were reached between Westar Timber, Evans Forests Products Ltd., the City and the provincial government:

- *to secure support from Evans Forest Products Ltd., the allowable annual cut (less five per cent automatically reallocated to the Small Business Forest Enterprise Program administered by the BC Forest Service) and the land area of the existing TFL 55 would be equally divided between the City and Evans Forest Products Ltd., creating two separate tree farm licenses. Evans Forest Products Ltd. would purchase the northernmost portion; leaving the southern portion of the Goldstream and the Downie Creek drainage for the community forest (Figure 2).*
- *each would secure cutting rights of approximately 98,500 cubic metres per year from an area of approximately 100,000 hectares (250,000 acres).*
- *the City's portion would be purchased and managed by an independent corporation with representatives from the City and the community on its board and an advisory committee*

which included the industry partners.

- *the new corporation would be required to sell 50 per cent of the timber harvested to its industry partners at the average annual cost per cubic metre of timber delivered to the mill yard; the remainder would be sold on the open market through sealed tenders to the highest bidder, with the income accruing to the corporation.*
- *financing for the purchase would come from the industry partners, a bank loan, and an investment by the City from a long-standing fund created through the sale of a City-owned electric project.*

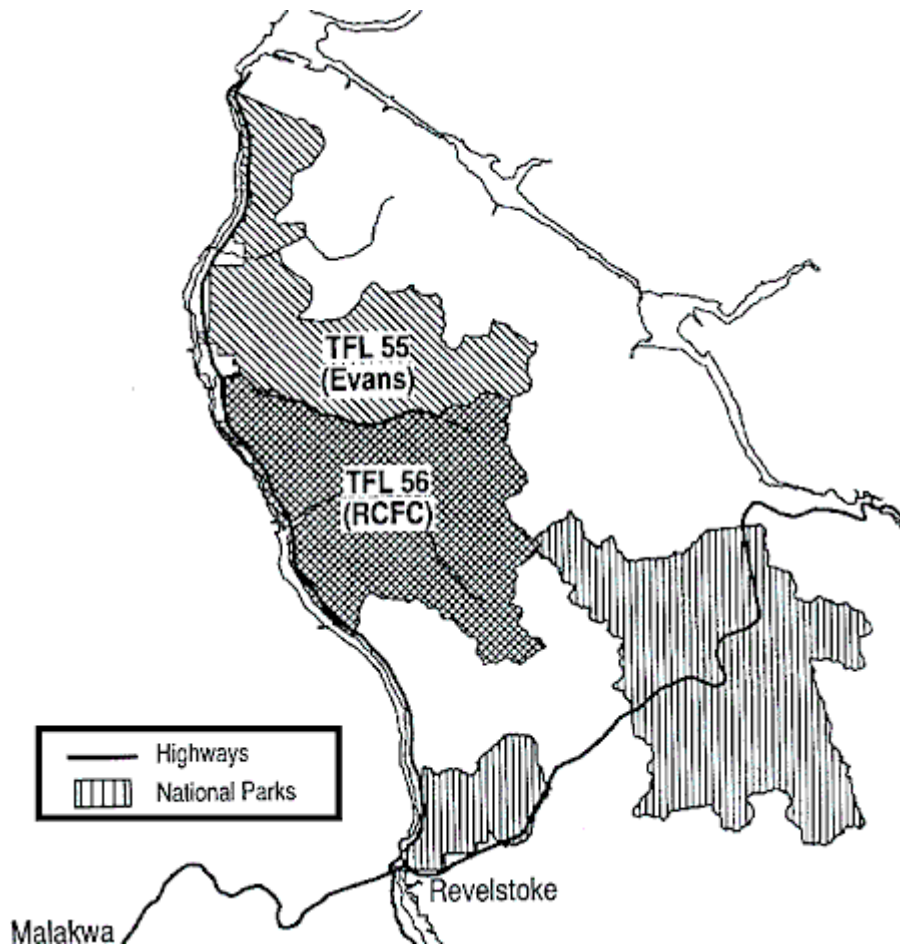


Figure 2. Map of the new Tree Farm License area

SECURING PUBLIC SUPPORT

With an acceptable agreement in hand, the City required the approval of the residents of Revelstoke for the proposed investment by the City, and an indication of community support to the Inspector of Municipalities who is legally required to approve the creation of such corporations by municipalities.

On February 8, City Council passed a resolution authorizing a referendum to secure citizen approval of the investment. An extensive public information program was necessary to ensure the

citizens received accurate information and they understood the nature of the venture. This program included:

- *a meeting of community leaders*
- *11 presentations to community groups and agencies*
- *workshops with specific groups*
- *an open house*
- *a public meeting*
- *a pamphlet addressing common questions and misconceptions which was distributed to every mailbox in the community*
- *a radio open-line program*
- *newspaper articles and advertisements by the City and its industry partners including statements of support from leading citizens*
- *cable television coverage of the public meeting in conjunction with an open-line program*

Revelstokians voted with as much commitment to their principle of local control of local resources as they had shown at the previous public meetings: over 60 per cent of the eligible voters turned out for the referendum vote on February 20, 1993 and 78 per cent voted yes.

LEGAL & FINANCIAL ARRANGEMENTS

Finalizing the legal and financial arrangements for the corporation then remained to be completed. On March 25, the Inspector of Municipalities approved of the City creating an incorporated company as required by the Municipal Act of BC. On April 20, 1993 the Revelstoke Community Forest Corporation was incorporated. The City of Revelstoke is the sole shareholder with one common share.

The \$3.5 million purchase price paid to Westar Timber by the corporation was financed as follows:

- *\$1 million investment from the City funded by the City's Electrical Utilities Reserve Fund. This investment currently receives a dividend of the average of prime for the fiscal year plus 1 per cent on the amount invested, subject to Board approval at the end of each fiscal year.*
- *\$1 million cash paid up front from the three local forest industry partners (\$600,000 from Downie Timber Ltd., \$200,000 from Joe Kozek Sawmills Ltd., and \$200,000 from Cascade Cedar Products Ltd.) as well as \$500,000 to be repaid through debt retirement of the long-term loan incorporated in the cost of logs delivered to the industry partners (prorated at the same percentages as the cash paid up front).*
- *\$1 million long-term loan borrowed by the corporation from the Royal Bank at an interest rate of 9.04 per cent until July, 1998, secured by a registered general security agreement and repayable monthly. This loan has a five year term beginning in July, 1993 with a 15 year amortization period.*
- *\$1 million short-term loan borrowed by the corporation for start-up and initial operating funds. Three separate agreements were required to legally implement the corporation's operations:*
- *an agreement to purchase harvesting rights from Westar Timber*

- *an 'equalization' agreement with Evans Forest Products Ltd. to divide the existing TFL and to account for the necessary adjustments for material differences in road and other developments, and outstanding silviculture obligations on the two portions of the area*
- *a Timber Removal Agreement including the arrangements for the industry partners to receive 50 per cent of the timber harvested from the new TFL at a price based on the six month average operating cost for the corporation. The average operating cost includes all business expenses such as road development, harvesting, silviculture obligations, debt retirement and administration. Timber species and quality sold to industry partners are to be consistent with the distribution harvested from the new TFL area, with the exception that, until May, 1996, all pulplogs will be sold to another buyer under an agreement existing at the time of the sale. The proportion of the harvest to be provided to each partner is based on the proportion of the total original investment financed by each firm:*
 - *30 per cent of total harvest (24,353 cubic metres) to Downie Timber Ltd.*
 - *10 per cent of total harvest (8,117 cubic metres) to Joe Kozek Sawmills Ltd.*
 - *10 per cent of total harvest (8,117 cubic metres) to Cascade Cedar Products Ltd.*

An additional condition of the agreement is that if this timber is traded to processors outside the community an equivalent amount of wood must be processed in the community. Should the TFL ever be sold, the agreement stipulates the industry partners are to receive 50 per cent of any proceeds from the sale in excess of the net book value.

With the corporation, financing and agreements in place, the transfer of cutting rights to RCFC could be finalized and was completed on June 11, 1993, creating a new Tree Farm License 56.

KEYS TO SUCCESS

It had taken only six months for the community to take this venture from an opportunity to a reality. There was now the potential that 76 per cent of the timber harvested from public forest land in the Revelstoke Forest District (418,100 of 553,100 cubic metres) could be processed in the Revelstoke area, compared to the four per cent that was possible in 1986. Several factors were key to the success of this venture:

- *opportunity*
- *leaders with vision*
- *a community that was willing to take some risk*
- *local forest industry participation and support*
- *community readiness and support*
- *financial resource*
- *professional advisors and consultants*
- *extensive communications*
- *perseverance*
- *credibility and trust*
- *confidence*
- *timing and luck*

First Two Years of Operations

CORPORATE MISSION

The operations of the Corporation are guided by its mission statement:

The Revelstoke Community Forest Corporation will manage and operate its Tree Farm License in a manner that will enhance the forest resource while respecting the principles of integrated use, environmental stewardship and public consultation; providing the following community benefits on a sustainable basis:

- *revenue to sustain the Corporation and support the community*
- *local control of resources*
- *local processing*
- *local employment*
- *forestry training and education*
- *outdoor recreational activities*
- *a lasting relationship with the land that comprise TFL 56*

ORGANIZATION AND OPERATIONS

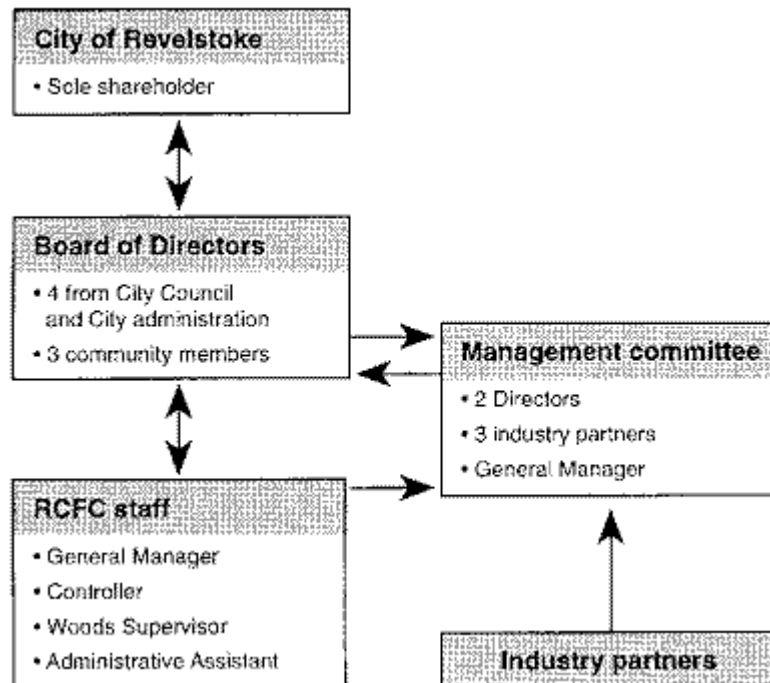


Figure 3. Organizational structure of the corporation

The Board of Directors is appointed by City Council and includes four appointees from a combination of City Council and city management staff and three members from the community at large. The Board is responsible for the overall operation and direction of the corporation. The Management Committee, which includes three representatives of the industry partners, two RCFC Directors and the General Manager of the corporation, provides advice on the operation and management of the TFL by reviewing management and operational plans and making recommendations to the Board. This committee enables the Board to access local forest industry knowledge and experience to ensure the corporation's operating costs and policies are in keeping with industry standards.

During the initial four months of operation, the Economic Development Officer filled the role of the General Manager. This position was then filled by a Registered Professional Forester. Other full-time staff positions include a Controller, a Woodlands Supervisor and an Administrative Assistant.

COMMITMENT TO THE COMMUNITY

The corporation has implemented several policies and procedures to ensure the original commitments to the community are fulfilled in its day-to-day operations:

- ***local employment***
As much as possible, local contractors are hired rather than employing full-time staff for planning, road building, logging, hauling and silviculture services. Where feasible, the corporation coordinates its operations with its industry partners to provide employment stability for local contractors.
- ***timber available to local processors***
The unique partnership between RCFC and its industry partners ensures that at least 50 per cent of the timber harvested from TFL 56 is processed in Revelstoke. In addition, RCFC operates a log sort yard to implement the requirement in the license agreement that the remaining timber be sold to the highest bidder through open sales. During the 1993/94 operating year, 27 per cent of the timber sold at this yard went to local processors. In 1994/95, this figure rose to 55 per cent of sales.
- ***local suppliers***
As much as possible, the corporation purchases supplies from local sources. In the 1993/94 fiscal year it is estimated that \$1.3 million was spent locally, with \$4.6 million spent during the 1994/95 year.
- ***minimize financial risk***
The corporation has a commitment to reserve \$1 to 1.25 million which will be available to stabilize operations in the event of a prolonged economic downturn or to maintain operations in case of a fire, natural disaster or other unforeseen major disruption. Once the reserve is established, it is planned that revenue excess of operating expenses will accrue directly to the City.
- ***return on investment***
The City realizes a minimum annual dividend at the average of the prime interest rate for the fiscal year plus one per cent for its \$1 million investment. This ensures that, at a minimum, the City receives a reasonable return on its investment.

- **training**
Supporting the development of a local, skilled forestry labour force is an important goal of the corporation. Initially the corporation developed the concept of a Forestry Training Centre to provide on-going forest sector skill and knowledge upgrading to local citizens. This concept has been advanced through the establishment of the Community Skills Centre in partnership with the province of BC.

During the past year, RCFC sponsored a Forestry Worker Development Program in conjunction with the Ministry of Social Services and the Ministry of Forests. This project resulted in the establishment of a local silviculture contracting business which was financed in part by the Community Loan Fund operated by Revelstoke Community Futures.

- **public information**
During the 1 980s, the City of Revelstoke repeatedly advocated increased involvement of local citizens in the planning and management of local forests. RCFC has begun to encourage increased involvement through regular newspaper articles and advertisements about its operations as well as by issuing an annual report to citizens and holding an annual general meeting in the community. Now that the organization of the corporation and its finances are more secure, the Board will be involving the community in a strategic planning process being initiated this year.

EARLY PERFORMANCE

During the first two years of operation the focus has been on the essential tasks of getting a forestry corporation up and running. The following table details the forestry accomplishments during these early years.

Summary of Forestry Accomplishments to Date		
Activity	1994	1995
Road construction (kilometres)	0	20
Harvesting (cubic metres)	103,434	84,314
Site preparation by burning (hectares)	59	266
Planting (hectares)	133	95
Manual brushing (hectares)	154	165
Herbicide brushing (hectares)	0	18
Reforestation surveys (hectares)	1,463	1,996
Pruning (hectares)	0	30

Of primary importance, a substantial road construction program was required to access timber for harvesting. Harvesting has been constrained during some periods because of restricted road access. A significant road construction program remains to be completed to ensure stable operations for the corporation in the future.

When the TFL was acquired, most previously logged cutblocks had been successfully reforested, making it relatively straightforward to establish an operational silviculture program on the TFL.

High log prices, particularly for quality spruce sawlogs, produced unexpected revenues for the corporation in its first years of operations. Table 2 provides a summary of financial performance to date. A total profit of \$1,341,114 has been achieved to date, with dividends of \$164,766 issued to the City. As well, the \$1 million short-term loan has been repaid.

Summary of Financial Accomplishments to Date		
Year-end Statements (as of April 30)	1994	1995
Revenue (including interest income)	\$5,976,995	\$7,227,105
Operating costs	\$5,630,212	\$6,232,774
Profit	\$346,783	\$994,331
Dividend to City	\$74,166	\$90,600

EARLY CHALLENGES

Implementing the community's vision of a profitable, environmentally sensitive community forest corporation has been more challenging than anticipated due to several situations:

- road development**

TFL 56 is in a very rugged, mountainous area with steep, forested valley walls rising to rocky peaks, snowfields and glaciers. The main valley bottoms were developed and logged by Westar in recent years so a good main road system exists. However, a substantial network of branch roads needed to be built in steep country with sensitive soils where extensive and costly engineering and construction is required. Heavy rains and deep snowfalls add to the physical difficulties of road construction and maintenance in the area. These regular challenges were exacerbated during 1995 by abnormally wet summer weather. Development and implementation of new road requirements consistent with the Forest Practices Code further delayed road construction approvals and completion.
- harvesting approvals**

As with the rest of the timber industry, RCFC experienced difficulties in obtaining approval of harvesting plans as government agencies incorporated the developing requirements of the Forest Practices Code. These difficulties created a particular challenge for RCFC's operations because of the limited area of accessed timber.
- land-use planning**

In developing the agreement with Evans Forest Products Ltd. to split the previous TFL, the City purposely chose to purchase harvesting rights to the area with the widest range of forest values. In addition to its timber values, the area within TFL 56 is used by the residents of Revelstoke and tourists for outdoor recreation, heli-skiing and hiking (one of the premier backcountry lodges is located in the area), hunting, fishing, guiding, trapping, and mining. The TFL also includes important wildlife habitat for grizzly bears and mountain caribou. Its close proximity to two national parks further increases expectations for sensitive timber management practices.

Since the corporation was created, RCFC staff and Directors have participated in the Kootenay-Boundary land-use planning process under the Commission on Resources and Environment. During the process, a substantial portion of TFL 56 was considered for protected area status where timber harvesting would not be permitted. In November, 1994, the Commission on

Resources and Environment issued its report recommending a substantial amount of the operable timber harvesting land base in the TFL be classified as a special management area where limited timber harvesting would be permitted.

The community of Revelstoke loudly rejected this report and demanded an opportunity to develop a 'made in Revelstoke' plan. The City created a Negotiating Committee including one RCFC Director as a member and a City Councilor as an ex-officio member, to accomplish this task. This committee developed an alternative plan which restricted special management status to a smaller portion of the land base. This plan was accepted by government in its land use plan for the Kootenay-Boundary area announced in March, 1995. The plan called for the establishment of a Community Resources Board or an interim committee in Revelstoke to oversee the implementation of the plan.

RCFC Directors, City Council and city staff expect to continue to be heavily involved in the implementation of this plan.

Current Challenges

Operating a forestry enterprise in British Columbia during these changing times is a challenging undertaking for most firms. This is particularly true for a community owned corporation operating on an area with difficult terrain and many highly valued resources. Current challenges for RCFC include:

- ***road development***
While progress has been made in extending the road network within the TFL, during the 1995/96 season approximately 50 kilometres of road is planned to be built to harvest 125,000 cubic metres of timber. Reductions in this program will lead to limited harvesting opportunities. Ironically, the current downturn in log prices may prompt reduced harvesting targets, thus partially offsetting the impacts of any delays in road development.
- ***forest practices***
RCFC is committed to balancing the need to operate a profitable business while respecting the natural capabilities of the land and the needs and desires of the public who own the land. The corporation's forest management practices are designed to ensure timber harvesting can continue on a sustainable basis while protecting the natural environment. In addition to the challenges of implementing the new requirements of the Forest Practices Code, RCFC faces specific challenges due to the terrain and ecology of the TFL lands and the unique community ownership of the corporation. These challenges include examining the continued use of herbicides as a brushing treatment on plantations and implementing selective harvesting on steep slopes with cable logging methods. The corporation is currently developing a proposal for Forest Renewal funding to assist with the development of innovative harvesting techniques for environmentally sensitive sites with multiple resource values.
- ***management planning and timber supply review***
The second Management and Working Plan for the TFL, including a review of the allowable annual cut, must be approved by the Chief Forester by December, 1995. When the TFL was purchased it was expected that the allowable annual cut would decline over time. This was factored into the financial projections for the corporation. However, opportunities exist to improve the initial forecasts by expanding timber harvesting into previously unharvested areas through the use of innovative harvesting practices such as helicopter logging which will

not damage the sensitive environmental conditions in these areas.

- ***normal timber industry business cycle***

The corporation has seen higher profits than originally forecast in its first two years of operations, leading some to proclaim it a resounding success. Others caution that the timber industry has historically been highly cyclical, with approximately five years between troughs. In recent months, lumber prices have declined substantially, but the impact of this downturn has been buffered by continuing high pulp prices which have kept log prices comparatively high. However, declining lumber prices have prompted suggestions that the normal business downturn is beginning. Still others contend that the reductions in timber supply from some public forest lands, and declining areas of mature private forest land will lead to continuing high log prices.

RCFC was cautioned about the cyclical nature of the industry by its early advisors, prompting the creation of a reserve fund to weather expected downturns. This fund is well on its way to being fully established with a current balance of \$1.1 76 million at the 1995 fiscal year-end.

Early in 1994, the Board of Directors defined preliminary strategies for the corporation (Appendix 2). With the corporation now successfully functioning as a forestry business with respectable profits in its early years, the Board intends to refocus on a long-term strategic plan. Topics to be examined in this plan include:

- *establishing a fund for enhanced silviculture, innovative projects, research and development*
- *improving access to timber for local value-added operators*
- *improving public information and education through community initiatives lead by the corporation*

Creation of the Revelstoke Community Forest Corporation began with the commitment of the City of Revelstoke, community groups and individual citizens to establish local control of local forest resources. The sale of the original TFL within the area and the community's strong opposition to proposals which would lead to processing of the local timber resource outside the area created the opportunity for the community to take action on this commitment. An innovative partnership with local timber companies, available financing, sound advice and hard work by many individuals lead to the establishment of a unique community corporation. During its first two years of operation, this corporation has become a functioning forestry business yielding higher than expected profits and providing substantial benefits to the community. The corporation is in an excellent position to succeed over the next few years, even with the challenges of ongoing changes in forest practices and land-use and the possible normal downturn in the timber industry business cycle.

Further Information

For further information about Revelstoke Community Forest Corporation write to:

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or contact one of the following individuals:

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For details on the development of the Corporation:

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Economic Development Commissioner
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Geoff Battersby
Board Chair, Revelstoke Community Forest Corporation
(and Mayor when the Corporation was created)
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For information on current operations:

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Revelstoke Community Forest Corporation
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Appendix

Preliminary Corporate Strategies (1994 draft)

VISION AND GOALS

The Revelstoke Community Forest Corporation (R.C.F.C.) will manage and operate its Tree Farm in a sustainable manner that will enhance the forest resource while respecting the principles of integrated use, environmental stewardship and public consultation & participation; providing the following community benefits on a sustainable basis:

- *revenue (to sustain the Corporation and to support the community)*
- *local control of resources*
- *local processing*
- *local employment*
- *forestry training and education*
- *outdoor recreational activities; and finally but clearly not least*
- *a lasting relationship with the land that comprises T.F.L. 56*

We will be guided by the values of integrity, openness and respect for people.

MANAGEMENT STRATEGY

R.C.F.C. will attempt to maximize its revenues over several years rather than in a one year period; while at the same time trying to promote Revelstoke's economic stability by providing a regular, steady supply of wood fibre for access by local processors.

R.C.F.C. will harvest more wood fibre when the economics are favorable and build reserves to buffer against economic down turns. When the economics are unfavorable, R.C.F.C. will harvest less and utilize reserves if and as needed.

R.C.F.C. will strive to protect the integrity of the natural environment by utilizing safe, ecologically based, efficient forest practices which maintain the optimum productivity of its land base.

R.C.F.C. will aggressively employ the principle of public involvement and public consultation in all its affairs.

In order to maintain fairness, R.C.F.C. will publicly tender, wherever reasonable and feasible, its contract work and purchases.

R.C.F.C. will strive to be a leader in planning, reviewing and protecting all the resource values contained in its Tree Farm License.

R.C.F.C. will aggressively support the development and training of a local workforce in all aspects of forest management activities.

R.C.F.C. will try to utilize other funding sources to achieve its vision, for example, employment training, Downie Bonus Fund, research and development funds, etc.

R.C.F.C. will support research and development into value added processes, new forestry techniques, etc.

RESERVES AND DIVIDENDS POLICY

R.C.F.C. is a totally self-funding Corporation with dividends and excess revenues (as determined by the Board of Directors) returning to its sole shareholder, the City of Revelstoke.

A. **MAJOR DISASTER/FIRE/CONTINGENCY RESERVE** will be established by R.C.F.C. with the following conditions:

1. There will be an accumulated fund “cap” (including accumulated interest) of between \$1 Million to \$1.25 Million. (The amount and formula to arrive at an amount is being reviewed and finalized over the next several months.)
2. This reserve may be drawn upon to:
 - a) stabilize operations by ameliorating any prolonged economic downturn (that may be inherent in the cyclical nature of the forest industry);
 - b) maintain R.C.F.C.’s operations in times of fire, natural disaster or any unforeseen act of major destruction to the R.C.F.C. operation. (R.C.F.C. already has reserves for its silviculture and other operating obligations; thus this reserve is meant to only be drawn upon in times of a disaster).

After the above payments have been made and/or reserve funds established, excess profits will be paid to the City of Revelstoke.

B. **PAYMENT OF DIVIDENDS:**

Annual dividends, with the following conditions, will be payable to the City of Revelstoke from R.C.F.C.:

1. The average prime rate at the Royal Bank of Canada for the current fiscal year plus one percent (1%) calculated against the \$1 Million City start-up loan.
2. This dividend would be payable after the fiscal year ends April 30th of each and every year.
3. The Board of R.C.F.C. reserves the right to modify this policy from time to time.

C. **FUND FOR ENHANCED SILVICULTURE, SPECIAL INNOVATIVE PROJECTS AND RESEARCH AND DEVELOPMENT:**

The Board will make an annual allocation to this fund at fiscal year end. The primary purpose of this fund is to increase yield; thus Corporate Participants are expected to contribute to this fund, or expenditures against this fund, to an equal amount. If partners chose not to do this, any AAC increase due to increased yield will accrue to R.C.F.C. only.

DONATIONS

The Board will make an annual allocation to a Donations Fund at fiscal year end. A Donations Policy will be established by the Board over the short term. In the meantime, the Board will consider each request on its own merits; but projects that support the vision and goals of R.C.F.C. shall be given top priority.

TRAINING / EDUCATION

R.C.F.C. will actively assist and promote the development of a comprehensive training and research and development centre for forestry workers and professionals.

R.C.F.C. will be pro-actively involved with the education system from K to 12 and adult learning through such things as tours and classroom presentation and discussions.

PUBLIC INFORMATION / CONSULTATION & PUBLIC RELATIONS

The General Manager will produce quarterly reports for the media/public.

R.C.F.C. will exceed the standards of public consultation required of private tree farms by:

- *Holding annual town hall meetings to discuss its annual report.*
- *Presenting forestry information in an easy to understand manner for all audiences.*

Public statements to the media, public and other agencies should normally be made through the President or General Manager, depending on the nature of the issue. Individual Directors should not make statements on behalf of the Board without Board's approval.

R.C.F.C. BOARD AND COMMITTEES STRUCTURE

The Board of Directors of the R.C.F.C. shall have complete control of R.C.F.C. However, the following limitations apply:

1. R.C.F.C. is solely owned by the City of Revelstoke and the Board is made up of a majority of direct City appointments and serves at the pleasure of City Council. R.C.F.C. must therefore be sensitive to the wider community interest.
2. R.C.F.C. was funded in part (50%) by Industry Participants (Downie Street Sawmills, Joe Kozek Sawmills and Cascade Cedar) and therefore must remain sensitive to them as equity funders and as customers of 50% of the Corporation's wood supply. This relationship and its rights and restrictions are laid out in the Timber Removal Agreement between R.C.F.C. and the industry participants.

The primary means of establishing liaison and communication with its Industry Participants is by holding regular monthly meetings between the R.C.F.C. Board's representatives and representatives of each of the Industry Participants.

These meetings should be the primary means of communication to the Board, but other means include:

1. **communications through R.C.F.C. staff on day-to-day activities; and**
2. **communications direct to the Board on special issues where such communication warrants (including before the Board's Annual Report is presented to the community).**
3. **informal quarterly luncheons will also be held between the Board and its Corporate Participants.**

Board of Directors remuneration shall be as follows:

1. **\$600/year for Board Members (excluded City Administrator or any other City staff that might sit on the Board).**
2. **\$1,200/year for President.**
3. **Travel expenses will be paid at City Council rates (\$75/day not including accommodation, mileage and/or airfare) in addition to a per diem for lost wages of \$125/day.**

TIMBER ALLOCATION

Timber volumes shall be shared equally (50%/50%) amongst R.C.F.C. and its corporate Participants. Harvest levels may vary between 50% and 150% of AAC as per cut control regulations, depending on markets and demand. Allocation amongst Corporate Participants shall be per Corporate Agreements (ie. 30% Downie Timber; 10% Joe Kozek Sawmills; 10% Cascade Cedar).

OTHER POLICIES

Conflict of interest, tendering policy and other policies that are not fully covered in this manual will fall under the Municipal Act or City of Revelstoke policy.