

ANNUAL REPORT

2000



Burns Lake Community Forest Ltd.

Box 788 Burns Lake, B.C. V0J 1E0

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The Corporation of the Village of

BURNS LAKE

OFFICE OF THE MAYOR

P.O. Box 570, Burns Lake, BC V0J 1E0 Tel: (250) 692-7587

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To All Residents of the Lakes District:

RE: BURNS LAKE COMMUNITY FOREST LTD. – ANNUAL REPORT 2000

Attached you will find the annual report of your community-owned forest corporation, Burns Lake Community Forest Ltd.

Our board of directors started the year with high hopes. Having just been awarded a community forest pilot project, we were filled with elation and eager to get on with the business of managing the community forest. Given the ministry's enthusiasm for our proposal, we anticipated negotiating a pilot agreement that would allow BL ComFor to practice effective stewardship of the natural resources in the target area while generating the revenues needed to enhance social, economic, and recreational opportunities in the area.

Although the agreement reached with the Ministry of Forests in July didn't meet all our expectations, it nevertheless allowed Burns Lake Community Forest Ltd. to begin managing more than 20,000 hectares of Crown forestland in the Burns Lake watershed. The board undertook this task with enthusiasm, and despite facing numerous challenges – including a spruce bark beetle outbreak of epidemic proportions – accomplished much in the final five months of 2000.

As you will note, the BL ComFor's achievements were less than spectacular from a financial point of view. This was largely the result, I feel, of (a) the province's delay in setting salvage stumpage rates, and (b) the company's commitment to aggressively combating the spruce bark beetle infestation through the use of costly (but more environmentally friendly) small patch sanitation techniques. The decision to utilize this more costly method of harvesting was based primarily on BL ComFor's commitment to manage your community forest for *all values*. Clear-cutting areas of the community forest hit hard by the spruce bark beetle would have been a more cost-effective method of meeting the company's forest health objectives, but would have had a greater impact on wildlife, recreational opportunities, and scenic values.

I'm impressed by this achievement, as well as BL ComFor's commitment to job creation and training in our community. It bears noting that last year, the company was able to pump more than \$360,000 into the local economy and create 7,848 man-hours of employment for Lakes District residents. Various groups also used the community forest as a training ground for students interested in pursuing careers in forestry, and the company assumed an advocacy role for small business. I personally believe these were significant accomplishments, given the unrealistically high stumpage rates, inadequate operating allowances, poor market conditions, and government intransigence with which BL ComFor had to contend in 2000.

It appears 2001 will be an even better year for the company – and hence our community. In the first two months of this year, your community forest corporation spent more than \$1 million on services in the Lakes District and provided work for 70 different people. Although the company will likely not generate adequate profit to undertake many of the non-forestry-related activities it had planned, it appears it will at least meet its expenses.

BL ComFor's board, I suspect, will also continue to lobby ministry officials (and BC's next government) on forestry issues of local, regional, and provincial significance. The company will also continue to fight for fair stumpage rates and adequate operating allowance on behalf of all community forests, small business operators, and woodlot licensees. And who knows? Perhaps, by working together with these groups and other community organizations, we can affect the changes needed to make the Community Forest Pilot Program an unqualified success.

In closing, I wish to thank the board of directors of Burns Lake Community Forest Ltd. for its work in the past year. A debt of gratitude is also owed to the company's eternally optimistic general manager, Ken Guenter, who – despite facing numerous obstacles – has managed to transform BL ComFor from a paper company to a vibrant organization with bright future.

Sincerely,

Paul H. Jean
Mayor



- Forward -

Burns Lake Community Forest Ltd. was formed in December 1998 as the governance model selected by the community to respond to the Request For Proposals issued by the Province of B.C. The community's reason for pursuing this license was to secure some form of management input into the working forest surrounding the village, and to gain some control over local forest resources for social and economic reasons.

The community forest license was signed July 7, 2000 with an initial Annual Allowable Cut (AAC) of 23677 cubic metres (m³). The community forest begins in the east on the south side of Burns Lake near Priestly, and extends west to the Gerow Creek drainage on the south side of Decker Lake. A portion lies north of Burns Lake in the Boer Mountain- Star Lakes area.

A recent attack by spruce bark beetle will challenge the corporation to meet its financial obligations and at the same time meet the commitments of the proposal and management plan.

Tree species include lodge pole pine, Engelmann white spruce crosses, and balsam fir, as well as trembling aspen, cottonwood, and birch. Elevation in the community forest ranges from 700 to 1200 meters in the SBS dk and mc2 ecosystem classifications.

Wildlife includes moose, mule, and white tail deer, black and grizzly bear, as well as many fur-bearing animals. Guide-outfitters and trappers rely on the land base for their income. Bird species are diverse, and use the many riparian areas, streams, and lakes for habitat.

Outdoor recreational pursuits by local residents include skiing, snowmobiling, All-Terrain Vehicle (ATV) use, hunting, fishing, and hiking.

The community forest is governed by an eight-member board of directors, and includes representa-



BL ComFor board member Andrew George Jr. (centre) signs the company's pilot project agreement while MLA Bill Goodacre (left), ComFor President Cliff Manning (second from left) and District Forest Manager Bob Murray look on. The company signed its five-year agreement in

tion from the Burns Lake Band (one director), the Office of the Wet'suwet'en Hereditary Chiefs (one director). Six directors are chosen from the community at large, and the present board includes a College of New Caledonia employee, the owner of a small sawmill, a former district manager for the Ministry of Forests, a journalist, a retired businessman, and a forestry consultant. The woods manager of a large forest licensee, the Village of Burns Lake's chief administrative officer, and a director for the Regional District of Bulkley-Nechako currently serve the board in an advisory capacity.

In keeping with the company's goal of maximizing local employment and economic benefits, all of its forest management, construction, and logging activities are contracted out to residents of the Lakes District. The community forest currently operates with a guarantee from the taxpayers of Burns Lake, but will not require the guarantee after a period of two years.

President's Report

Burns Lake Community Forest Ltd.'s pilot agreement with the Ministry of Forests was officially signed on July 7, 2000. It was an historic event for our community and community forest, and marked the successful conclusion of more than three years of work by company executives and advisory committee members.

The five-year agreement signed in July affords Burns Lake Community Forest Ltd. (BL ComFor) the right to manage more than 20,000 hectares of Crown forest land in the Burns Lake watershed. Through their community-owned forest company and its board of directors, residents of the Lakes District now have a direct say in how at least a portion of this area's bountiful forest and non-forest resources are utilized.

The year 2000 was a very busy one for your community forest corporation and its board of directors.

Like many forest companies within the region, BL ComFor focused the majority of its resources in 2000 on forest-health related activities. As most individuals in this area are well aware, the Lakes District's forests have been under attack by mountain pine and spruce bark beetles. Overview flights and ground reconnaissance conducted in the fall of 2000 confirmed extensive infestations throughout the community forest.

BL ComFor initiated immediate action to control the beetles and protect the community's forest resource. In the course of conducting these forest health activities, the company spent \$368,000 on services in the Lakes District, created 7,848 man hours of employment, and paid \$64,000 in stumpage on 1,800 cubic metres (m³) of timber.

From these statistics, it is clear that your forest company played an important economic role here during 2000. Yet BL ComFor also participated in several other including, including Phase I of a Fisheries Renewal BC project involving Loch Lomond and Saul Creek. ComFor served as lead proponent on the Loch Lomond project, working in partnership with the Ro-



tary Club of Burns Lake, the Burns Lake Band, the Lake Babine Nation, the Village of Burns Lake, School District #91, Babine Forest Products Ltd., adjacent landowners, volunteers, and small business owners.

Both the College of New Caledonia and the Burns Lake Native Development Corporation have used the community forest land

base extensively for training sessions. This is in keeping with BL ComFor's commitment to promoting educational opportunities within the community forest.

Yet your forest company did still more. Through its board of directors, BL ComFor also played an advocacy role for the community last year. Indeed, during the preceding 12 months, the board of directors and general manager were involved in:

- *Negotiations with the provincial government on an umbrella agreement* that, if agreed to by the various provincial government ministries involved, will outline the process by which BL ComFor will manage non-forest resources within the company's area of operations;
- *Lobbying the provincial government for the implementation of fair stumpage rates for both community forests and the Ministry of Forests' small scale salvage program.* I'm pleased to advise that by working in cooperation with community members, woodlot licensees, and local forest companies, we were able to get limited action from the ministry's revenue branch.
- *Lobbying the provincial government for more realistic operating allowances* for partial cutting, and administrative

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allowances that reflect the real costs

In 2000, BL ComFor spent \$368,000 on services in the Lakes District in 2000 — and created 7,848 man hours of employment.



BL ComFor board members Bill Brinnen (left), Mayor Paul H. Jean (second from left), and Cliff Manning (second from right) with the first load of logs harvested from the Burns Lake Community Forest. The trees were harvested in the Gerow Creek area in January 2001 as part of the company's forest health activities.

President's Report (from Page 5)

associated with managing a community forest.

- *Discussions with Bulkley Valley – Stikine MLA Bill Goodacre and other government officials* in an effort to realize our community's goal of developing a provincial campground on Burns Lake.

Thanks to the aggressive work of our general manager, Burns Lake Community Forest Ltd. (BL ComFor) has achieved a unique status within our community and the province. Although many of its forest activities occurred in the current calendar year, I am proud to report that during the winter of 2000-2001, BL ComFor was able to take action on 65 per cent of the areas identified as centres of beetle infestation. During that time, the company spent \$1.05 million on services, created 14, 268 man hours of employment,

provided work for more than 70 different employees, and paid an additional \$220,000 in stumpage to the Crown on approximately 35,000 m³ of timber.

Of special note is the fact that in keeping with BL ComFor's Mission Statement and Emerging Strategy, only local contractors were employed on these projects.

In closing, I thank my fellow directors, members of the advisory committee, general manager and staff, contractors, and community members for their support and assistance in making 2000 a successful year for Burns Lake Community Forest Ltd.

Sincerely,

Cliff Manning
President

General Manager's Report

I was hired December 1, 1999 in anticipation of completion of Community Test as required by the Minister of Forests. This was delayed and delayed, but the community forest agreement license was finally signed July 7, 2000 -- one and half years after the proposals were due.

Although the initial Request for Proposals suggested that options to the provincial revenue system were possible, this issue had the potential to hold up the agreement for a very long time; for this reason, the company's board of directors opted to defer these negotiations.

In the interim, prior to the license signing, Burns Lake Community Forest Ltd. was issued a one-year small scale salvage license for beetle control in the then-proposed community forest. The area was probed, after which some infested trees were harvested for the corporation while others were subject to fall-and-burn operations carried out with Ministry of Forests' funding. During the supervision of the fall-and-burn operations, an increased incidence of spruce bark beetle was noted and brought to the attention of the ministry.

At the time of license signing, the community forest assumed liability for all beetle control -- and soon found out the spruce beetle problem was much larger than anticipated. At the request of the Ministry of Forests' district manager, the community forest was then asked to expedite the submission of the Forest Management Plan, a document required by license within six months. This was completed by September, and the Forest Development Plan by October.

Based on the spruce bark beetle infestation levels, a decision was made to commence probing in early August in anticipation of harvesting commencing at the end of September or early October. Probing commenced; by October, the community forest had \$45,000 invested in probing, but could not commence operations.

Revenue branch had decided to level the playing field for a "one-size-fits-all" salvage rate. Unfortunately, the solution was not ready. The appraisal system, which sets stumpage rates, tries to 'lump' all operations into an average harvesting cost for the inte-

rior of B.C.

This assumes, of course, that all operators are using the same harvesting system. This assumption was incorrect, as operations in the Prince Rupert Forest Region were at the time employing trails four metres wide and up to 3,000 metres in length, and using them to facilitate individual removal of infested stems. Other regions, meanwhile, were harvesting clumps (of up to five hectares) -- regardless of the number of infested stems in the clump -- and staying within 400 metres of a road.

Given these facts, it is easy to see that the clump harvesting was much cheaper to harvest. This methodology brought the "average" harvesting cost down and (as a result) pushed the stumpage rate up to a level that made beetle harvest uneconomical under Prince Rupert rules. This scenario left BL ComFor with no other option than to apply for a blanket salvage cutting permit (small clear cuts up to 5 hectares permitted), and then decide if it could afford to use snip-and-skid operations. After much debate, a blockade of the Ministry of Forests office by the SBFEP community, and more delays, the ministry set a salvage rate on December 1, 2000.

Due to the uncertainty surrounding stumpage rates, BL ComFor did not commence layout and site plans until December. This work, however, was partially completed by the end of December.

* * *

'Due to uncertainty surrounding stumpage rates, BL ComFor did not commence layout and site plans until December 2000.'

The purpose of the community forest proposal was to increase local employment and afford residents meaningful input into the management of the working forest surrounding Burns Lake.

BL ComFor's objective of creating additional employment will be met by harvesting beetle-infested timber, but at a time when log markets are depressed and buyers already have access to vast quantities of beetle-infested timber. Ideally, BL ComFor should not harvest until log markets improve or the volume of beetle-infested timber from other operations declines, but this may not be possible. Despite these factors, the

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General Manager's Report

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company may choose to operate in an effort to assist

Representatives from Burns Lake Community Forest Ltd. met with Premier Ujjal Dosanjh in 2000 to discuss the need for an umbrella agreement with the province regarding the management of non-forest resources in the Burns Lake watershed.



the community by providing employment during a period of severe economic downturn.

Our options regarding management of the working forest have been severely compromised by the epidemic nature of the bark beetle infestation. Areas that were to be managed for other values have been found to contain high levels of infestation, and are simply too costly to treat with methods other than harvesting. Similarly, in an effort to control the beetle infestation through selective harvesting, roads may have to be planned or constructed in areas that are currently inaccessible – thus reducing “wilderness” and potential tourism values adjacent to the community. Fortunately, the community forest company’s commitment to small scale and innovative harvesting will mitigate the impact to some extent.

Plans for 2001

Burns Lake Community Forest Ltd. will target 100 per cent of beetle-infested areas (except riparian reserves, where a trap tree program is planned) for harvesting in 2001/02. The company’s reforestation requirements will be deferred unless an overrun of seedlings occurs in the nursery in the spring of 2001.

Burns Lake Community Forest Ltd. will carry out establishment of “ready-to-harvest” areas (two years ahead) as committed to in the proposal. This will be completed in 2001.

Burns Lake Community Forest Ltd. will apply for E-team funding for maintenance and establishment of recreation sites and trails.

The value of goods and services purchased by the company to December 31, 2000 is \$338,026.07. These expenditures represent preliminary works for harvesting in 2001.

I wish to use this opportunity to thank the board of directors and steering committee for their many, many hours of volunteer time. Without their efforts, this organization would not exist, and the opportunity to manage a truly unique forest tenure model for the community would not be present.

A big thank you also goes to Small Business Forest Enterprise Program registrants, the Lakes District Woodlot Association, and members of the public for support in the salvage rate issue. Last but not least, we cannot forget the taxpayers of Burns Lake, who guaranteed the operating loan until our organization got on its feet.

The difficulties in commencing operations seemed insurmountable in August, but by the end of December the community forest was ready to go.

Respectfully submitted,

Ken Guenter
General Manager



Views from the Community Forest

Burns Lake Community Forest Ltd. was active on a number of fronts in 2000.

The first tree was (upper left) harvested from the community last winter by a local contractor. The land base was also used as a training ground for forest workers (upper right). Horse logger Alfred Horning was one of more than 70 local individuals employed in harvesting beetle-infested timber. The company also continued to lobby for the creation of a provincial campground adjacent Frame Bay on Burns Lake (left).



Frank Bergen – Photo

- Annual Financial Report - January/December 2000

REVENUE:

Reimbursed Exp	1647.50	
Log Sales	92096.43	
Contracts	66751.54	158847.97

Cost of Goods Sold

Log sales	97298.60	
Contract	59737.04	
Administration	102318.81	259354.45
Gross Profit (loss)		(177530.60)

Balance Sheet (as of December 31, 2000)

Dec. 31, 2000

ASSETS:

Current Assets:

<u>Chequing/Savings</u>		
1100 – Chequing	\$	(113,971.74)
Total Chequing/Savings	\$	(113,971.74)

<u>Accounts Receivable</u>		
1200 – Accounts Receivable	\$	4,121.13
Total Accounts Receivable	\$	4,121.13

<u>Other Current Assets</u>		
1125 – Security Deposit	\$	6,038.69
Total Other Current Assets	\$	6,038.69

TOTAL CURRENT ASSETS \$ 103,811.92

<u>Fixed Assets</u>		
1550 – Copier	\$	1,000.00
Total Fixed Assets	\$	1,000.00

TOTAL ASSETS.....\$**(102,811.92)**

LIABILITIES & EQUITY

Liabilities

Current Liabilities		
2000 – Accounts Payable	34,447.70	
Total Accounts Payable	34,447.70	

Other Current Liabilities		
2200 – GST Payable	(10,454.25)	
2210 – Advance	50,000.00	
Total Other Current Liabilities	39,545.75	

Dec. 31/2000

Balance Sheet (con't)

Total Current Liabilities		73,993.45
Long Term Liabilities		
2220 – Shareholder Loan	\$	28,755.34
Total Long Term Liabilities	\$	28,755.34
Total Liabilities		\$102,748.79
Equity		
Net Income	\$	(177,530.60)
3000 – Opening Balance Equity	\$	(28,030.11)
Total Equity	\$	(205,560.71)
TOTAL LIABILITIES & EQUITY	\$	(102,811.92)

ADDENDUM

Impact on Local Economy

In 2000, Burns Lake Community Forest Ltd. spent **\$368,000** on services in the Lakes District and provided **7,848 man hours** of employment. The company paid **\$68,000** in stumpage to the Crown.

In **January** and **February 2001**, BL ComFor:

- Spent **\$1.05 million** on services in the Lakes District
- Provided a total of **14,268 man hours** of employment
- Employed **70** or more different individuals in various operations, all of them through *contractors based in the Lakes District*.
- Paid **\$50,000** in stumpage to the Crown in **January**, and paid approximately **\$170,000** more in **February**.

Corporate Data

Office Location:	117A Highway 16 East (Lakeview Mall) P.O. Box 788 Burns Lake, BC V0J 1E0 Tel: (250) 692-7724 Fax: (250) 692-7767 e-mail: blcomfor@lakesweb.com
Staff:	Ken Guenter Debra Hall
Banker:	Bulkley Valley Credit Union (Lakes District Branch)
Accountant:	Marmon Financial Management Ltd.
Auditor:	Gerry Phillips
Corporate Performance Committee:	Han-Sup Han, University of Northern BC 2 Vacancies
Board of Directors:	Cliff Manning (President) Andrew George Jr. (Vice-president) Michael Riis-Christensen (Secretary) Brian Thompson Scott Miller Lynn Synotte Bill Brinnen Paul H. Jean
Advisory Committee:	Lonny J. Miller Tan Calhoun Rosanne Murray