



NORTHWEST TERRITORIES  
**BUSINESS  
CREDIT**  
CORPORATION

## **CORPORATE PLAN**

**FISCAL YEAR 2002/2003**

### **TABLE OF CONTENTS**

<b>CORPORATE OVERVIEW</b> .....	2
<b>INTRODUCTION</b>	
Mandate	
Operating Environment	
<b>DELIVERY AND PORTFOLIO ADMINISTRATION</b> .....	4
Ministerial Direction	
Loan Approval process	
Products	
Lending to Community Futures Development Corporations	
<b>FINANCIAL MANAGEMENT AND ADMINISTRATION</b> .....	7
Economic Dependency	
Advance from the Government of the NWT	
Operating Contribution	
<b>CORPORATE OBJECTIVES AND STRATEGY</b> .....	8
<b>APPENDIX</b>	
Expected Performance - Credit Facility Approvals.....	17

## **CORPORATE OVERVIEW**

### **1. INTRODUCTION**

BCC operates under the authority of the *Northwest Territories Business Credit Corporation Act (BCC Act)*, which came into effect on October 1, 1991. It is also subject to the *Financial Administration Act (FAA)* and is a Crown Corporation of the Government of the Northwest Territories (GNWT).

In establishing the Northwest Territories Business Credit Corporation (BCC) as a Crown Corporation, the enabling legislation provides that the Board of Directors shall direct the business of the Corporation and may for this purpose exercise the powers and perform the duties of the Corporation.

In doing so the Board shall act in accordance with written directions and policy guidelines issued or established by the Minister of Resources, Wildlife and Economic Development (RWED).

In accordance with the *FAA*, BCC must develop a Corporate Plan which shall encompass all its business and activities. The plan must include a statement of:

- the objects or purposes for which the BCC was established;
- the objectives for the period to which the plan relates and for each year in that period;
- the strategy it intends to employ to achieve those objectives;
- the expected performance for the year in which the plan is required to be submitted as compared to its objectives for that year and an evaluation of the efficiency, economy and effectiveness of the BCC.

## MANDATE

BCC's objective is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to businesses, and providing bonds to resident business enterprises. It is responsible for making business development loans to northern businesses where conventional lending institutions are not prepared to participate. Its role, therefore, is a blend of being a last resort lender and a developmental agency to provide financial support for higher risk entrepreneurial ventures consistent with the needs and expectations of the Northern business community.

According to the *BCC Act* a business enterprise is defined as an enterprise carrying on business in the Northwest Territories that is:

- a) a company or corporation registered or incorporated under the *Companies Act* or the *Business Corporations Act*;
- b) a co-operative association registered or incorporated under the *Co-operative Association Act*;
- c) a partnership for which a declaration is registered under the *Partnership Act* or;
- d) a corporation incorporated under Part II of the *Canadian Corporations Act* and commonly known as a community futures organization or;
- e) an individual ( a sole proprietorship ).

## OPERATING ENVIRONMENT

The population size, high cost of infrastructure, education levels, incomes and the limited availability of investment capital affect the growth and nature of our economy. Due to high infrastructure and start up costs faced by private sector businesses and the risks associated with operating in communities, mostly isolated and off a highway system, commercial lending institutions are less prone to venture in providing finance to meet the needs of northern business. The Corporation attempts to provide the necessary financial support, taking a greater risk, to better meet the financial requirements of northern businesses to stimulate economic development and job creation.

## **2. DELIVERY AND PORTFOLIO ADMINISTRATION**

### **Ministerial Direction**

In establishing BCC as a Crown Corporation, the enabling legislation provides that the Board of Directors shall direct the business of the Corporation, and may for this purpose exercise the powers and perform the duties of the Corporation. In doing so the Board shall act in accordance with written directions and policy guidelines issued or established by the Minister.

### **Loan Approval Process**

Pursuant to a Ministerial direction BCC will utilise the services of RWED as defined in an Agreement for Services. In accordance with this direction the Board of Directors has appointed the RWED Deputy Minister, two Assistant Deputy Ministers and five Regional Superintendents as lending officers (for purposes of the *BCC Act*) with delegation of lending authority to a maximum of \$200,000. Lending authority is also delegated to the Chairperson, Vice-Chairperson and the Chief Executive Officer.

- Regional Superintendents, Assistant Deputy Ministers or Deputy Minister, consider loan and contract security applications up to \$200,000 under lending authority delegated by the Board of Directors.
- Financing requests in excess of Regional limits are referred to the Board of Directors up to \$500,000.
- Requests in excess of this amount up to \$2 million are recommended by the Board of Directors to the Minister.

### Agreement for Services

RWED supplies the following services to BCC under the Agreement for Services :

- Regional Lending Services
- Program Support Services
- Administrative Support Services
- Executive Services
- Policy and Legislative Services
- Legal counsel services

Included in the Agreement is an Accountability Framework, which outlines the roles and responsibilities of BCC and Department staff, to ensure consistent application of BCC's operational procedures and credit policies.

## PRODUCTS

The following products are offered to northern businesses:

### 1. Loans (Maximum Level \$2 million)

- Available to business enterprises for the purpose of fixed asset purchases, working capital, leasehold improvements, and debt consolidation and real estate construction projects.
- In accordance with the *BCC Act* payment of loan principal may be deferred for a period up to three years.
- Normally, loans are required to be repaid in blended monthly instalments with a maximum amortization period of twenty five (25) years, and a maximum term of five (5) years or less, as follows:

<u>Loan Amount</u>	<u>Amortization Maximum</u>
\$10k and under	36 months (3 years)
\$50k and under	120 months (10 years)
\$250k and under	240 months (20 years)
\$250k and over	300 months (25 years)

## **Loan Interest Rates**

Effective October 1, 2000 in accordance with new regulations under the *BCC Act* the following lending rates are established.

By these regulations, "prime rate" means the annual rate of interest quoted by the bank, in which the Consolidated Revenue Fund is located (Royal Bank of Canada), to its most credit-worthy customers.

- A normal risk loan: Prime rate plus 2%.
- A greater than normal risk loan: Prime rate plus 3%.

BCC's Board of Directors has established Operating Guidelines to determine the interest rate application for greater than normal risk loans

### **2. Contract Security (Maximum level \$ 2million)**

- This facility provides contract security to resident contractors bidding on Northwest Territories contracts tendered by GNWT departments and the Northwest Territories Housing Corporation.
- The facility covers bid bonds on contracts and performance bonds on awarded contracts.
- A new irrevocable standby letter of credit product has been developed to replace the previous program and consistent with the needs of BCC's client base.
- New contract guidelines have been established by the Board of Directors to introduce this product.

### **Contract Security Commission Rate**

A commission is charged in accordance with the criteria established for normal risk and high risk loans established by Operational Guideline BCC-OG-019, "Lending Rates for High Risk Loans". The regular commission rate is set at 2% commensurate with a normal risk account. Higher than normal risk (high risk) accounts will be charged an additional 1% over BCC's regular commission rate.

## **Lending to Community Futures Development Corporations (CFDC's)**

Due to budgetary constraints RWED is no longer in a position to provide non-repayable contributions for capital funding to CFDCs. All possibilities were examined and RWED concluded that the best option was for BCC to lend, at its borrowing cost, to CFDCs that required capital funding. This would enable CFDCs to lend to clients at rates similar to BCC and provide an incentive to lend at a margin sufficient to provide for loan loss allowances to be established.

### **The following steps outline the initiatives conducted to enable CFDCs to access BCC loan capital funds**

1. The *BCC Act* has been amended to include CFDC's as a "*business enterprise*".
2. The Financial Management Board (FMB) has approved the setting of BCC's lending rate for loan capital funding to CFDCs at a maximum of 1% below the commercial bank prime rate, equivalent to BCC's average cost of borrowing.
3. BCC's Board of Directors has introduced lending guidelines to ensure that CFDC lending and collection policies are compatible with BCC's mandate and Operational Guidelines.
4. CFDC's may assign impaired loans, made from BCC loan funds, upon discovery of their impairment. This process will enable BCC to use its collection expertise in collecting non performing loans of CFDC's.
5. Standardized loan security documentation has been finalised with legal counsel.

## **3. FINANCIAL MANAGEMENT AND ADMINISTRATION**

The BCC is subject to the *BCC Act* and the *FAA*. It maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, and that assets are acquired prudently, used to further the BCC's aims, and are protected from loss.

The Board of Directors appoints four of its members to serve on the Management Sub-Committee. This Sub-Committee oversees management's responsibility for financial reporting. It reviews and recommends the financial statements to the Board for approval.

## **Economic Dependency**

BCC is economically dependent upon the GNWT's continuing contributions for operations and provides BCC with financial resources to conduct its business activities.

### **Advance from the GNWT**

- The *BCC Act* authorizes the BCC to borrow for the purpose of lending, up to \$50 million from the GNWT through an advance. The FMB, based on the need of the BCC, must approve increases to the outstanding balance of the advance. The balance was not to exceed \$38 million on the balance sheet date March 31, 2001.
- The carrying amount of the GNWT advance as on March 31, 2001: \$27,551k (March 31, 2000: \$27,968K).
- Interest on the advance is calculated monthly based on the month end rates of selected Government of Canada 3-year bonds, compounded annually. The rate varied from 4.9% to 6.2% during the year (March 31, 2000: 4.9% to 6.2%).
- There are no fixed repayment terms on the advance. Repayment on the advance is made whenever BCC has sufficient cash on hand not earmarked for lending purposes.

### **Operating Contribution from the GNWT**

Operating contribution dollars are received under an agreement with RWED to cover direct administrative expenses such as salaries and benefits, board meetings, computer expenses, professional fees, office, communications and publications.

In Fiscal 2000/2001 the contribution was \$696 thousand (March 31, 2000: \$649 thousand) and includes salaries and benefits at \$ 535 thousand (March 31, 2000: \$477 thousand).

## **4. CORPORATE OBJECTIVES AND STRATEGY**

The BCC will continue to re-assess its role in the new Western Territory. Emphasis in the coming years will be on increasing local decision-making, enhancing capacity, encouraging self-reliance and improving access to capital for business enterprises. Following the appointment of Directors, representing Community Future Organizations (CFOs) throughout the NWT the BCC Board recognized the need to streamline financial program delivery and pool available resources.



## **Significant Events – Business Program Review**

### **Background**

The “Common-Ground NWT Economy Strategy Report” released in June, 2000 recommended, in the section dealing with Diversification – Small Business Financing, that:

- financial assistance and business advisors must work together to streamline access to lending programs and services. Public and private providers, including banks, need to cooperate;
- programs should be available on a regional basis and be responsive to Regional circumstances. Programs should also be reviewed to ensure they are consistent with new, regionalized delivery methods.

In response to these recommendations, the Minister of RWED, established a committee representing the major business assistance programs offered by or through RWED. The committee was established in September 2000. The committee reviewed program delivery and consulted with clients and stakeholders over a nine-month period. The committee’s mandate was to develop recommendations for alternate service delivery, including a possible single-window approach that was more efficient and effective for clients.

### **Recommendations**

The main recommendation of the Committee is to create a new arm’s-length Corporation to deliver RWED programs and services currently provided by the BCC, the NWT Development Corporation (NWT DevCorp), NWT Canada-Northwest Territories Business Service Centre (NWT BSC) and CFOs.

The report has been distributed to all Members of the Legislative Assembly and stakeholders and public input and comments on the recommendations are to be established in January 2002. RWED developed a plan to implement the recommendations for establishing the new agency in April 2003.

BCC is committed to participate with RWED towards developing a single agency to deliver financial programs.

## **Summary of Objectives**

The following highlights BCC's objectives. The strategy to be employed for achieving these objectives are set forth in the following pages.

1. The BCC will promote the economic objectives of the GNWT and RWED.
2. Streamline financial program delivery with CFDC's.
3. Strive towards attaining an effective and efficient level in program delivery.
4. Adopt a development approach consistent with the needs of the Northern business community.
5. Improve client and public perception .
6. Participate with RWED towards developing a single Agency to deliver financial programs

## **CORPORATE OBJECTIVES AND STRATEGY**

### **1. OBJECTIVE**

The BCC will promote the economic objectives of the GNWT and RWED.

### STRATEGY

The BCC will promote and assist the establishment and expansion of business enterprises which create employment and other benefits to Northerners:

- a) By responding and acting in accordance with written direction and policy guidelines that the Minister issues or establishes.
- b) By working with RWED to better meet clients' needs and expectations recognizing the unique economic circumstances in each region.

## **CORPORATE OBJECTIVES AND STRATEGY** **(continued)**

### **2. OBJECTIVE**

Streamline financial program delivery with CFDCs.

#### STRATEGY

1. Evolve complimentary with CFDC's and not competitively.
2. Create effective working partnerships with CFDC's.
3. Improve services to clients and access to capital.
4. Pool available resources.
5. The FMB has approved the setting of BCC's lending rate for loan capital funding to CFDCs at a maximum of 1% below the commercial bank prime rate.
6. Establish guidelines for CFDC's to assign impaired loans to BCC upon discovery of their impairment. This process will enable BCC to use its centralized expertise to commence collections and proceed in accordance with the *FAA*.

## **CORPORATE OBJECTIVES AND STRATEGY**

(continued)

### **3. OBJECTIVE**

Strive towards attaining an effective and efficient level in program delivery.

#### STRATEGY

- a) Review, update and implement operating guidelines consistent with the needs of the Northern business community.
- b) Develop and introduce new products, consistent with credit facilities outlined in the *BCC Act*, in addition to or in substitution of the existing product range.
- c) Streamlining administrative procedures.
- d) Continue providing convenient payment mechanism options to clients, under the pre-authorised payment scheme, or direct deposit at commercial bank offices at regional centres.
- e) Continue to develop and improve upon standardised security documents and forms consistent with changes in operational practice, marketplace demands and changes in legislation with particular reference to introduction of a new *Personal Property and Security Act (PPSA)*.

## **CORPORATE OBJECTIVES AND STRATEGY**

(continued)

### **4. OBJECTIVE**

Adopt a development approach consistent with the needs of the Northern business community.

### STRATEGY

1. Provide assistance to business enterprises in financial distress and possessing a viable business plan. Adopting a nurturing approach and negotiating flexible payment terms, appropriately balanced with the repayment capacity, with terms and conditions, consistent with the *BCC Act*.

These may include:

- reducing the interest rate;  
(Subject to the approval of the FMB the interest rate may be fixed at a rate lower than the prescribed rate)
- forgiving a portion of principal and/or accrued interest;  
(Subject to approval by the Legislative Assembly according to the FAA )
- accepting assets other than cash as partial settlement of the credit facility;
- adjusting deferring and/or extending the repayment schedule;  
(According to the *BCC Act* payment of principal may be deferred for a period up to three years)
- capitalizing the interest arrears by adding it to the unpaid principal and then re-amortising the combined amount over a period of time; and
- approving other concessions which would not be considered in the absence of the weakened condition of the borrower.

**CORPORATE OBJECTIVES AND STRATEGY**  
(continued)

**5. OBJECTIVE**

Improve client and public perception.

STRATEGY

- a) Enhance public awareness of BCC's services and develop brochures and other publication material in conjunction with other RWED financial program managers.
- b) Provide training to RWED and BCC employees engaged in delivery of programs and interaction with the client base.
- c) Improve communication links between RWED program delivery staff and BCC staff.

## **CORPORATE OBJECTIVES AND STRATEGY**

(continued)

### **6. OBJECTIVE**

Provide guidance and assistance to the Committee tasked by the Minister to develop a single agency to deliver all RWED business programs.

### **STRATEGY**

- Identify and provide advice on issues.
- Extend information support to assist in addressing options and issues.
- Provide staff assistance as required.



**EXPECTED PERFORMANCE**  
**Credit Facility Approvals**

**APPENDIX "A"**

REGION	Fiscal Year End Values	
	<u>2002</u> (revised)	<u>2003</u>
	(\$000's)	
<b>1. South Slave</b>		
• Loan to CFDC's	200	150
• Loans to Other business enterprises	1,500	1,500
• Contract Security Facility	100	100
<b>Sub Total</b>	<b>1,800</b>	<b>1,750</b>
<b>2. North Slave</b>		
• Loan to CFDC's - Akaitcho	500	500
- Dogrib	500	500
• Loans to Other business enterprises	4,100	7,750
• Contract Security Facility	200	-
<b>Sub Total</b>	<b>5,300</b>	<b>8,750</b>
<b>3. Deh Cho</b>		
• Loan to CFDC's	250	250
• Loans to Other business enterprises	1,500	1,500
• Contract Security Facility	100	100
<b>Sub Total</b>	<b>1,850</b>	<b>1,850</b>
<b>4. Inuvik</b>		
• Loan to CFDC's	-	-
• Loans to Other business enterprises	1,600	2,000
• Contract Security Facility	-	200
<b>Sub Total</b>	<b>1,600</b>	<b>2,200</b>
<b>5. Sahtu</b>		
• Loan to CFDC's	500	-
• Loans to Other business enterprises	1,400	1,400
• Contract Security Facility	-	-
<b>Sub Total</b>	<b>1,900</b>	<b>1,400</b>
<b>TERRITORIAL TOTAL</b>	<b>12,450</b>	<b>15,950</b>