

FORESTS FOR TOMORROW UPDATE – July 17, 2009

Administration Transition Updates

The following update has been sent on behalf of the Ministry of Forests and Range (“MFR”) by PricewaterhouseCoopers LLP (“PwC”).

Economic Efficiency and Business Improvement

The economic climate in B.C. has necessitated a significant budget reduction for Government. As a result Government has put in place spending controls covering travel and training expenses, contracts, and office and business expenses as part of a broader commitment to look for increased efficiencies. It is critical that Recipient expenditure decisions align with Government expectations. Recipients are directed to evaluate all projects and works to look for the most cost efficient manner to compete the goals (e.g. reducing travel and meetings, overall administration costs, print outs and mapping products).

In addition, Recipients are strongly encouraged to apply an economic lens to treatment decisions to ensure the most cost effective implementation (i.e. frequency of regeneration surveys, ROI evaluations on areas with green trees, MSP projects, and reducing total number of trips to the same area) and to ensure that limited FFT funds are directed at the most relevant projects that meet the FFT mandate.

“Reducing the total number of trips” is related to coordinating planning, monitoring and operations (implementation) more effectively to reduce costs. An example is consolidating work field assessments on a number of blocks. Recipients should also look for opportunities to share contractors and other resources with BCTS and other licensees to reduce cost. For example, mechanical site preparation should be co-ordinated between BCTS and FFT where possible. The key is good planning and communication.

Also, please be advised that Allocation 1 and 2 Recipient surpluses must be identified to PwC as soon as identified along with requests for additional projects. FFT will then provide guidance on strategic re-deployment of funds.

Planting Policy Introduction to Reduce FFT Operational Costs

Recipients must follow the outlined article from the 2009 Silviculture Surveys Guidebook for all planting projects from this date forward – see links below:

7.7.7 Use of Planting Quality Inspection plots (FS 704) to meet the regeneration date

<http://www.for.gov.bc.ca/hfp/publications/00099/Surveys/Silviculture%20Survey%20Procedures%20Manual-April%20%202009.pdf>

Amendment Policy Revision

The MFR is not liable for any costs that have occurred outside of an approved project or amendment. Works are not authorized to proceed without approval by the Administrator. The following outlines the revised amendment process effective July 17th and the factors that trigger an amendment:

When completing amendments, Recipients must revise the Outputs/Funding table to include the proposed quarterly budget and units of output. To facilitate the Investment Manager's review, the Recipient must provide a rationale for all proposed changes. Recipients should place this rationale in the "Recipient Comments" text box. In addition, the tendering percentage must be updated to reflect the proposed budget change. If new areas are added to a project, First Nation information-sharing is required prior to amendment approval.

The following is a list of factors for which an amendment must be submitted (amendments must be completed within 15 calendar days of becoming aware of the changes):

- i) A project is expected to exceed the approved project budget by greater than 10%;
- ii) Quarterly spending varies from the approved budget by greater than 10% (e.g. project work is postponed until the following quarter).
- iii) The unit price (e.g., \$/ha, \$/report, including all project related administration) increases by greater than 5% (i.e. any budget increase that does not have a proportionate output increase);
- iv) Work is not completed as approved in the project plan;
- v) The amended work is not in the same location as the approved project plan;
- vi) Any change to the approved project standard(s); or,
- vii) Any changes to an innovative project.

Quarterly Reporting Required

Please note that quarterly reporting will be required for all Recipients commencing with the end of the second quarter. For the periods between October 1st to October 15th and January 1st to January 15th, Recipients will be required to submit quarterly reports for each approved project in PINES. To initiate a quarterly report, simply open the project and fill in the 'actual' budget table information for all quarters completed to date. The values reported must be accrued expenditures, not just invoiced amounts. Please make a statement as to the progress and any issues encountered in the quarter in the quarterly report boxes at the bottom of the project plan. Press the 'Submit to IM' button at the end of each project plan once the quarterly report information has been completed.

Administration Transition (through March 31, 2010)

As discussed on the FFT conference call on July 7th, PwC will maintain a limited role in the administration of the FFT program until the end of the current fiscal year. The following outlines the revised transition strategy:

Allocation 1 & 2

PwC will manage project approvals / advances / review of project completion reports and all final payments on Allocation 1 & 2. The PwC Recipient Agreements will apply to the administration of these projects. PwC will confirm the acceptability of all projects with the MFR before final project approval.

Allocation 3

The MFR will manage project approvals / advances / in house payments / final payments for Allocation 3. Project submission guidelines for Allocation 3 are located in FFT Project Direction July 15th, 2009. The new MFR Recipient Agreement will apply to the administration of these projects. PwC will be available to provide the following support to Allocation 3:

- Provide a mentorship role to FFT staff on recommending and approving projects and managing project completion. This will include FFT staff access to PwC staff for questions / guidance on an ongoing, as needed basis.
- Provide direct support with respect to new project reviews and approvals.
- Assist with the quarterly reports submitted in PINES for Q2 and Q3.
- Provide assistance for completion reporting at fiscal year end (March 31st, 2010).

Recipients should contact PwC for questions related to PINES for Allocations 1 and 2. For Allocation 3, Recipients are required to contact the Regional FFT staff. To ease the transition and ensure clarity to the Recipients, FFT Staff and PwC, the following notation will be added to the Project Title (Keyword) for all approved project in PINES:

- A1 PwC – for Allocation 1 projects
- A2 PwC – for Allocation 2 projects
- A3 MFR – for Allocation 3 projects

First Nation Participation Estimates and Actual

Recipients are reminded that they are required to ensure that all approved and submitted projects contain a reasonable estimation of the First Nation participation in the project. This is to be entered as a dollar value in the PINES project under the ‘Other Information’ heading (last box). Recipients are to differentiate between “flow through dollars” through a First Nation organization versus dollars that go directly to employment of First Nation’s workers. If there is a known change to this value during the course of a project, please open the project and update this value (at least quarterly during the quarterly report). Once complete, press the ‘Save Info Only’ button at the bottom at the end of the form. Upon project completion, please ensure this value is updated with the actual First Nation participation before submitting the project completion report.

Key Dates Document

The ‘Key Dates’ document has been updated and placed on the PINES website under ‘Information – Docs, Reports and Presentations’. Please review this document for all important program dates throughout the fiscal year.

Completion Reporting

All Allocation 1 (planting) projects must be completion submitted in PINES by July 17th, 2009. For Allocation 2 and 3 projects there has been a change to the traditional completion reporting deadline at fiscal year end. Recipients must have their PINES projects completion approved by March 31st, 2009 to secure payment of the 20% holdback. If this deadline is missed, the result may be a significant delay in payment or a forfeiture of the holdback based on the government's fiscal year end financial reporting requirements.

Contract Award Reporting

Please fill out the short form on the web to report out on all new contracts you award. This allows the program to quickly report out on the economic and employment benefits that communities are receiving as a result of FFT activities. This message is important for continued program support. <http://forestsfortomorrow.com/fft/node/add/contracts-awarded>

MFR FFT Staff Roles - Update

Please note the following staff roles for FFT administration:

	FFT Investment Manager	Recipient
North	Anna Monetta	IFS
	Ljiljana Knezevic	Erafor
	Gord Dow	Conifex
	Jennifer Plummer	Forsite
South	Nola Daintith / Guy Newsome	B A Blackwell
	Rocky Chan	Forsite (Lillooet and Merritt)
	Kathy Danchuk	Forsite (Kamloops)
	Larry Hanlon	True Blue Ventures
	Dana Manhard	ArbourTech / ONA

Please call PwC's Investment Management team at (604) 484-3490 if you have any questions or need further clarification in regards to any aspect of this update or the FFT program.