

# Proposal for a Temagami Local Forest Management Corporation

## **Financial Viability Summary**

August 2020

# Background

- Proposing to establish a second LFMC under the *Ontario Forest Tenure Modernization Act, 2011* to manage the Temagami management unit
- Proposal is the outcome of over six years of discussion amongst a group of 12 local community and forest industry representatives with known business and forestry interests on the management unit
- Pending the outcome of consultation and if the LFMC is approved by government, it is proposed to be established in late 2020 or early 2021
- LFMCS are Crown agencies governed by a locally based board of directors. The objects of an LFMC are:
  - to hold the forest resource licence and sustainably manage the Temagami MU in accordance with the *Crown Forest Sustainability Act, 1994*
  - To provide for economic development opportunities for Aboriginal peoples;
  - To manage its affairs to become a self-sustaining business entity and to optimize the value from Crown forest resources while recognizing the importance of local economic development;
  - To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources

# Viability of the Business Plan

- A detailed financial model was developed for the term of existing 2019-2029 Temagami Forest Management Plan. Forecasts \$1.1 to \$1.3 million of net revenues by March 31<sup>st</sup>, 2029
- Net revenues available towards the establishment of an operating reserve (estimated at ~\$500,000) to ensure ongoing sustainable management and to support opportunities for innovative local investment on the Temagami management unit
- Current business model assumes an establishment date of January 2021:
  - One-time, non-refundable start up funding (\$516,000)
  - An in-kind contribution from MNRF for OPS staffing support or financial equivalent until March 31, 2029 to support administrative functions and transition of responsibilities to the LFMC (~\$70,600/year)
  - Operational delivery with two full-time employees and service provider contracts
  - Management fee cap of ~\$2 million to be charged to the forest industry under a hybrid structure based on allocated harvest area and delivered volume
  - Ability of the LFMC to retain stumpage revenue from the sale of Crown timber
- Includes a request for MNRF to explore opportunities to retain stumpage revenues at the earliest point possible as proposal was originally based on an April 1, 2020 establishment
- Residual value stumpage not incorporated into the business model, potential upside for additional net revenue

# Projected Wood Flow & Stumpage Revenue

## SCENARIO 1 (103,064 m<sup>3</sup>/yr) REVISED w 2019/20 ACTUAL

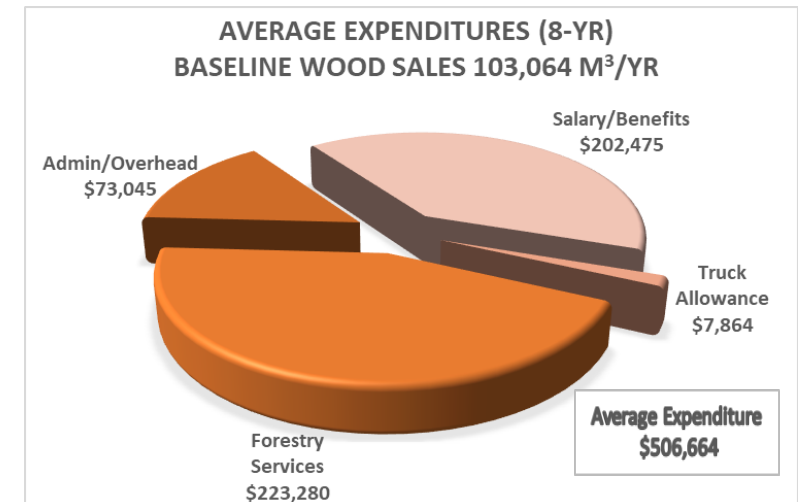
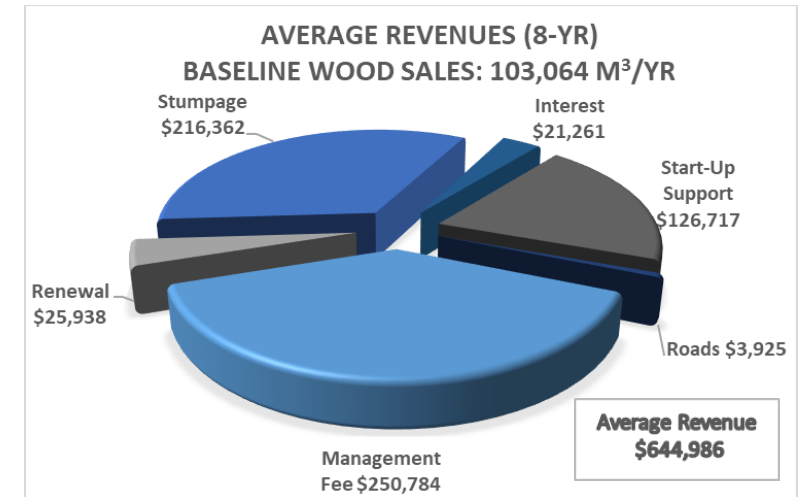
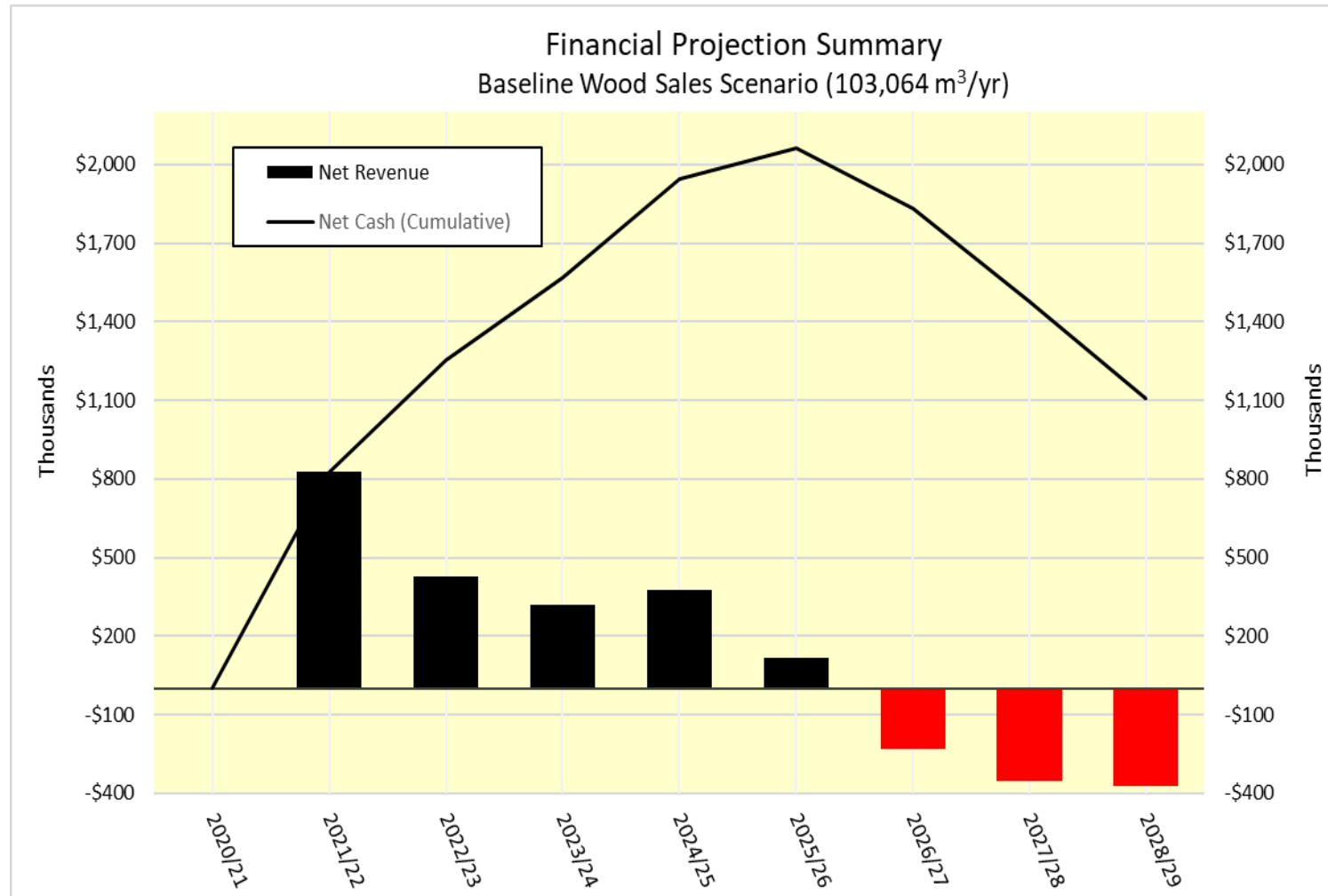
Species (m <sup>3</sup> )											2019-29 Average
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	
SPF	236,000	114,000	60,000	35,000	35,000	55,000	32,840	27,840	15,000	15,000	62,568
PwPr	3,944	12,000	5,000	10,000	15,000	10,000	5,000	5,000	1,000	1,000	6,794
PoBw	100,000	60,000	45,000	30,000	25,000	20,000	15,000	10,000	8,000	6,000	31,900
Oh	8	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	901
Fuelwood	7	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	901
<b>TOTAL</b>	<b>339,959</b>	<b>188,000</b>	<b>112,000</b>	<b>77,000</b>	<b>77,000</b>	<b>87,000</b>	<b>54,840</b>	<b>44,840</b>	<b>26,000</b>	<b>24,000</b>	<b>103,064</b>

## PROJECTED STUMPAGE REVENUE

REVENUES	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Stumpage (All Species)	\$1,121,574	\$254,487	\$467,263	\$227,717	\$208,863	\$265,230	\$215,333	\$161,138	\$104,909	\$80,447

2019/20 stumpage and 9-months of 2020/21 stumpage not captured by model as outside of proposed establishment date

# Financial Projection Summary



\* Note revenues and expenditures expressed as 8-yr averages calculated over the 2021/22 to 2028/29 term