

TEMAGAMI TENURE MODERNIZATION PROJECT

TEMAGAMI FOREST MANAGEMENT
CORPORATION PRESENTATION

TO

TEMAGAMI MUNICIPAL COUNCIL

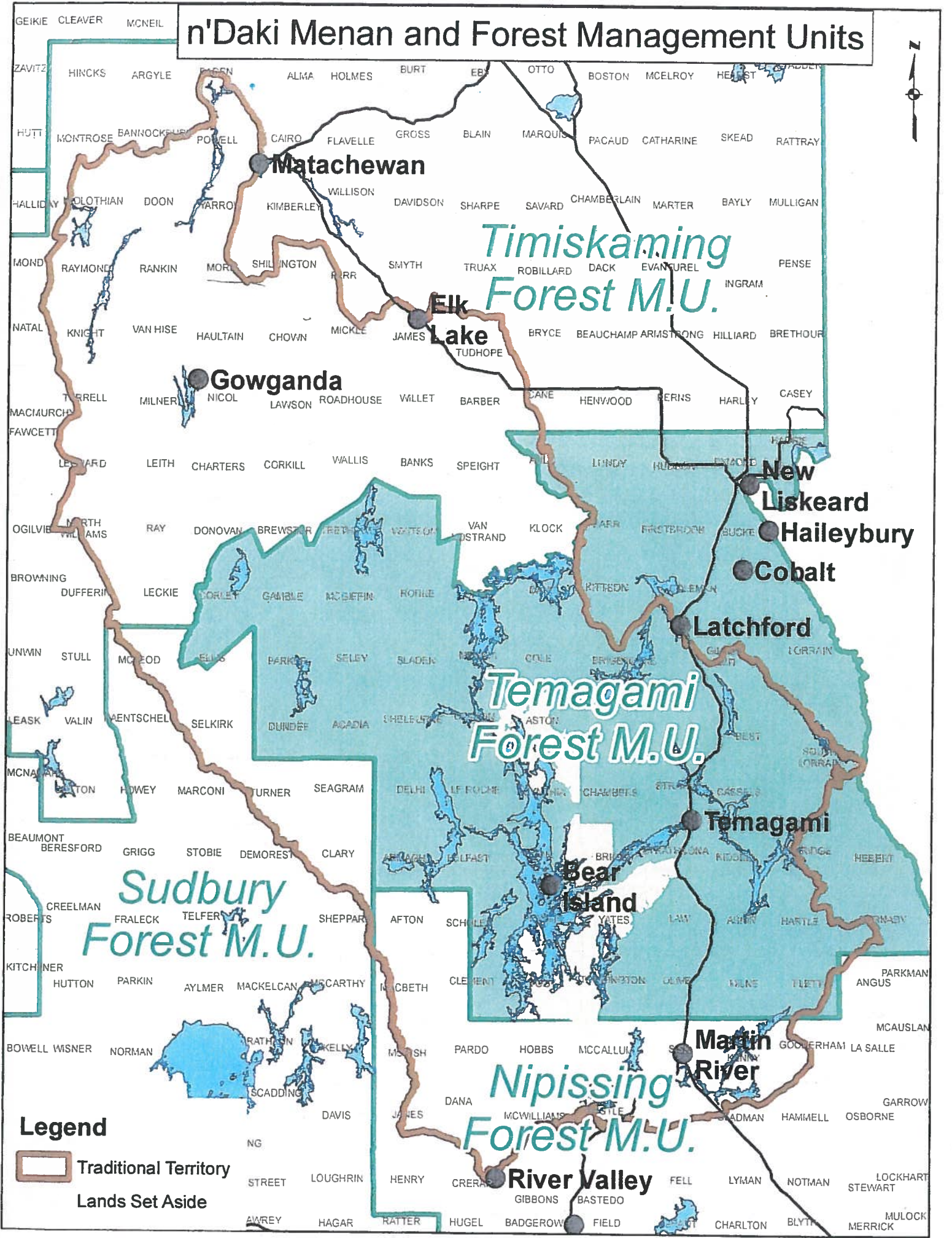
FEBRUARY 2019

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n'Daki Menan and Forest Management Units



Temagami Facts

- Approximately 450,000 hectare Crown managed forest supporting 340,000 m³/year harvest
- Contributes to wood supply for 3 major mills adjacent to this forest (GP – Englehart, Eacom Timber – Elk Lake, and Goulard – Sturgeon Falls)
- Wood supply is under-utilized and forest is “under-disturbed”
- First Nations discussions (re: Outstanding Land Claim) continue
- 30 years of Forest Management Plans have been contested
- There have been at least 6 attempts to establish a Sustainable Forest Licence on this unit but all have failed
- In 2013, MNRF proposed amalgamation with Nipissing Forest
- “G-12” was established to evaluate other options
 - First Nations (Temagami, Matachewan and Timiskaming)
 - Industry
 - Municipalities
- Over the next 4 years, the Advisory Team prepared and presented 3 reports to the Ministry
- Late 2017– Minister McGarry asked for a “framework for discussions” regarding the potential establishment of a LFMC for the Temagami Management Unit.
- The Advisory Team (with the assistance of some MNRF staff), have now completed the Framework Document
- Sept 2018 – Advisory Team has requested a meeting with the Minister Yurek to ask for his support for a submission to Treasury Board leading to the establishment of the LFMC

Who is on the Advisory Team?

- Mayor Lorrie Hunter – Municipality of Temagami (Dan O’Meara effective December 1, 2018)
 - Mayor Carman Kidd – City of Temiskaming Shores
 - Reeve Terry Fiset – Township of James
 - Mayor George Lefebvre – Town of Latchford
 - Doug McKenzie – Teme Augama Anishnabai
 - Robin Koistinen – Temagami First Nation
 - Cathy Yandea – Matachewan First Nation
 - Tara Dantouze/Brit Griffin – Timiskaming First Nation
 - John McNutt – Goulard Lumber
 - Sylvain Levesque – Georgia Pacific
 - Jennifer Tallman – EACOM
 - Alex Welch – Alex Welch Logging
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- Chad Anderson, Andy Lemmetty, Rob Baker – MNR (Advisors)
 - John Kenrick, Municipal Member at Large
 - Jeff Barton, Advisor and member of Task Teams

Goals for Forest Tenure Modernization

- A provincial forest tenure review and the passing of a new act – “The Forest Tenure Modernization Act” was a political response to the 2008 recession and major forest industry contraction
- The Forest Tenure Modernization Act was passed in 2011 and enabled the creation of ~~two~~ Local Forest Management Corporations (LFMC).
- LFMC are Crown Agencies and as such are subject to a number of legislated and regulated requirements
- The first LFMC was established in the Marathon area and was lead by a number of communities and First Nations

Goals include:

- Forest sector growth and local forest economy
- Delivery of sustainable forest management
- Increased involvement of municipalities and First Nations in governance and benefits
- Increased utilization
- Marketing of wood to new and existing companies

Objectives of Temagami Forest Management Corporation (LFMC)

- **The LFMC needs to be self supporting (i.e. not dependant on ongoing government assistance)**
- Hold the Sustainable Forest Licence (for the Temagami Management Unit) and provide for sustainable forest management
- Increase meaningful governance opportunities and benefits for local municipalities and First Nations (i.e. via local Boards)
- Develop a cost effective, self-financing, sustainable business model
- Honour wood supply commitments and use
- Market and facilitate fuller utilization of the allowable harvest
- Recognize and respect aboriginal and treaty rights
- Promote better end use of forest products
- Promote a stronger working relationship with other government agencies
- Increase government investment in a sustainable forest

Advantages (Benefits) from the Temagami LFMC

- Strong local unified voice for municipalities, First Nations and forest industry ("social licence)
- Ability to advance the health/sustainability of forest
- Voice to resolve local issues locally
- Shared accountability and local partnerships
- Retention of Crown dues in local economy for corporate objectives
- Economic benefits to local municipalities and First Nations (e.g. jobs, training, youth capacity building, local contracts)
- Aggressive open marketing of underutilized forest products and improved utilization
- Potential for further reduction in wood costs in cooperation with industry
- Develop broader community outreach programs

Proposed Governance Framework

- Subject to the discretion of the Minister, the Temagami Advisory Team recommends that six (6) seats on the Board would be “reserved” for a person nominated by each of the local Municipalities, local First Nations and local forest industry participants
- It is important to note that nominations will be *skill-based*
- Based on the screening of these criteria the initial Board of six will be represented from following:
 - Two (of the six) reserved seats for the local First Nations (Teme-Augama Anishnabai / Temagami First Nation, Timiskaming First Nation, Matachewan First Nation); one (of these two) reserved seats set aside for Teme-Augama Anishnabai / Temagami First Nation; the other Director seat will be rotated amongst Matachewan FN / Timiskaming FN) or as otherwise supported by these First Nations.
 - Two (of the six) reserved seats for the local municipalities (Municipality of Temagami, Town of Latchford, Township of James (Elk Lake), City of Temiskaming Shores); one (of these two) reserved seats set aside for the Municipality of Temagami; the other Director seat will be rotated amongst Town of Latchford, Township of James (Elk Lake), City of Temiskaming Shores, or as otherwise supported by these Municipalities., and
 - Two (of the six) reserved seats for the forest industry partners (Georgia- Pacific - Englehart, EACOM Timber Corporation – Elk Lake Sawmill, Goulard Lumber – Sturgeon Falls Sawmill, Alex Welch Logging).

TFMC Framework Document

Summary of initial process for Board appointments:

1. *Advisory Team to identify skills / qualifications (DONE)*
2. *Local led nomination process (First Nation / Community / Forest Industry)*
 - *Individual First Nations / Communities to Post Ads, solicit nominations*
 - *Individual First Nations / Communities to assess nominations*
 - *First Nations / Communities to collectively engage nominations for reserved seats (2 for First Nations, 2 for Community)*
 - *Forest Industry to collectively conduct their own process for their 2 reserved seats*
3. *MNRF to work with PAS to post Ads on website*
 - *1 for Chair, 1 for vice-Chair, and 4 members potential at large (various)*
4. *First Nations / Communities / Forest Industry to notify the locally nominated individuals and request they apply through PAS (same timeframe as open process); inform MNRF*
5. *MNRF / PAS to monitor the applications; MNRF to inform First Nations / Community / Forest Industry reps*
6. *PAS to inform MNRF of applications received*
7. *MNRF to host ConfCall with Advisory Team (Nominations Committee)*
8. *Advisory Team (Nominations Committee) asked to anonymously nominate their preference for Chair / Vice-Chair; potential for interviews for these positions (Advisory Team (Nominations Committee involved))*
9. *Advisory Team recommendations provided to Interim Board; Interim Board provide recommendations to MNRF FID ADM*
10. *MNRF ADM FID to provide recommendations to MNRF Deputy Minister*
11. *Minister to confirm a 'short-listed' candidates based on input received*
12. *Short-listed candidates to complete appropriate forms (Personal and Conflict of Interest Disclosure Statement)*
13. *Minister approves selected candidates; OICs prepared*
14. *PAS to conduct security checks of selected candidates*
15. *Intended appointee notified, appointments confidential until OICs signed by Cabinet*

Anticipated Financial Framework

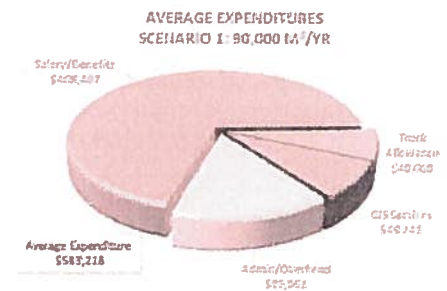
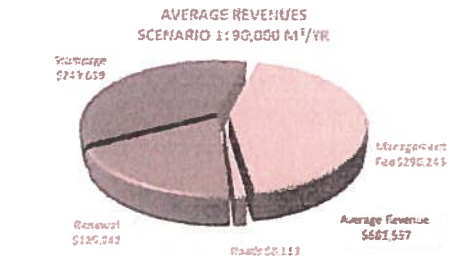
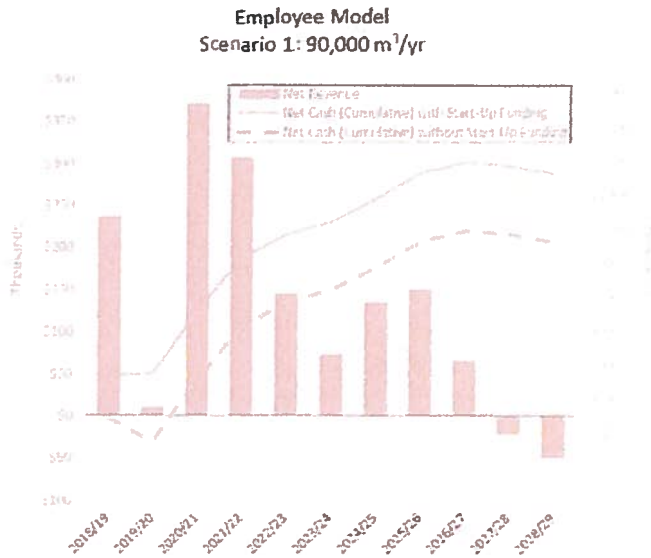
- Extensive analysis was done over the past 5 years by the Advisory Team (with the assistance of consultants) and more recently by the MNRF during the development of the Framework Document
- Forest Industry provided valuable input into this process
- Revenue to the corporation is generated by
 - Crown Dues
 - Management fees (estimated to be between \$3.60-\$3.68/m3)
 - Silvicultural admin fees
 - Administrative portion of Roads funding
- Expenses of the corporation are primarily staff-related and vary slightly depending on a Direct employee model or contract service provider model

Overall, the proposed business model indicates financial viability and a likelihood of success contingent on the ability of the Local Forest Management Corporation to:

- a) retain the stumpage revenues from the sale of Crown timber,**
- b) sell sufficient volumes of wood, and**
- c) secure access to an adequate level of non-refundable start-up funding.**

Note: the following two charts were developed by the Advisory Team as part of the financial analysis of this project

Scenario 1: Results Employee Model



Modeling Inputs

11. Start-Up Funding

Requirement	Amount
1. Cashflow Shortfall (Sept 2019 - Jan 2020 Employee Model)	\$ 70,500
2. Establishment Delay (4 months)*	\$ 28,857
3. FMP Implementation Delay (6 months)**	\$ 36,654
4. Unrealized Receivables (7% of revenues)	\$ 17,531
5. Front-end support for Operating Reserve (~1-year @ 50% revenues)	\$ 250,000
6. Loss of harvester(s) on the forest***	\$ 0
7. Unforeseen SFL liability/obligation***	\$ 0
TOTAL	\$403,542

* risk of timing delays for establishment due to provincial election and the requirement for subsequent government approvals

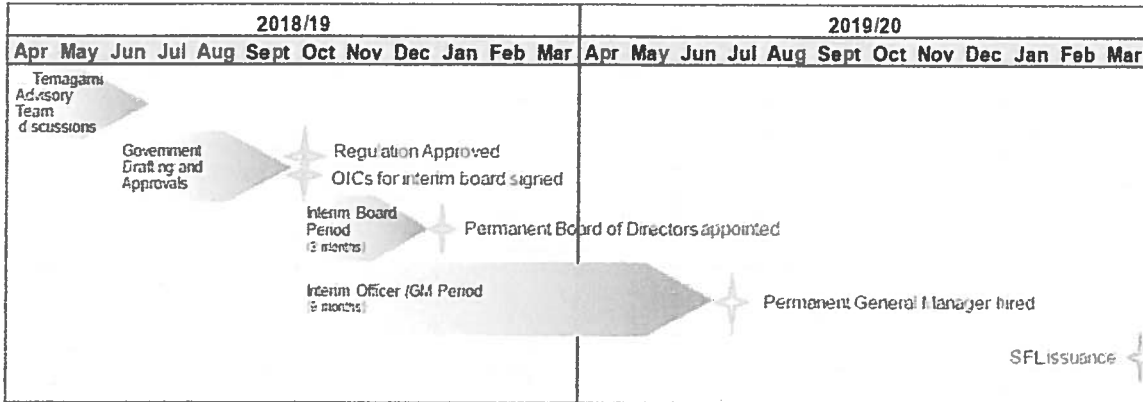
** risk of timing delays for implementation of the 2019-20 Temagami F.I.P., "bump-up" requests have occurred on previous F.I.P.s

*** placeholders for additional risk event, financial allocation for start-up support not included at this time

Next Steps and Timing

- Advisory Team has recently submitted the Framework Document to the Minister with a request to meet.
- The meeting will provide an opportunity for members for members of the Advisory Team to outline the proposed framework in greater detail and will request that the Minister supports moving forward with a proposal to establish the TFMC through regulation under the OFTMA.
- Assuming a “yes” to this request for support, the proposal will be completed by MNRF staff and submitted to Cabinet via the Minister of Natural Resources and Forestry
- A successful proposal will lead to the passing of a regulation to establish the corporation, the designation of an “interim Board” of Directors that will be comprised of OPS staff and the recruitment of an Interim General Manager (also a Public servant)
- The interim Board will be in place until a permanent Board can be appointed via the Public Appointments Secretariat (PAS)
- One of the first tasks for the permanent Board will be the recruitment of a permanent GM
- Given that the existing service contract for delivery of forest Management services extends until March 31, 2020 full operation of the LFMC is expected to commence in April, 2020.

Start-Up Funding Current Model Assumptions



 Denotes the interim period where the current model assumes no cost to TFLIC



DELAY 6 MONTHS ?



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Moved by: Dan O'Mara, Temagami

Seconded by: Merrill Bond, Charlton/Dack

WHEREAS discussions with an advisory team for Forest Tenure Modernization in the Temagami Management Unit started in October, 2013. This area encompasses 450,000 hectares of Crown managed forest, and contributes to wood supply for 3 major mills, GP-Englehart, Eacom Timber-Elk Lake, and Goulard Lumber-Sturgeon Falls, and minor licence holders;

AND WHEREAS this advisory team (representatives from First Nation groups, Forest Industry leaders, Municipal representatives, and MNR staff) have developed 3 reports and a framework document over the past 5 years, which have been presented to the Ministry;

AND WHEREAS these reports were developed and encouraged by then Minister McGarry, to investigate the potential establishment of a Local Forest Management Corporation (LFMC) for the Temagami Forest Management Unit;

AND WHEREAS the advisory team, is now requesting a meeting with Minister Yakabuski and his support for a submission to the Treasury Board, leading to the establishment of the LFMC;

AND WHEREAS many direct and indirect jobs in Northeastern Ontario are created from this Forest Management Unit.

Therefore, be it resolved that the Temiskaming Mayors Action Group (TeMAG) provides its unanimous support for this initiative, and requests that the Minister meet with the advisory team as soon as possible, as setting up this LFMC is a time sensitive issue for the Temagami Forest Management Unit.

And that a copy of this resolution be forwarded to the Minister of Natural Resources and Forestry, and the Temagami Forest Modernization Advisory Team.

CARRIED.

Carman Kidd, Temiskaming Shores

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