

10-Year Grant Funding Outreach Sessions

Edmonton, Alberta

July 5, 2018



First Nations
FINANCIAL
MANAGEMENT
BOARD

LE CONSEIL
DE GESTION
FINANCIÈRE des
Premières Nations

Agenda

1. Who is “FMB”?
2. *First Nations Fiscal Management Act (“FMA”)*
3. Rationale for FMB’s Involvement in 10-Year Grant funding
4. What is FMB’s Role with the 10-Year Grant funding?
5. Eligibility Criteria for the 10-Year Grant funding
6. FMB Capacity Development Services

Who is the FMB?

- We are a national non-profit First Nation Institution
- We support First Nations through building strong governance and finance practices
- We are independent of the Crown, but accountable to Parliament through the Indigenous Services Canada (“ISC”)
- Board of Directors appointed by Governor in Council and Aboriginal Financial Officers Association
- FMB was established by the *First Nations Fiscal Management Act* (“FMA”)

What is the First Nations Fiscal Management Act?

- Optional modern First Nations' legislation
- Outside the *Indian Act*
- 229 First Nations participating to date

Why was the FMA Created?

- First Nations led initiative
- To support First Nations social and economic development
- Legislation that provides First Nations with option to borrow thru the First Nations Finance Authority
- Enables First Nations to leverage their revenues like other levels of government

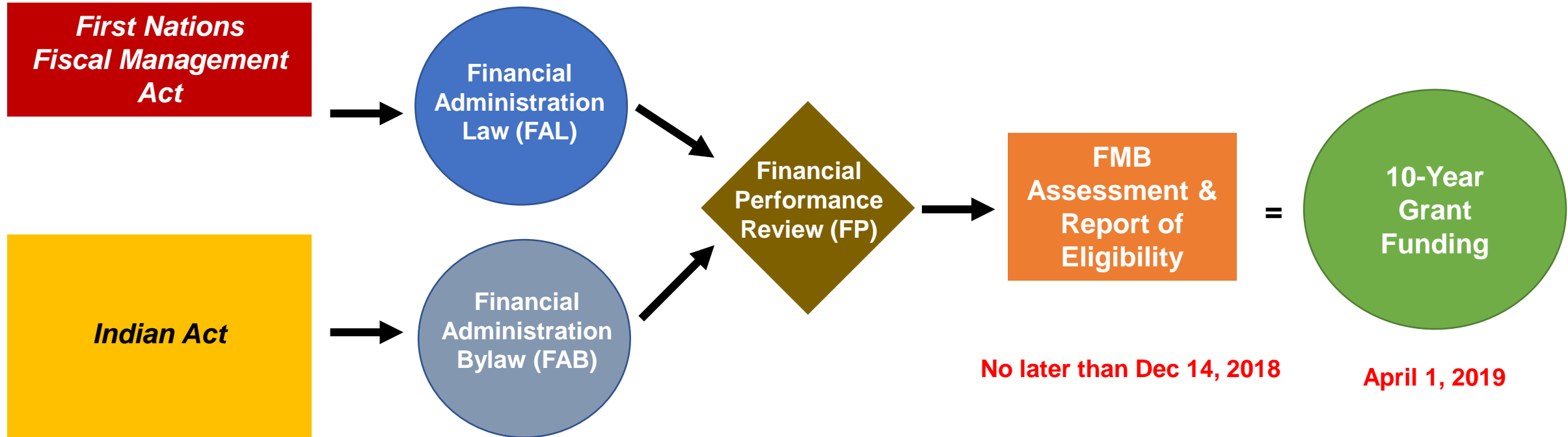
Rationale for FMB's Involvement in 10-Year Grant Funding

- FMB's has established Standards for finance and governance best practices
- FMB's Standards are based on internationally recognized internal control frameworks
- FMB's Standards have been vetted by rating agencies and determine First Nations eligibility to borrow from capital markets via the First Nations Finance Authority
- ISC Minister releases a statement announcing 10-Year Grant Funding (December 2017)
- The Assembly of First Nations and ISC agreed to invite FMB to co-develop eligibility criteria built on FMB's existing Standards

What is FMB's Role in 10-Year Grant Funding?

- FMB will support First Nations during the 10-Year Grant funding application process
- FMB will evaluate First Nations against eligibility criteria and provide assessment reports
- ISC (not FMB) makes final decisions on grant eligibility
- FMB will provide Capacity Development services (at no cost) to First Nations in order to continue to meet eligibility criteria

Pathways to 10-Year Grant Funding



Note: A law under either pathway will need to meet the same eligibility requirements

FAL Pathway to Eligibility for 10-Year Grants

- The First Nation must be Scheduled to the *FMA*
- A FAL template is provided to the First Nation & their legal counsel. The template can be modified to suit the unique aspects of the community so long as the FAL Standards are maintained
- There are two versions of the template (property taxation / no reference to property taxation)
- A minimum number of provisions (shown in yellow highlights) are required to be “in force” upon signing the FAL; additional provisions (shown in green highlights) will be required to be “in force” by **January 1, 2020**
- The formal review of the FAL is completed by the FMB Board in accordance with Section 9 of the *FMA*
- FMB will provide an assessment report on whether a First Nation is meeting the eligibility requirements of the FAL

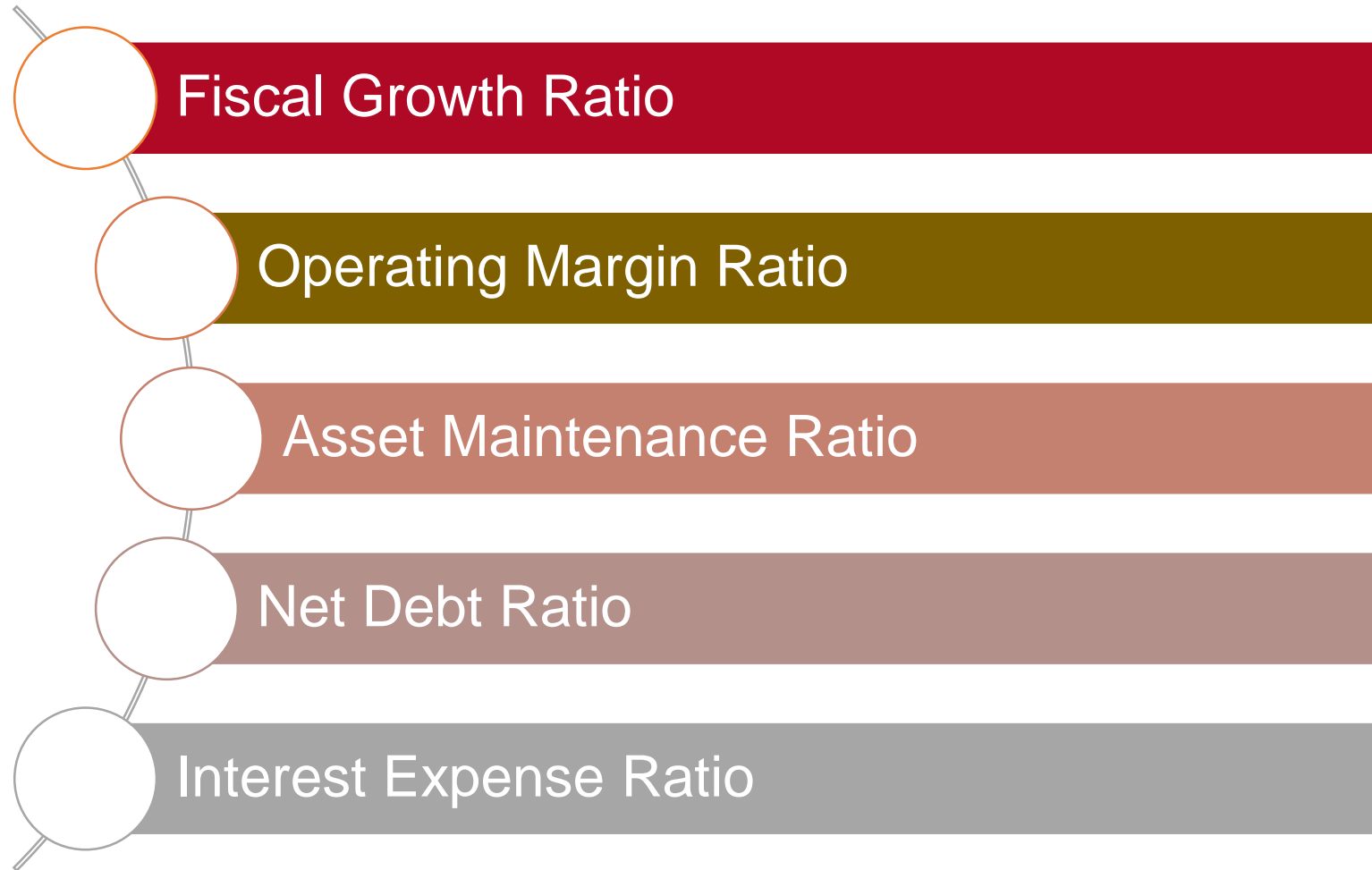
FAB Pathway to Eligibility for 10-Year Grants

- The First Nation must NOT be Scheduled to the *FMA*
- A FAB template is provided to the First Nation & their legal counsel. The template can be modified to suit the unique aspects of the community so long as the FAB requirements are maintained
- There are two versions of the template (property taxation / no reference to property taxation)
- A minimum number of provisions (shown in yellow highlights) are required to be “in force” upon signing the FAB; additional provisions (shown in green highlights) will be required to be “in force” by **January 1, 2020**
- The FMB will provide advice to the Minister for approval of these FABs
- FMB will provide an assessment report on whether a First Nation is meeting the eligibility requirements of the FAB

Evaluating Financial Performance for 10-Year Grant Eligibility

1. FMB calculates ratios based on **five years** of audited financial statements (2014-2018)
 - Ratios will be calculated as at **March 31, 2018**
2. FMB will take steps to fully understand the financial results, and any unique factors impacting the ratios
3. Provide contact information for representative the FMB may contact with any questions we may have about the financial statements
 - Finance manager
 - Auditor
4. FMB will provide an assessment report on whether a First Nation is meeting the eligibility requirements

The 5 Ratios Used to Evaluate Financial Performance Grant Eligibility?



1. Fiscal Growth Ratio (FGR):

The FGR measures a First Nation's ability to sustain and grow its revenues

$$\text{FGR} = \frac{(\text{Total revenue in the current year less total revenue in the previous year})}{\text{Total revenue in the previous year}}$$

Thresholds - The First Nation demonstrates that its average FGR for the period under review is not lower than -5.0%.

2. Operating Margin Ratio (OMR):

The OMR measures a First Nation's ability to balance its revenues and expenses to maintain operations

$$\text{OMR} = \frac{(\text{Total revenue less total expenses})}{\text{Total revenue}}$$

Thresholds - The First Nation demonstrates that its OMR for the period under review is not lower than **-5.0%**.

3. Asset Maintenance Ratio (AMR):

The AMR assesses if a First Nation is investing enough to maintain its capital assets, and add new assets

$$\text{AMR} = \frac{\text{Total tangible capital asset expenditures}}{\text{Total amortization expense}}$$

Thresholds - The First Nation demonstrates that its AMR for the period under review is not lower than 100.0%.

4. Net Debt Ratio (NDR):

The NDR measures a First Nation's ability to manage its overall level of debt

$$\text{NDR} = \frac{\text{(Total liabilities less total financial assets)}}{\text{Total revenue}}$$

Thresholds - The First Nation demonstrates that its weighted average NDR for the period under review does **not exceed 50.0%** or that its NDR for the **most recent year of the period under review does not exceed 50.0%**.

5. Interest Expense Ratio (IER):

The IER measures a First Nation's ability to manage the interest payments on its debt

$$\text{IER} = \frac{\text{Total interest expense}}{\text{Total revenue}}$$

Thresholds - The First Nation demonstrates that its IER for the period under review does **not exceed 5.0%**.

Steps 10-Year Grant Eligibility

1. Before **July 13, 2018** submit a Letter of Expression to ISC
2. Decide which legislation to use: *Indian Act* or *First Nations Fiscal Management Act*
3. Sign a Letter of Co-operation which will outline the roles of the FMB and the First Nation and provide key contact information
4. Pass a Council Resolution to indicate desire to enter into 10-Year Grant
5. Develop a Financial Administration By-Law (“FAB”) or Financial Administration Law (“FAL”) (Sample Laws provided but First Nations are encouraged to **start this process now**)
6. Send the 2014 to 2018 audited financial statements to FMB
7. Request that the Board of Directors at FMB to review and provide assessment report on eligibility requirements (First Nations are encouraged to **start this process now**)

FMB Capacity Development Services

- After a First Nation government has signed its Financial Administration Law (FAL) or Financial Administration By-Law (FAB), it's time to **bring it to life**
- That means putting the good governance and finance practices described in the FAL or FAB to work for your community. This helps you have a well-run Nation with a strong financial future
- Putting these minimum provisions in place will take **time and effort**. The FMB can support you with training, tools and templates to bring these provisions to life
- Bringing your FAL or FAB to life will help you strengthen community members' confidence in their First Nation

FMB Supports You in Bringing your FAL or FAB to Life

- We have experienced capacity development professionals in your region to provide practical advice, tools, samples, training, and workshops. Our services are at **NO COST**.
- See our online tools, webinars, videos and templates at <https://fnfmb.com/en/tools-and-templates>. These can support you in **maintaining your 10-year grant eligibility requirements**
- Working with the FMB can also lead to Financial Management Systems Certification, which helps First Nation governments show to their members and others that they have brought their entire FAL to life
- Financial Management System Certification is a path that many First Nation governments across Canada are choosing but it is not needed for a 10-year grant

Questions? Let's talk...

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