

May 18, 2018

To First Nation Chiefs:

**Re: Expression of Interest to Receive a 10-Year Grant**

On December 6, 2017, a report entitled *A New Approach: Co-development of a New Fiscal Relationship Between Canada and First Nations* was presented to the Minister of Indigenous Services Canada (ISC), the National Chief and Chiefs-in-Assembly. Subsequently, resolution #66-2017 was passed by Chiefs-in-Assembly, calling on the Government of Canada to implement the recommendations from the report.

Among the recommendations in the report was one calling for the Government of Canada to “Take immediate action to create ten-year grants for qualified First Nations to leverage full flexibility under the Policy on Transfer Payments, to be implemented on or before April 1, 2019”.

A 10-Year Grant is intended to increase the flexibility and the predictability for First Nation governments to manage funds and to reduce the administrative and reporting burden required under contribution agreements.

It is important to note that the introduction of a 10-Year Grant does not change the amount of money being provided to First Nation governments. Issues concerning the sufficiency of funding are still under discussion as part of the New Fiscal Relationship dialogues. The Government of Canada has made new investments in funding for First Nations in Budgets 2016, 2017 and 2018 and recognizes that more investments could be required.

**Eligibility for a 10-Year Grant is expected to be based on these criteria:**

**1. Financial Administration Law**

A First Nation government wishing to be eligible for a 10-Year Grant should have in place a financial administration law. A financial administration law is a set of governance and financial practices that support a First Nation government to make informed financial decisions, and is passed under the *Indian Act* or the *First Nations Fiscal Management Act*. More information on the purpose and development of this type of law is available in the Frequently Asked Questions (FAQs) attached.

A sample law, co-developed with the First Nations Financial Management Board, is also attached. The sample document highlights minimal provisions that will need to be included in a financial administration law, brought into force and then

implemented by the First Nation government to be considered eligible for a 10-Year Grant.

## 2. Financial Performance

A First Nation government's audited financial statements for the preceding 5-year period ending March 31, 2018 must meet certain financial performance standards; specifically, they must demonstrate:

- a. An average fiscal growth ratio of no lower than minus 5%;
- b. An average operating margin ratio of no lower than minus 5%;
- c. An average asset maintenance ratio of no lower than 100%;
- d. A weighted average net debt ratio of no more than 50%, or a net debt ratio for the most recent year of no more than 50%; and
- e. An average interest expense ratio of no more than 5%.

**Effectively, for a First Nation government to be eligible for a 10-Year Grant, it must:**

1. Provide a written request to be considered for a 10-Year Grant on or before June 29, 2018 for operational and budgetary planning purposes;
2. Provide evidence that its financial administration law meets the minimal standards highlighted in the sample law listed above; and
3. Provide audited financial statements for the past five years to demonstrate that the financial performance standards listed above are met.

**Note:** Given that many First Nation governments may not have issued 2018 annual financial statements by June 29, 2018, we ask that you provide these documents no later than July 29, 2018. In the meantime, please provide copies of the 2014 to 2017 annual financial statements, unless they have been made previously available to ISC.

If you are interested, please provide the information needed no later than June 29, 2018 by e-mailing your expression of interest to your ISC regional office.

It should be noted that the target of 100 First Nations eligible to receive a 10-Year Grant by April 1, 2019 is not a limit. It is hoped that more than 100 First Nations could become eligible for a 10-Year Grant for April 2019. ISC expects that some First Nation governments that do not currently meet the eligibility requirements described above will nevertheless want to work towards meeting those requirements and being approved for a 10-Year Grant as soon as possible. Accordingly, ISC is also examining options such as making targeted investments to strengthen First Nation-led capacity development supports that First Nation governments could access in order to become eligible for a 10-Year Grant.

For First Nation governments that will not be eligible for April 1, 2019, annual calls for applications for a 10-Year Grant will be issued so that all First Nation governments will have an opportunity to meet the eligibility requirements.

Additional information about a 10-Year Grant, including further details on the eligibility criteria, is available in the attached Frequently Asked Questions (FAQ) document.

I thank you for your continued collaboration, as we work together to achieve this important initiative.

Sincerely,

[Original signed by Paul Thoppil]

Paul Thoppil, CPA, CA  
Chief Finances, Results and Delivery Officer