

FIRST NATIONS FINANCE AUTHORITY

“Helping Aboriginal Communities Build Their Own Futures on Their Own Terms”



ALBERTA FIRST NATION LANDS

&

ECONOMIC DEVELOPMENT TRAINING SYMPOSIUM

NOVEMBER 2014



BUILDING A STRONG COMMUNITY



Band Office



- IBA's, Revenue sharing
- Settlement Agreements
- Pass/Implement FAL

Infrastructure



Housing



- Employment
- Market Housing
- Sustainable Growth



- Economic Development
- Visiting Professionals
- Tourism



- Fuel Rebate
- Tobacco Rebate
- Business Revenue



WHERE CAN FIRST NATIONS GET THE “MONIES” FOR PROJECTS?



Grants?



Banks?



Investors?

I give up...



WHY GET A “FIXED” RATE?



Governments fund major projects on the Bond Market with long-term FIXED rate loans to mitigate “Interest Rate Risk”

24. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Band is exposed to interest rate risk through its interest bearing investments. As prevailing interest rates increase or decrease, the market value of the interest-bearing investments will change.

The Band is also exposed to interest rate risk through its credit facilities discussed in Note 21 to these consolidated financial statements. As at year-end, the interest rate risk from these credit facilities is not significant, as these credit facilities have not been utilized.

* Fixed Rates eliminate “Interest Rate Risk”



THE FNFA: WHAT IS IT?

- Not a Crown Corporation, AANDC or an Agent of Canada
- Non-profit; 100% First Nations owned and governed
- Board of Directors are all First Nation Chiefs/Councilors
- Structured after very successful pooled borrowing models
- Created under "*The Fiscal Management Act, 2005*"





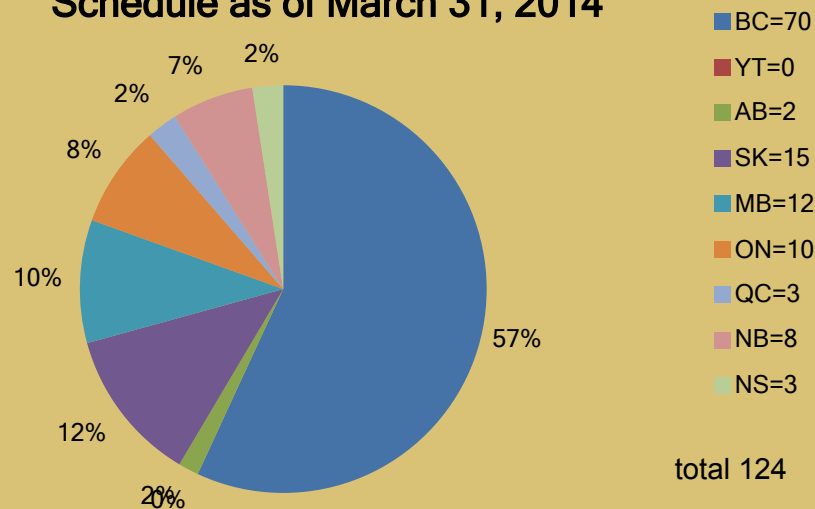
WHO ARE THE FNFA MEMBERS?

(SOME BELOW ARE STILL IN MEMBERSHIP PROCESS)

Canada Wide: 124 Scheduled to the FMA

- 33 approved Borrowing Members - Membertou , Metlakatla, Moricetown, Osoyoos, Shxwhá:y, Songhees, Splantsin, Sts'ailes, Taku River Tlingit, Tk'emlups te Secwepmc, Tsawout, Tseil-Waututh, Tzeachten, Wasauksing, We Wai Kai, Kitselas, Siksika, Mashteuiatsh, St. Mary's, Mt. Currie, Kwadacha, Douglas, Lax Kw'alaams, Skeetchestn, Nipissing, Penticton, Squiala, Wet'suwet'en, Sliammon, Cowichan, Fisher River, Nadleh Whut'en and St. Theresa Point.

Includes FNs Pending addition to Schedule as of March 31, 2014





FNFA BOARD 2014 - 2015

The FNFA welcomed a new board elected at the Annual General Meeting held on July 10th, 2014 in Westbank, BC

- Councillor Jody Wilson-Raybould – We Wai Kai Nation, BC (Chair)
- Councillor Catherine Hall – Tzeachten, BC (Deputy Chair)
- Chief Terry Paul – Membertou, NS
- Councillor Veronica McGinnis – Osoyoos, BC
- Councillor Patrick Courtois – Mashteuiatsh, QC
- Councillor Barry Yellow Fly – Siksika, AB
- Chief Warren Tabobondung – Wasauksing, ON
- Councillor Katy Gottfriedson – Tk'emlúps te Secwépemc, BC
- Councillor Barry Wilson – Fisher River, MB



FNFA'S MANDATE ANSWERS THE "LOW RATE LOAN" NEED

To provide First Nations with access to these same Capital Markets opportunities that are available to other levels of government:

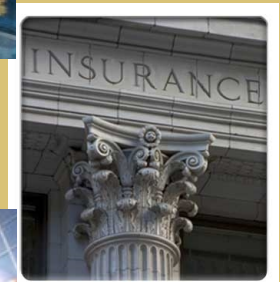
1. Short Term loans below bank prime
2. Long Term loans repayable out to 30 years

WHAT ARE THE CAPITAL MARKETS?



Pension Plans,
Life Insurance Co.'s,
Mutual Funds,
Large Corporations, etc...

(i.e. those organizations with cash to lend)





CAPITAL MARKETS – THE ADVANTAGES

- **Loan Access** – every day of the year. FNFA lends start of each month.
- **Loan Rates:**
 - **Short Term Rates** – floating like bank loans but always below bank prime. Current short term rate from **FNFA = 2.60%**
 - **Long Term Rates** – fixed rates available out to 30 years. **Current loan rate from FNFA to fix interest for 10 years = 3.75%; 20 years = 4.15%**
- **Loan Assuredness** – if revenues can support then the First Nations can access with confidence the amounts when wanted
- **Control over Community Priorities** – now in hands of the First Nations

governments had access since 1900's; first nations now too



PROVINCES



Provincial Statutes & Auditor General

MUNICIPALITIES



Municipal Act & Ministry of Municipal Affairs

FIRST NATIONS



First Nations Fiscal Mgm't Act: FNFA, FMB & FNTC

Global Capital Markets



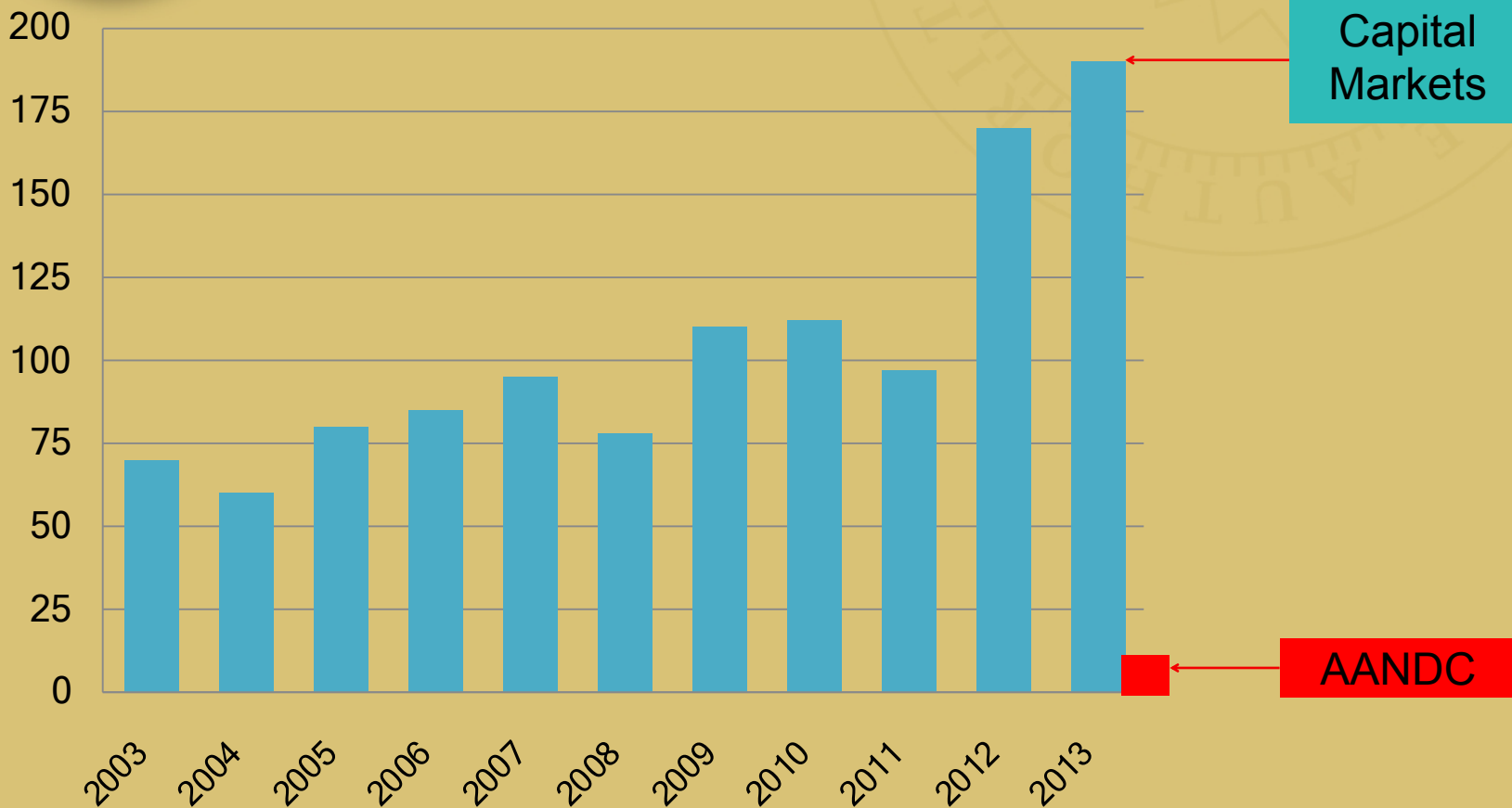
LOANS:

- Below bank prime
- Long repayment terms – you choose the term

How much in loans can be accessed from the capital markets?



\$B
IL
LI
ON
S



How can FNFA access these capital markets on behalf of first nations?



MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Assigns A3 Rating to the First Nations Finance Authority

Global Credit Research - 13 Nov 2013

Toronto, November 13, 2013 -- Moody's Investors Service (Moody's) has today assigned an A3 issuer rating to the First Nations Finance Authority. The outlook is stable.

RATINGS RATIONALE

The A3 rating reflects a strong institutional framework and governance and management structure of the First Nations Finance Authority (FNFA). This is supported by extensive membership and borrowing criteria, balanced

In February, 2014 FNFA received an A3 (Investment Grade) credit rating from Moody's Investors Service and from DBRS.

== CAPITAL MARKET ACCESS FULLY AVAILABLE

Why Get a Credit Rating?



-Separate Institutions-



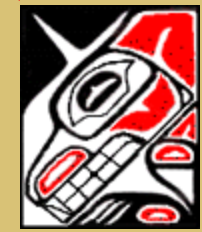
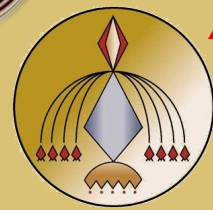
-Separate Ratings-

Establishes:

- Trust
- Security
- Ability to Issue Bonds
- Attractive Investment

Allows for:

- Immediate Access
- Lower Rates
- Longer Terms
- No Collateral





On June 19th, 2014

FNFA ISSUES INAUGURAL DEBENTURE

MEDIA ADVISORY | FOR IMMEDIATE RELEASE

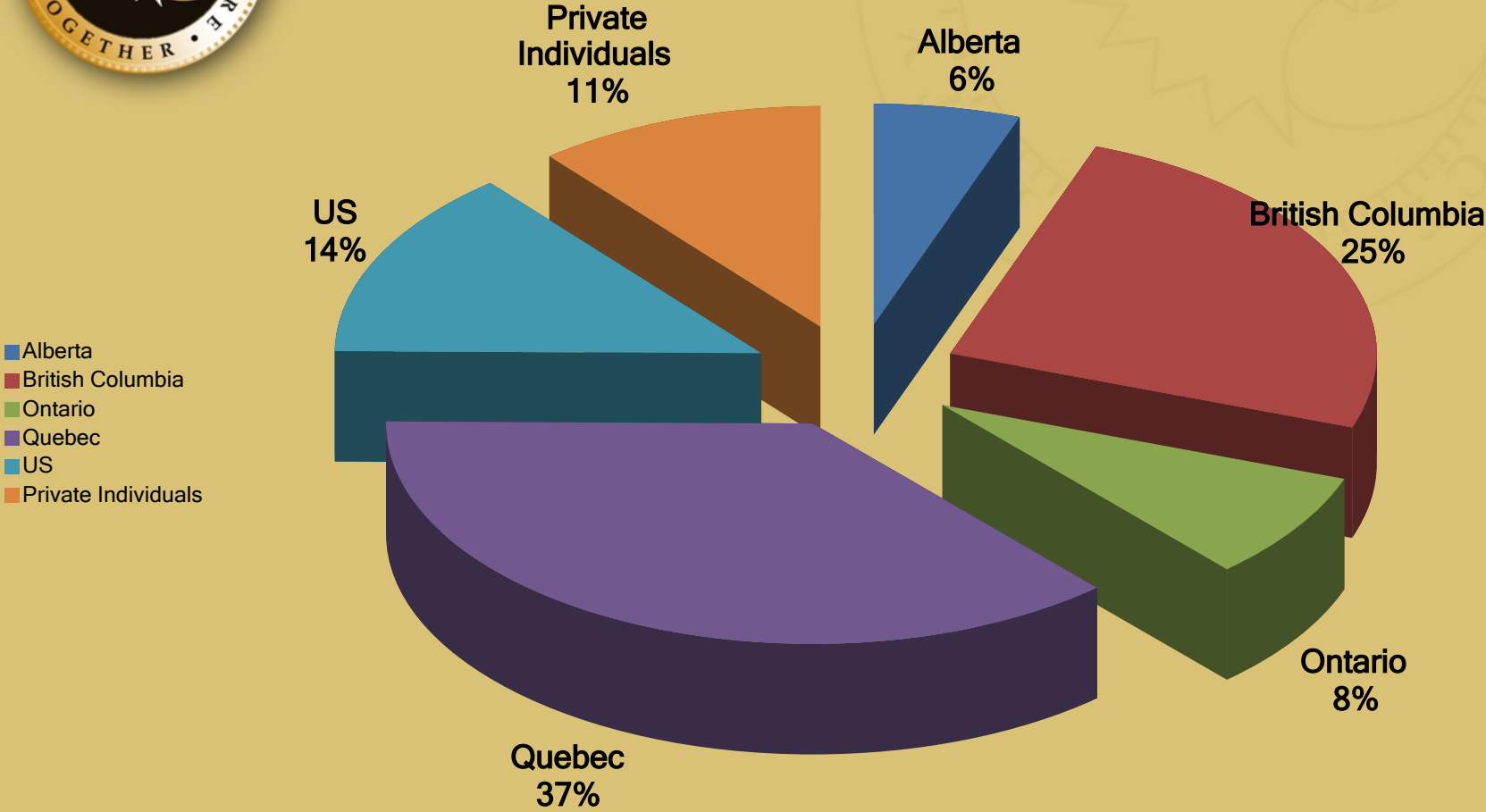
JUNE 19th, 2014 WESTBANK, BRITISH COLUMBIA

The First Nations Finance Authority issues Inaugural Debenture

History was made today, as the First Nations Finance Authority (FNFA) issued its inaugural debenture in the amount of \$90 million CAD. The FNFA pools the borrowing requests of its member First Nations into one debenture. The capital raised by this inaugural debenture will be used by 14 First Nations to build and make improvements to roads, water and waste systems, power/lighting, public buildings and other local infrastructure as well as providing economic opportunities both on and off reserve.



FNFA DEBENTURE #1 – BUYERS LIST





HOW DOES FNFA'S CREDIT RATING COMPARE?

Aaa	Smallest degree of risk	←	Canada, USA, Germany
Aa	Very low credit risk	←	England, Holland, New Zealand
A	Low credit risk	←	FNFA *investment grade
Baa	Moderate credit risk	←	Iceland, Ireland, Italy, Russia
Ba	Questionable credit quality	←	Croatia, Morocco, Hungary
B	Generally poor credit quality		
Caa	Extremely poor credit quality	←	Ukraine, Argentina, Greece
Ca	Highly speculative		
C	Potential recovery values are low		



ALL GOVERNMENTS ACCESS THE CAPITAL MARKETS, NOT BANKS

Issue	Notional (million)	Coupon	Maturity	Price	Yield	Spread	Bench mark	Issue Date	Term (year)
Quebec	500	3.750%	1-Sep-24	104.951	3.177 %	88.5	2.5'24	18-Jun-14	10
British Columbia	600	3.200%	18-Jun-44	92.578	3.607 %	77.5	3.5'45	17-Jun-14	30
New Brunswick	300	3.800%	14-Aug-45	99.281	3.840 %	101.0	3.5'45	16-Jun-14	30
CMB	5,000	1.950%	15-Jun-19	100.095	1.930 %	32.0	1.75'19	13-Jun-14	5
Alberta	1,267.5	3.500%	1-Jun-31	100.422	3.467 %	85.5	5.75'29	11-Jun-14	20
Ontario	1,000	3.450%	2-Jun-45	94.460	3.754 %	92.5	3.5'45	6-Jun-14	30
Ontario	750	3.500%	2-Jun-24	102.709	3.181 %	83.5	2.5'24	4-Jun-14	10
Ontario	1,250	2.100%	8-Sep-19	99.816	2.137 %	47.5	1.75'19	2-Jun-14	5
EIB	700	2.125%	4-Feb-19	100.929	1.915 %	47.1	1.25'18	30-May-14	5
Quebec	500	3.750%	1-Sep-24	105.323	3.138 %	91.5	2.5'24	29-May-14	10
Saskatchewan	300	1.950%	1-Mar-19	100.804	1.772 %	27.0	1.75'19	29-May-14	5
Saskatchewan	100	FRN	5-Jun-17	100.000				27-May-14	FRN
Ontario	600	3.450%	2-Jun-45	94.090	3.775 %	92.5	3.5'45	27-May-14	30
Quebec	500	3.500%	1-Dec-45	93.470	3.860 %	101.0	3.5'45	27-May-14	30

Debentures Issued 30 Day period:

Provinces - \$14.8 Billion
CMHC - \$10.0 Billion
Banks - \$ 1.0 Billion

**\$25.8 Billion
in 30 days!**



Safeguards for fnfa debenture holders

The following apply to all Debenture Holders:

- 1. Financial Management Board (FMB): Certification Process**
 - FMB's vetting process is a pre-requisite to any FNFA loans
- 2. Revenue Leverage Factors Set by Capital Markets:**
 - Each revenue stream has a loan leverage factor that cannot be exceeded
- 3. FNFA's reserve funds:**
 - Debt Reserve Fund (DRF) = 5% of loan requests withheld
 - One DRF for Property Tax; one DRF for Other Revenues
 - Credit Enhancement Fund (CEF) = \$10 Million supports both DRF's
- 4. Borrowing Members approve other Borrowing Member's loan requests.**
- 5. Trust Account System ensures loan repayments.**

TWO RECENT FNFA CLIENTS' STORIES



Membertou: refinanced existing bank loans plus infrastructure.

Per **Chief Terry Paul:** *"My community is saving \$140,000 per month by refinancing our bank loan with FNFA. These savings are being re-invested into needed community infrastructure."*

Tzeachten: borrowed for 4 projects.

Per **Chief Glenda Campbell:** *"Never in my lifetime did I think Tzeachten would have access to affordable financing. What we currently pay banks to service a \$1 million bank loan we can now service a \$3 million FNFA loan."*



FIRST NATIONS WORKING TOWARDS FNFA MEMBERSHIP



Early 2014:

1. Chippewas of the Thames FN, ON
2. K'omoks FN, BC
3. Kahkewistahaw, SK
4. Norway House Cree Nation, MB
5. Onion Lake Cree Nation, SK
6. Seabird Island, BC
7. Williams Lake, BC
6. Heiltsuk, BC
7. Kanaka Bar, BC
8. Kwaw-Kwaw-Apilt, BC
9. Lower Kootenay, BC
10. Misipawistik Cree Nation, MB
11. Mistawasis, SK
12. Mowhawks of Akwesasne, ON
13. Munsee-Delaware Nation, ON
14. Nekaneet, SK
15. Ochapowace, SK
16. Peepeekisis Cree Nation No. 81, SK
17. Peter Ballantyne Cree Nation, SK
18. Skowkale, BC
19. Timiskaming FN, QC
20. Tobacco Plains, BC
21. Yakweakwioose, BC

Later in 2014:

1. ?Akisq'nuk FN, BC
2. Aitchelitz, BC
3. Birch Narrows FN, SK
4. Coldwater, BC
5. Conseil de la Première Nation Abitibiwinini, QC



How fnfa protects its loans: Secures revenue stream supporting loan

Eg.: *Revenues*
= \$100,000/year

Community uses its revenue streams to secure the loan. (The more revenue streams a First Nation uses the more it can borrow.)



The \$100,000 goes
into the SRTA
Account

Revenue stream is deposited directly into the SRTA account by the Payor.

FIRST: FNFA paid its
loan amount.

SECOND: Balance in SRTA paid to Community

\$64,412 annual
payment due on
\$1 Million loan

\$35,588 to First
Nation's bank
account

Community controls
spending of these monies.

FNFA does not take collateral. The above process is cost-free to the community and provides the "comfort" needed by the Capital Markets.



Eligible revenue streams to support an fnfa loan

The FNFA allows First Nations to support loans with their choice of revenue sources:

Other Revenues:

Royalties,

Business revenues,

Contract revenues,

IPP revenues,

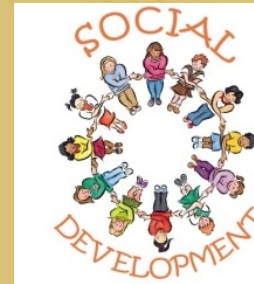
Other Transfers from Government

WHAT PROJECTS DOES FNFA LEND FOR?



FNFA Lends for Projects that are:

- Economic Development
- Social Development
- Community owned housing
- Equity involvement (power projects, pipelines, etc...)
- Land purchases
- Infrastructure
- Vehicles and equipment





HOW MUCH CAN A FIRST NATION BORROW FROM THE FNFA?

A First Nation can request FNFA loans to as much as their revenue streams can support:

The “Borrowing Factors” for each \$1.00 of revenue are:

	20 years	25 years	30 years
Federal/Provincial Transfer	10.35	11.37	12.26
Municipal Transfers	9.79	10.76	11.60
Independent Power Projects (IPP's)	10.18	11.19	12.06
Provincial Gaming Revenues	7.95	8.74	9.42
Land Benefit Agreement	5.66	6.21	6.70
Contracts & Leases	7.27	7.99	8.61
Band Business	7.27	7.99	8.61



NEXT STEPS FOR INTERESTED FIRST NATIONS



- ➔ BCR to Minister re: Being Scheduled to FMA
- ➔ Sign Letter of Co-operation with FNFMB
- ➔ Develop Financial Administration Law
- ➔ Submit 5 year Financial Statements to FNFA/FNFMB
- ➔ Earn Financial Performance Certificate
- ✓ FNFA Borrowing Membership

TO CALCULATE YOUR COMMUNITY'S BORROWING POWER



- Use FNFA's website: www.fnfa.ca
- Once in the website choose **"Calculators"** tab at the top of the page
- Once "Calculators" has been chosen use:
 - **"Property Tax Calculator"**



CONTACT INFORMATION

First Nations Finance Authority

PH: 250-768-5253

Frank Busch

Director of Info and Marketing

fbusch@fnfa.ca

Visit our website: www.fnfa.ca

twitter  = [@thefnfa](https://twitter.com/thefnfa)