

First Nations Finance Authority

*Aboriginal Financial Officers Association
National Conference*

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The Vision

- To provide First Nations with the ability to raise capital on the national and international bond markets through a national First Nations' controlled financing institution.
- The *First Nations Fiscal Statistical Management Act* came into force April 1, 2006
- The FNFA is now a reality.
- Starting off with property tax backed bonds and moving into other areas of secure revenue.

The Bigger Picture...

- The FNFA can help provide a path to economic opportunity and wealth creation:
 - Planning becomes more meaningful
 - Land values are increased
 - Investment/development creates prosperity/jobs
- Timely capital expenditure decision making means:
 - Opportunities can be acted upon
 - Revenue streams (including transfers) can be maximized
- Quality of life improves
 - Water, sewer, roads, community building etc.





What the FNFA will do for its Borrowing Members

- Pool capital requirements of “borrowing members” (for infrastructure – sewer, water, roads etc.) – issues bonds that are repaid using first nation revenues.
- Short-term financing (based on anticipated revenues or anticipated bond proceeds)
- Investment services
- Financing advice



Borrowing Members with

property tax revenue

- Borrowing for infrastructure
 - Such as sewer, water, roads etc.
 - Repay bonds using property tax revenues
- Short-term Financing
 - Based on anticipated local revenues
 - Anticipated bond proceeds

The Power of Pooling

- By pooling borrowing requirements, working together and diversifying risk First Nations are stronger meaning:
 - Lower rates of borrowing
 - More control of financing terms
 - All governments receive the same beneficial rates (small or large)
- Interlinked economies are more powerful



Other Sources of Revenue

- Secure sources of revenue may be leveraged to build infrastructure on First Nations' reserve lands
- Regulations will be developed for revenues other than property tax to adapt the borrowing provisions of the Act to meet the borrowing required (e.g. for housing, water infrastructure etc.)



How to become a Borrowing Member

- Council Resolution requesting to be Scheduled to the *First Nations Fiscal and Statistical Management Act* (FSMA).
- Council Resolution requesting Financial Management Board certification.
- FNFA Board accepts First Nation as a “Borrowing Member”

How Borrowing Members borrow

- Community plans infrastructure project.
- Borrowing member passes a “Borrowing Law”.
- First Nation enters into a “Borrowing Agreement” with the FNFA

To the market and after...

- FNFA issues Bonds and sells to syndicate/underwriter. Syndicate sells bonds.
- FNFA distributes proceeds of bond issue.
- 5% deposited in the Debt Reserve Fund (DRF)
- Borrowing member pays FNFA semi-annually (automatic deposit).
- FNFA pays the Bondholders and manages the DRF and Sinking Funds.
- When the Bond matures FNFA pays back the Bondholder from the Sinking Fund.
- DRF returned or used to make final payments.


Who will buy our bonds?

- Based on feedback from national credit rating agencies the FNFA anticipates an investment grade rating for our property tax bonds (single “A”). A separate rating will be sought for other FNFA bond issues.
- Based on an investment grade credit rating, pension funds, institutional investors, First Nations etc. will buy FNFA Bonds.



FNFA Investment Services

- Investment services are separate from the borrowing regime.
- Funds are invested only in the highest quality money market instruments and quality fixed income securities in accordance with the *First Nations Fiscal and Statistical Management Act*.



For more information
please visit our web site:

www.fnfa.ca

Thank you.....

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