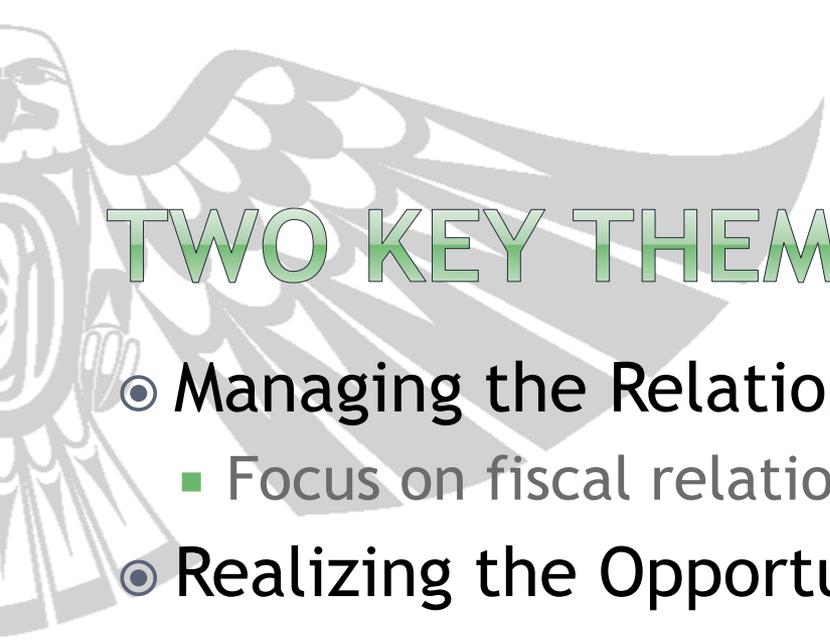




IMPLEMENTATION CHALLENGES AND LESSONS LEARNED: THE FISCAL SIDE

The Tsawwassen Experience

Tom McCarthy
Chief Administrative Officer, TFN



TWO KEY THEMES

- Managing the Relationship
 - Focus on fiscal relationships
- Realizing the Opportunity



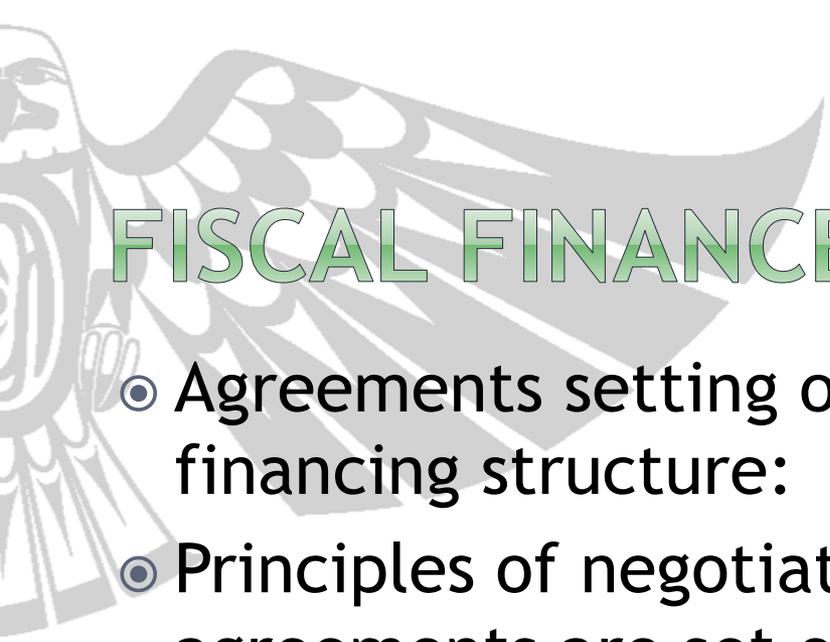
OUTLINE - FISCAL RELATIONSHIPS³

- Costs of Self-Government
- Fiscal Finance Agreements
 - One-time Funds, Implementation Fund
 - Annual Program and Service Transfers
- Fiscal Harmonization
- Own-Source Revenue
- Delegated Revenue Authority Structure
- Infrastructure Financing



COSTS OF SELF-GOVERNMENT

- Self-government is more expensive
 - Initial preparation and on-going governance
 - New institutions carry increased costs
 - Required due to additional process and jurisdiction
 - Scope of program jurisdiction includes:
 - Legislative and regulatory jurisdiction
 - Policy development and design
 - Decision-making
 - Program delivery
 - Administration
 - Appeals and reviews
 - Program evaluation
 - 8 new elected positions
 - Over 15 new appointments



FISCAL FINANCE AGREEMENTS₅

- Agreements setting out self-government financing structure:
- Principles of negotiation for fiscal finance agreements are set out in the Treaty
- Major issues:
 - Principle of comparability
 - Creation of on-going dependency relationship through insufficient funds
 - Application of own-source revenue
 - Implementation issues

ACTUAL 2013-2014 VS. FFA FUNDING

6

Program and Service Area	Approx. FFA Contribution (for year starting April 1, 2013 - Schedule A and D, non-time limited funding only)	Actual Annual Budget Amounts
Total	\$3,056,294	\$8,363,603
Health	\$366,262	\$843,265
Education	\$498,918.67	\$841,539
Social Service	\$535,405.24	\$892,304
<u>Local Services</u>	<u>\$1,155,329.49</u>	<u>\$5,007,025</u>
Physical Works	\$277,243.10	Current TFN reserve at \$1.28mn.
Fisheries	\$400,070.48	\$432,310
Local Government Liaison Services	\$100,000	\$347,160

FOCUS ON 'LOCAL GOVERNMENT' COSTS

7

Operation of TFN Government Institutions	\$686,181
Record-Keeping (incl. Enrolment Registry)	\$150,465
Consultation with Membership	\$30,000
Financial Management, Administration, Risk Management, Due Diligence, Accounting, Taxation	\$1,087,498
Land and Environmental Management	\$1,465,377
Economic Development	\$900,000
Agreed-Upon Asset Maintenance	\$497,845



FISCAL FINANCE AGREEMENTS (FFA/FTA)

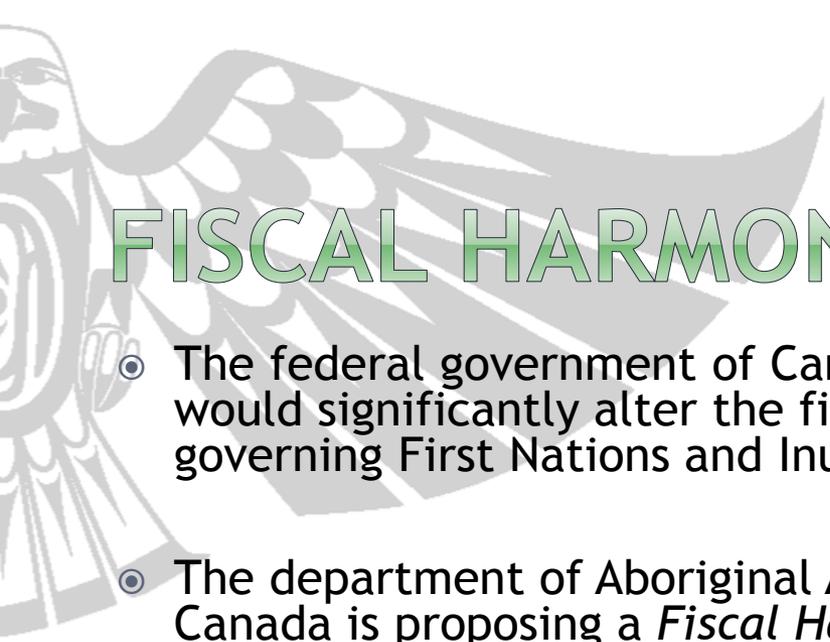
8

- One-time funds, Implementation Fund
 - Interpretation challenges
 - Eligibility challenges
- Annual Program and Service Transfers
 - Incompatibility, insufficiency
 - Capital - choice of application-based was perhaps misguided
 - Lack of access to other funds/programs
 - Capital - TFN works through municipal streams



FFA RENEWAL ISSUE

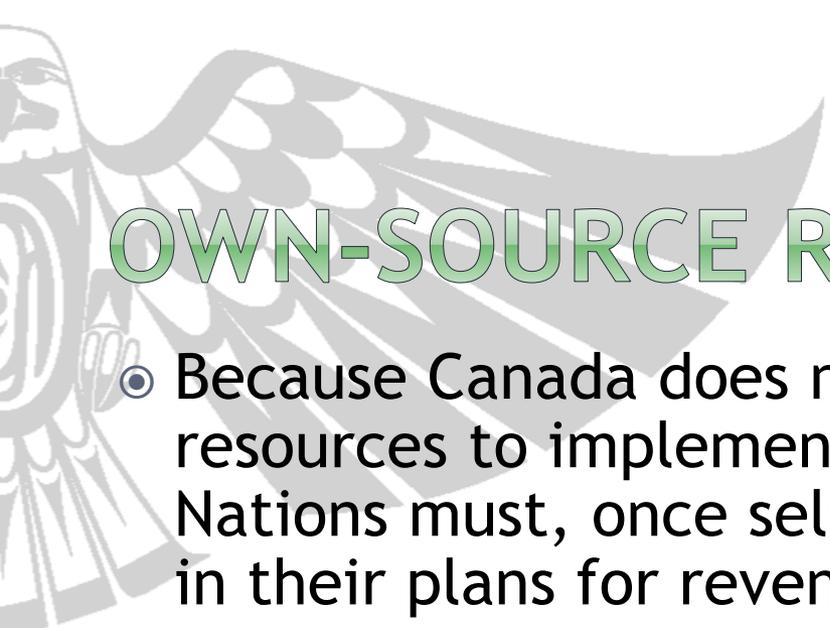
- TFN working with Canada, BC on FFA renewal
 - Difficult discussions
 - Canada not substantively negotiating to the principles in the FFA agreement
 - Too restricted to ‘mandates’ to negotiate
 - Canada has only recently (last 5 years) recognized the challenges associated with multiple self-government agreements, each of which has a ‘negotiation’ commitment (see next slide)
- Comparability is critical
- Ultimately, OSR is more important, as other sources of revenue will dominate



FISCAL HARMONIZATION

10

- The federal government of Canada has made a proposal that would significantly alter the fiscal relationship between self-governing First Nations and Inuit communities and Canada;
- The department of Aboriginal Affairs and Northern Development Canada is proposing a *Fiscal Harmonization Policy* that would impose a formula based approach to work out how much financial support each self-governing First Nation would receive each year from Canada;
- At present, most, if not all, self-governing First Nations have specific sections in their Self-Government Agreements that force financial commitments to be resolved by way of “negotiation” between the signatories.
- Canada proposes an ‘advisory panel’ of First Nations under self-government, to come together and advise on the formula process
 - Undermines any negotiating commitment, even if Canada indicates it will maintain commitments in existing relationships



OWN-SOURCE REVENUE

11

- ⦿ Because Canada does not provide sufficient resources to implement self-government, First Nations must, once self-governing, be aggressive in their plans for revenue generation
- ⦿ But this is hindered by the OSR formula, which kicks in right when the transition is beginning
 - OSR is a disincentive on each marginal dollar
 - There are options to reduce the negative impact
- ⦿ No FN that TFN has spoken to is against the principle of self-sufficiency
 - The issue is with the forced application of the principle before the reality is achieved and the foundation is set



OWN-SOURCE REVENUE

12

○ Areas for improvement

- Appropriate fiscal financing is required before applying OSR
- OSR Complexity and Analysis
 - To our knowledge, AANDC does not have a team with the expertise required to effectively assess reports
- Maximum OSR Clawback needs reduction
- Consider alternate OSR structures, including the following:
 - Graduated OSR levels
 - Revenue targets before OSR is applied
- Broaden Exemptions and/or Provide Credits for “Good” Investments



DELEGATED REVENUE AUTHORITY

13

- Self-governing Nations all have full expenditure powers - over expensive programs and services
- But have no full autonomy - constitutionally protected, legislative authority - over major revenue sources on lands owned by the First Nation
 - Property taxes, resource royalties, etc.
 - Some small exceptions re fees, licenses etc.
- By and large, revenue sources sufficient to fund the legal responsibilities are delegated
- Leads to an inequity - legal responsibility for program delivery, but not for revenues to deliver those programs
 - Outcome: Remain tied to federal and provincial governments



INFRASTRUCTURE FINANCING

- Treaty First Nations are not eligible for financing for municipal infrastructure
 - Municipalities in BC work through Municipal Finance Authority
 - First Nations in BC work through First Nation Financing Authority
- Canada, BC, Institutions, First Nations need to come together on a solution
- Canada has indicated they want a treaty amendment to subjugate paramouncy of internal fiscal management
 - This is a non-starter - fiscal management is core to a First Nation's self-government jurisdiction
- No treaty carve-out should be required - there is another solution that contemplates a provincial backstop
 - For property tax, not other revenues