



# FNFA INVESTOR PRESENTATION

JANUARY 2020

# FNFA OPERATES UNDER TWO ACTS

## *“First Nations Fiscal Management Act”:*

- Established to promote internal capacity development as well as low rate loans
- Outlines rules for loans supported by Property Tax revenues



## *“Financing Secured by Other Revenues Regulations”:*

- Allows First Nations to leverage revenues other than Property Tax (i.e. Other Revenues)
- 634 First Nations across Canada share in Provincial revenues
- FNFA “intercepts” from the Provinces the revenues supporting FNFA loans

# REVENUE SHARING BY PROVINCE

PROV	TYPE OF REVENUE SHARED
<b>BRITISH COLUMBIA</b>	Forest Tenure Agreements, Added Value Rebate Tax, BC Hydro-IPP's, Mineral Specific Resource Revenue Sharing Policy, Gaming (Host)
<b>ALBERTA</b>	Added Value Tax Rebate, Fuel Tax Rebate, Gaming
<b>MANITOBA</b>	Added Value Tax Rebate, Fuel Tax Rebate, Gaming
<b>NEW BRUNSWICK</b>	Forestry Stumpage, Fuel Tax Rebate, Added Value Tax, Gaming
<b>NOVA SCOTIA</b>	Added Value Tax rebate, Gaming
<b>ONTARIO</b>	Mineral Specific Resource Revenue Sharing Policy, Gaming (OFNLP)
<b>QUEBEC</b>	Mineral Specific Resource Revenue Sharing Policy, Hydro Revenues, Added Value and Fuel Tax
<b>SASKATCHEWAN</b>	Fuel and Added Value Rebate Tax, Gaming
<b>CANADA</b>	FNGST/FN Sales Tax (opt-in only), FN Personal Income Tax (Self-Government Agreement only)

**FNFA intercepts these revenues . Interception is irrevocable for the term of the loan.**

# THE FNFA: What is it?

**FNFA is owned and governed by its Members. - the board is elected annually by and from the designated representatives of our borrowing membership.**

## **2019/20 Board members:**

Chair:	Chief Warren Tabobondung (Wasauksing, ON)
Vice Chair:	Councillor Katy Gottfriedson (Tk'emlups, BC)
Director:	Councillor Patrick Courtois (Mashteuiatsh, QC)
Director:	Councillor Alex Cope (Millbrook, NS)
Director:	Councillor Cathy Hall (Tzeachten, BC)
Director:	Chief David Crate (Fisher River, MB)
Director:	Chief Dean Roy (Sheshegwaning, ON)
Director:	Councillor Veronica McGinnis (Osoyoos, BC)
Director:	Councillor Steven Johnston (Mistawasis, SK)
Director:	Chief Ross Perley (Tobique, NB)



# FNFA OFFERS TWO LOAN PROGRAMS

## Interim (Bridge) Financing:

- Raised through a Syndicated Bank Facility (National Bank/CIBC/RBC/Scotia/Laurentian)
- \$220 M line accessible
- Available daily for FNFA members
- Interest rate is below Bank Prime

## Debentures:

- Two credit ratings: S&P = A+ stable ; Moody's = A2 stable
- Issued through a Banking Syndicate
- Usual debenture term is 10 years (or a re-opening of a previous 10-year debenture)
- FNFA has issued 6 debentures since 2014; the 6<sup>th</sup> was in the Fall 2019
- Spread in the range of +“mid teens” off Ontario



# FNFA

## UPDATES SINCE FALL 2019



# FNFA – INFORMATION TO SEPTEMBER 2019

## First Nations Participation Rate:

- 🌀 291 First Nations have applied to FNFA's Act = 10 Provinces + 1 Territory

## Province of BC – sharing Gaming Revenues:

- 🌀 \$3 Billion to be shared over 25 years (starting in 2019)
- 🌀 Minimum amount is \$250,000 per community + population formula + rural formula

## FNFA sub-Offices:

- 🌀 established in Quebec and Ontario. Goal is to expand Central Canada clientele.

## FNFA Operating Surplus:

- 🌀 FNFA's 2018/19 Operating Surplus very close to Canada Funding levels (close to self-sufficiency).

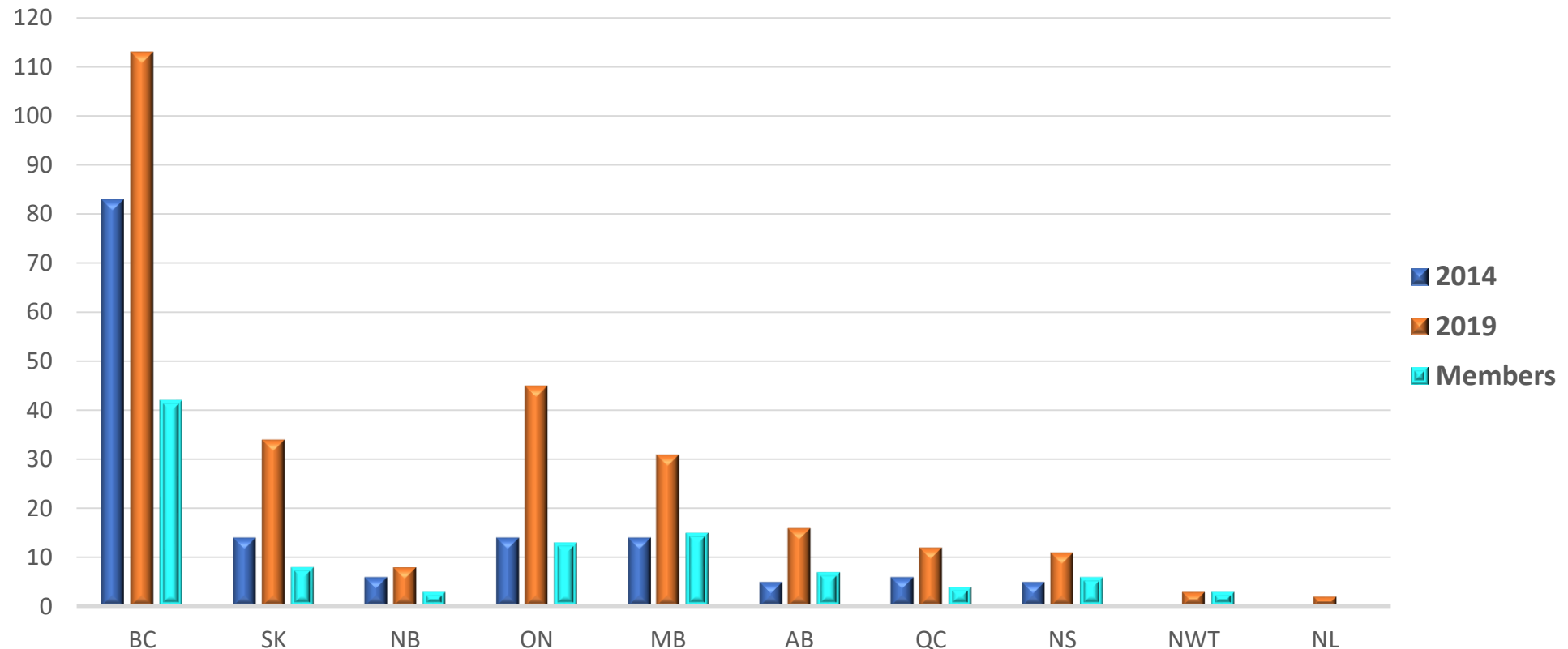
## Loan Portfolio:

- 🌀 No late or insufficient loan service payments since first loan in June 2012.

# FNFMA SCHEDULED FIRST NATION DEMOGRAPHICS

291 First Nations Scheduled to the *First Nations Fiscal Management Act*.  
100 have completed the FNFA Membership process.

Scheduled First Nations 2014 & 2019



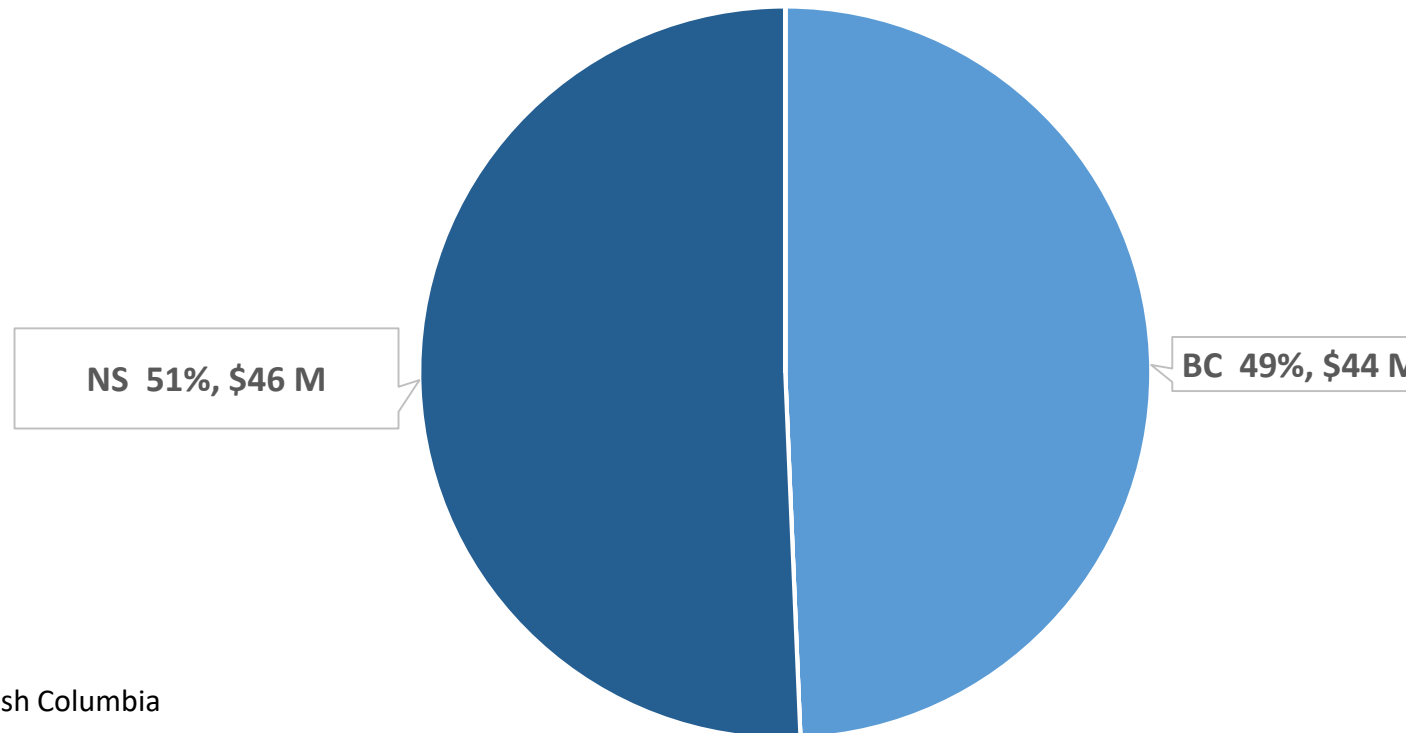
# UPDATE

## HISTORY OF LOAN ISSUANCE FROM 2014 THROUGH 2019



# LOAN DISTRIBUTION BY PROVINCE

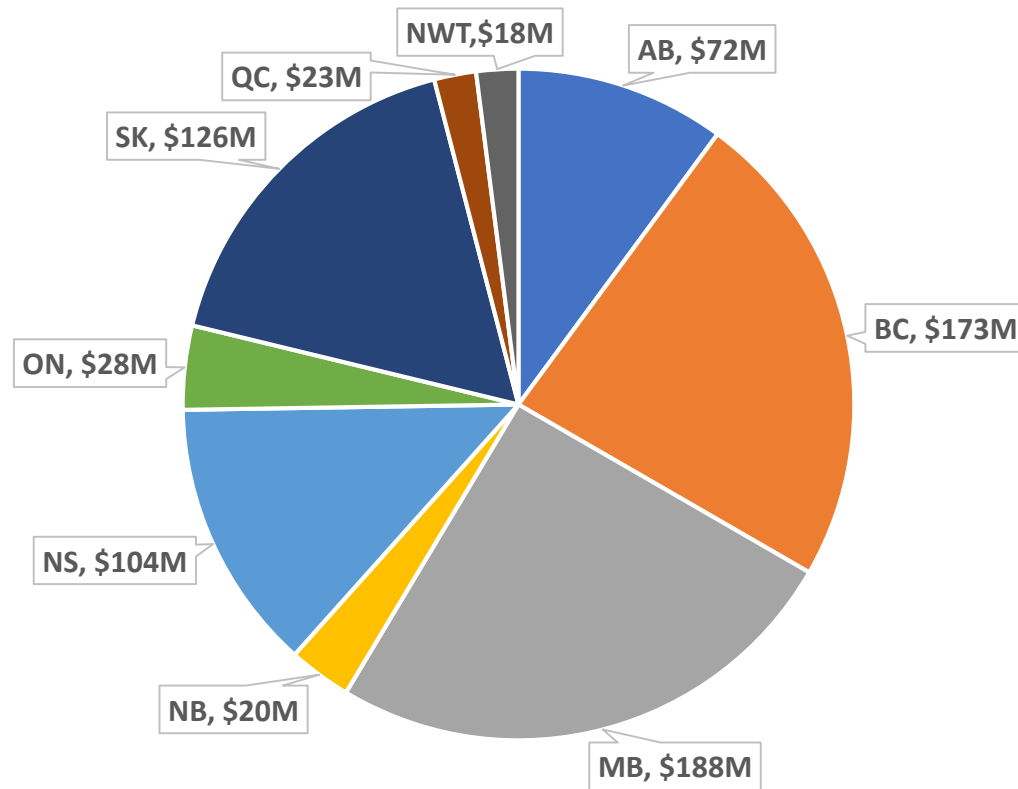
2014 -- \$90 Million outstanding = 13 clients



NS = Nova Scotia; BC = British Columbia

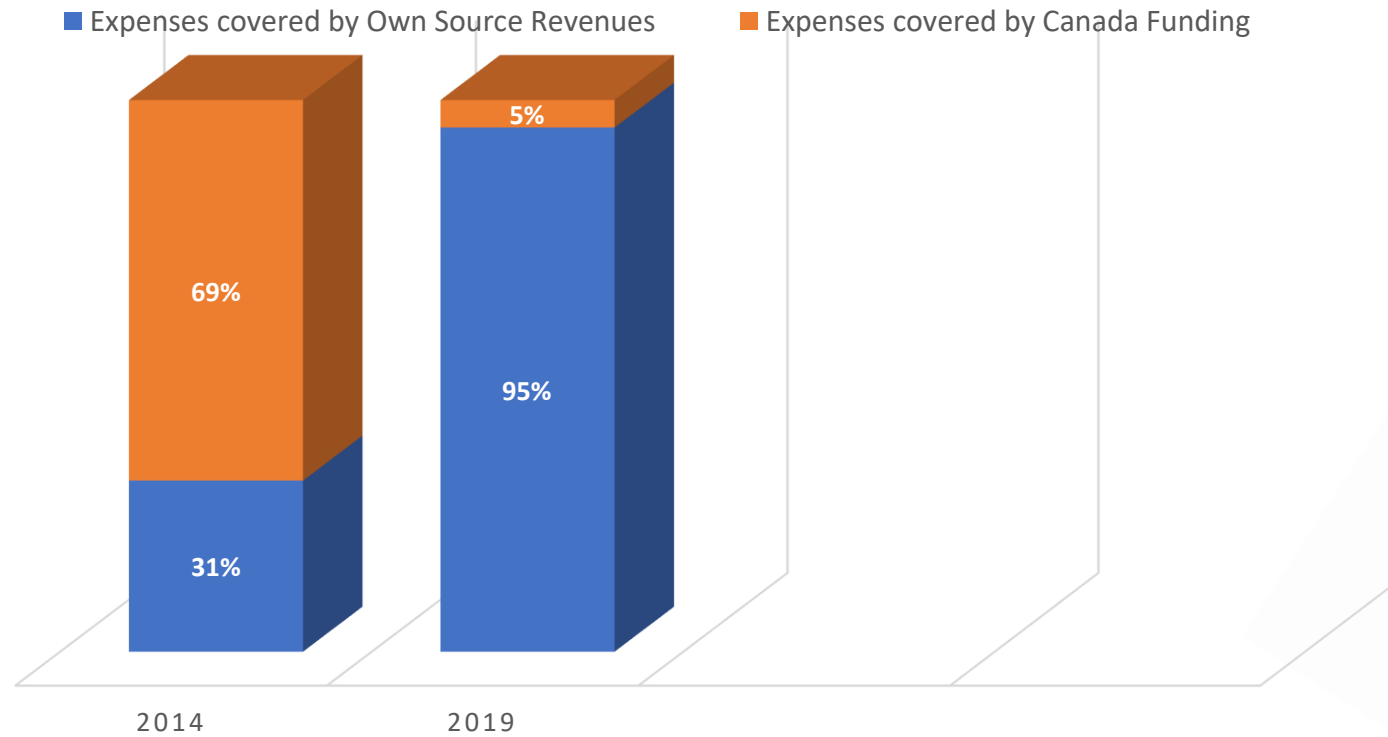
# LOAN DISTRIBUTION BY PROVINCE

2019 -- \$752 Million outstanding = 59 clients



AB = Alberta  
BC = British Columbia  
MB = Manitoba  
NB = New Brunswick  
NS = Nova Scotia  
ON = Ontario  
QC = Quebec  
SK = Saskatchewan  
NWT = Northwest Territories

# SELF SUFFICIENCY PROGRESS



**NOTE:** FNFA loans started in June 2012 through its Interim Loan Program. First debenture was in June 2014.

# UPDATE



## REVENUE INTERCEPTION:

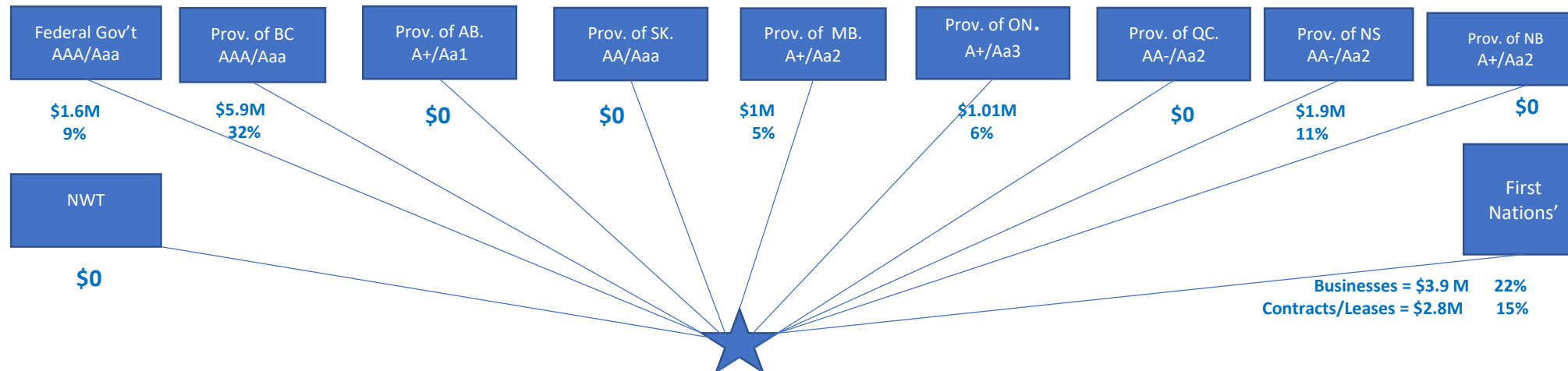
(revenue interception is mandated under adapted section 17(E) of the Financing Secured by Other Revenue Regulation)

Heavy Federal/Provincial focus

Mandatory debt coverage ratios

# INTERCEPTED REVENUES SUPPORTING FNFA LOANS

2014



Aggregate \$18.2M Intercepted vs. Interest Liability of \$5.22 M

*Computershare acts as trustee*

SECURED REVENUES TRUST  
ACCOUNT (SRTA)

*FIRST CLAIM*

FNFA

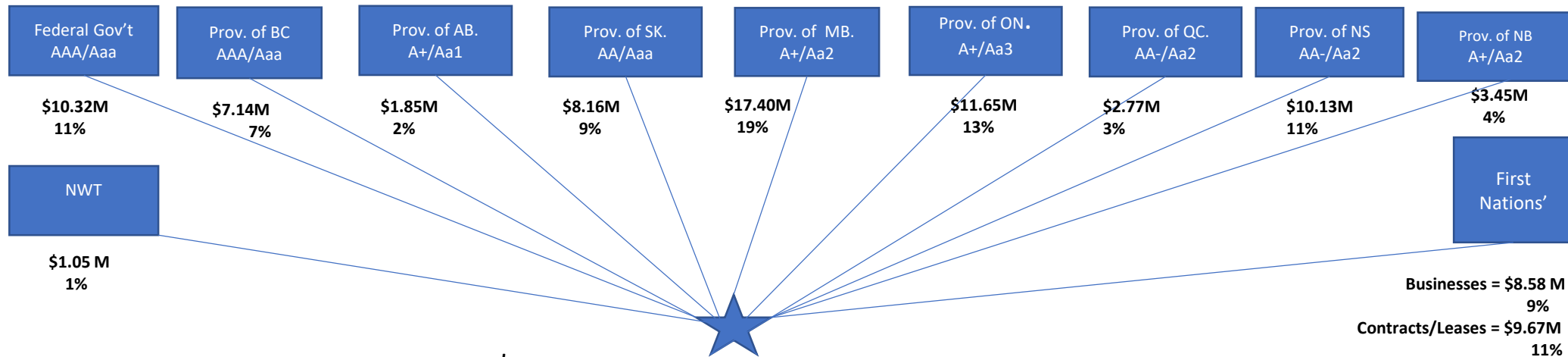
BOND  
HOLDERS

*AFTER BONDHOLDERS PAID*

FNFA'S  
BORROWING  
MEMBERS

# INTERCEPTED REVENUES SUPPORTING FNFA LOANS

2019



Aggregate \$92.42M Intercepted vs. Interest Liability of \$24.20 M

*Computershare acts as trustee*

SECURED REVENUES TRUST  
ACCOUNT (SRTA)

FIRST CLAIM

FNFA

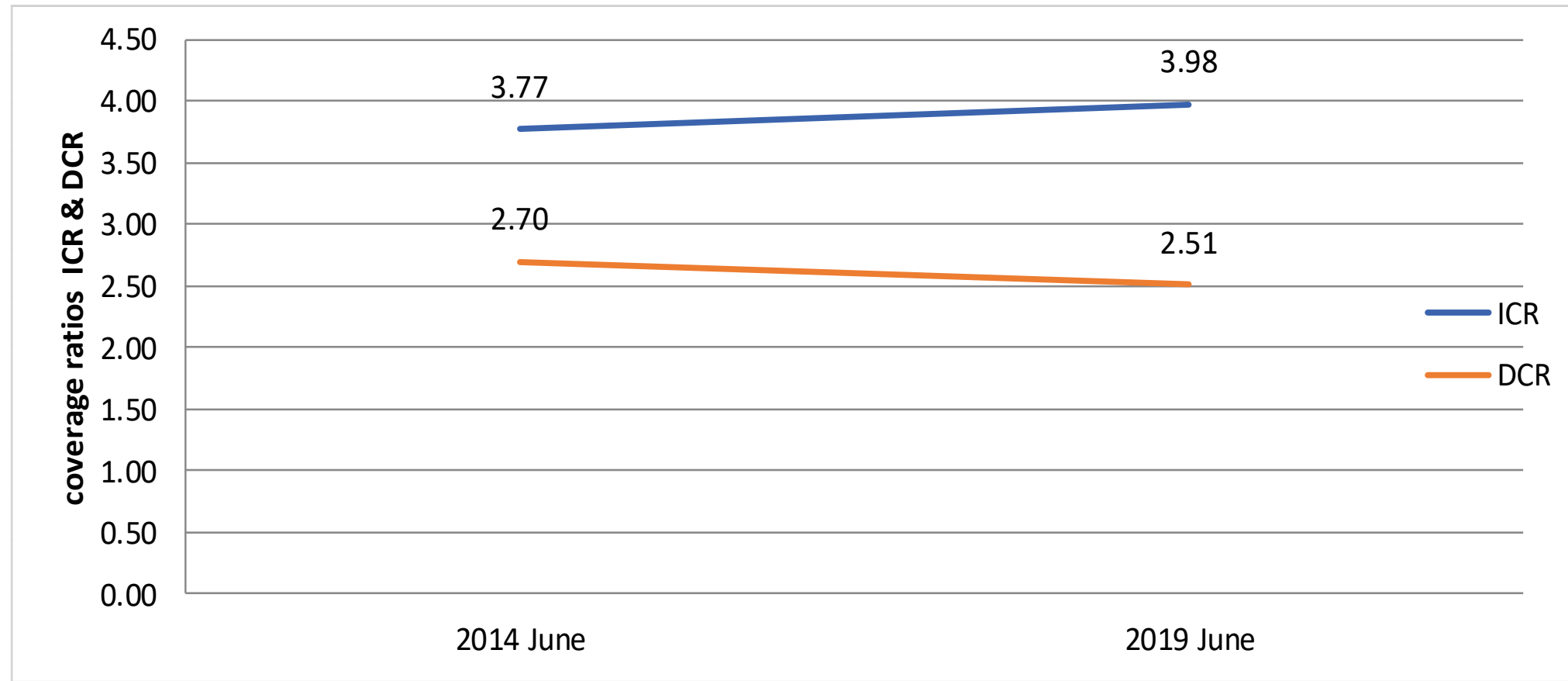
BOND  
HOLDERS

AFTER BONDHOLDERS PAID

FNFA'S  
BORROWING  
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# COVERAGE RATIOS – DCR & ICR TREND LINES

FNFA intercepts from the Payor (78% are from Fed/Prov.) the full revenue streams supporting FNFA loans to its members.



# FNFA CLIENT PROJECTS



- ☪ \$752 million in loans to 59 First Nations since 2014
- ☪ 6 First Nation owned “Green Energy” projects
- ☪ Over 2260 acres of land purchased
- ☪ 77 new houses built, 30 remediated
- ☪ On-reserve schools, wellness centres, recreation centre, administration buildings, paved roads, building supply centre and 2 grocery stores!

# FNFA SAFEGUARDS FOR BOND INVESTORS

Section 13 (b) of the Securitization of Other Revenues Regulations states “the rights and powers of the Board (FMB) are to be read to include the power to act in place of the council of the First Nation (i) in relation to assets of the First Nation generating the other revenues, and (ii) ... to manage all other revenues of the First Nation”.

- 🌀 *“the rights and powers of the FMB Board extend to all other revenues of the First Nation, including other revenues that have not been used as security for a loan from the First Nations Finance Authority.”*
- 🌀 This includes “current and future other revenues”.



# FNFA - SAFEGUARDS TO BE APPLIED

Should a Member's loan service not be fully paid, then

- FNFA intercepts the revenue stream from the source, so a non-payment from a Member is not likely to develop, but if any loan service is interrupted then the following steps apply: **Annual Debenture Interest Obligation = \$24.20 Million**

FNFA'S CAPITAL BASE:		MILLIONS
Debt Reserve Fund (5% withheld)		\$ 39.74
Credit Enhancement Fund		30.53
Sinking Funds		<u>45.59</u>
	Capital	<b>\$115.86</b>
Less:		
Annual Interest Owing on Debentures #1 to #6		<b>&lt;24.20&gt;</b> Deb. #6 interest rate locked-in
	Net Capital	<b><u>\$91.66</u></b>
Capital accessible under Intervention:		MILLIONS
FNFA Members: Aggregate Operating Surpluses		<b><u>\$229.0</u></b>
	Revenues <u>NOT</u> intercepted	<b><u>\$612.0</u></b>

# FNFA – ANNUALLY MONITORS CLIENTS

## **FNFA Members are quasi Joint & Several:**

- 🌀 All 59 borrowers annually guarantee each others' payments to the bondholders by committing to replenish the Debt Reserve Fund should it be accessed.

## **FNFA trend-lines each Member:**

- 🌀 Trend-lines start from the date of unanimous Board approval of a Member's loan request
- 🌀 Revenue streams pledged
- 🌀 Other potentially leverageable revenue streams
- 🌀 Surplus
- 🌀 Other debt
- 🌀 DCRs and liquidity

## **End result:**

- 🌀 Ensure borrowers are in good standing, or to proactively identify and address any potential risk areas



# FNFA LOAN PORTFOLIO FORECASTS

FNFA expects early Fall issuance in 2020 – possibly a June 1, 2031 Bond.

	<b>\$\$ MILLIONS - <u>March 31</u> each year</b>						
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Jan, 2020</b>	<b>2020</b>	<b>2021</b>
LOAN PORTFOLIO	<u>\$251</u>	<u>\$326</u>	<u>\$487</u>	<u>\$619</u>	<b><u>\$752</u></b>	<u>\$777</u>	<u>\$950</u>
INTEREST LIABILITY (DEBENTURES +INTERIM)	(\$7.77)	(\$12.85)	(\$15.98)	(\$18.70)	<b>(\$24.20)</b>	(\$25.22)	(\$31.12)
LIQUIDITY:							
DRF ASSETS	\$11.55	\$20.96	\$25.06	\$32.6	<b>\$39.74</b>	\$41.3	\$51.02
CEF ASSETS	\$30.00	\$30.00	\$30.00	\$30.50	<b>\$30.53</b>	\$30.53	\$50.00
REVENUE INTERCEPT - ICR	4.38 times	5.29	4.67	4.09	<b>3.98</b>	4.65	4.75
REVENUE INTERCEPT - DCR	2.97 times	3.42	3.50	2.56	<b>2.51</b>	3.03	3.12
SINKING FUND ASSETS	\$3.70	\$10.01	\$19.10	\$34.08	<b>\$45.59</b>	\$49.50	\$68.50