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# Lheidli T'enneh First Nation

## Fiscal Presentation

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# Goals And Approach

## The Goals of the workshop are

- To provide background and information
- To answer questions you have in respect to Fiscal Relations

## Approach

- Presentation and open discussion
- Questions are encouraged

## Outline

- The Fiscal Chapters
- Funds
- Tax Chapter
- How does Treaty help?



# Fiscal Components of the Final Agreement

Guiding principles  
are in the

**Final Agreement**



**Capital Transfer  
Chapter**

**RRS  
Chapter**

**Fiscal Relations  
Chapter**

**Taxation  
Chapter**

*Side Agreements  
Contains details  
Outside of Treaty*

*Fiscal Financing  
Agreement*

*Own Source Revenue  
Agreement*

*Tax Treatment Agmt*

*Property Tax Agmt*

*Other Tax Sharing  
Agreements*

# CT and RRS Chapter Summaries

Chapter	Amount \$2016
Capital Transfer (CT)	\$16 million over 10 years less \$6.3 million in loan repayment
Resource Revenue Sharing (RRS)	\$493,122/year for 50 years (indexed to inflation) NPV \$15.7 million

- The CT transfer is done over 10 years, the RRS is done over 50 years
- Canada will pay 4.54% interest on the CT unpaid balance, the RRS is subject to an annual inflation adjustment
- The CT and RRS are not intended to fund programs or services, separate funding is negotiated for those purposes
- These are discretionary funds that only LTFN can decide how to treat (save, spend, etc.)
- The CT and RRS Financial Management are guided by the rules set out in the Lheidli Constitution



# Fiscal Relations Chapter

- Provides a framework for negotiating the fiscal side agreements
- Sets out a constitutionally protected commitment to negotiate and reach agreement to fund LTFN to provide programs and services
  - The FFA is the negotiated funding agreement that provides money for the Lheidli T'enneh government to deliver agreed upon programs and services
- Through this Chapter and subsequent side agreement (called the Fiscal Financing Agreement (FFA)) LTFN will have ongoing funding to provide programs and services to status Indians residing on TSL and some P&S to those residing off-TSL
- The FFA replaces the current funding arrangements with Canada
- LTFN will continue to provide all programs and services it currently provides
- If a program or service is not in the FFA then LTFN citizens remain eligible to get that program or service from Canada or BC as guaranteed by the Final Agreement



# Current Funding vs FFA

	Latest Funding 2016\$	FFA 2016\$	Increase \$	Increase %
<b>Government and Treaty support</b> Band support, Indian registry	<b>237,758</b>	<b>589,327</b>	351,569	148%
<b>Community Development Officer</b>	<b>0</b>	<b>100,000</b>	100,000	
<b>Social Services</b> Basic needs, TESI, NCB, in home care	<b>209,982</b>	<b>468,014</b>	258,032	123%
<b>Education</b> k-12, PSE	<b>192,542</b>	<b>451,904</b>	259,362	135%
<b>Capital</b> MM&R, O&M	<b>78,161</b>	<b>175,609</b>	97,448	125%
<b>Land &amp; Resource Management</b>	<b>95,000</b>	<b>100,777</b>	5,777	6%
<b>Health</b>	<b>172,746</b>	<b>220,373</b>	47,627	28%
<b>Fish</b>	<b>124,500</b>	<b>239,971</b>	115,471	93%
<b>Total Ongoing Funding</b>	<b>1,110,689</b>	<b>2,345,976</b>	<b>1,235,287</b>	<b>111%</b>



# Points to Remember

- The Fiscal Chapter contains a commitment to negotiate funding to allow LTFN to provide programs and services through the FFA
- This commitment is constitutionally protected
- The FFA will set out the programs that LT will deliver and the funding amounts, programs not included in the FFA will be delivered directly by BC and Canada
- In terms of general programs you are entitled to as Status Indians (e.g., health care); nothing changes
- In terms of funding for programs delivered by your government – all programs continue to be funded but the underlying agreement changes. So, in terms of program you access – nothing changes
- Funding for programs and services through the FFA is more than twice what LTFN received today
- The Capital Transfer or RRS is not intended to be used to fund programs as all P&S are funded by the FFA



# Funds Overview

<b>Funds</b>	<b>\$ 2016</b>
<b>Implementation (ongoing and one-time)</b>	8,961,672
<b>Fish</b>	3,741,970
<b>Fishery Equipment</b>	343,014
<b>Capacity Building and Transition</b>	1,746,253
<b>Economic Development</b>	1,664,286
<b>TOTAL</b>	<b>\$16,417,195</b>

- The Final Agreement also contains a number of Funds directed at certain activities
- These funds are considered to be one-time funds, so Canada/BC do not have a obligation to negotiate and reach agreement on any further funding in these areas.



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# Funds

## **Implementation Fund (ongoing)**

- training
- legal advice including in respect of international legal obligations
- insurance (property, liability, crime, directors and officers)
- human resource management
- maintenance of information systems
- maintenance activities related to planning
- migratory birds management

## **Implementation Fund (time limited)**

- time limited training
- development of information systems
- development of strategic plan; a capital asset management plan; a comprehensive community plan; and an environmental management plan;
- transition activities related to land and environmental management on former reserve lands:

# Funds

## **Fisheries Fund (includes Fishery Equipment)**

- Funds the following ongoing fisheries management programs
  - Conservation and protection of Fish stocks
  - Facilitation of assessment and management of Fish stocks
  - Promotion of LTFN participation in the stewardship of Fish
- purchase or lease of a hydro-acoustic unit or other fisheries stock assessment equipment as agreed to in the Joint Fisheries Committee

## **Capacity Building and Transition Fund**

- Transition to enhanced governance functions as a result of entering into the Lheidli T'enneh Final Agreement
- Capacity building and training to assist Lheidli T'enneh to successfully manage its affairs

## **Economic Development Fund**

- Development of lands and resources to support the social and economic well being of Lheidli T'enneh
- Development of long-term strategies to support economic development and greater participation in the provincial economy
- Training and skill development of Lheidli T'enneh Citizens.



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# Public Works

A commitment for Capital Funding was also negotiated and Canada agreed to provide funding for the construction of:

- Sewage systems – North and South Shelley
- Flood and erosion riverbank protection
- Drinking water improvements north and south Shelly
- South Shelley road
- North Shelley subdivision
- Shelley road IR #2
- Fire Protection
- Residential Sprinklers
- Housing renovations

Value of commitment \$3,000,000 - \$7,000,000

- Continued access to INAC Capital project funding for new capital
- Commitment to add major maintenance and replacement funding for new capital construction to ongoing FFA funding



# Summary

Funding Type	Amount \$2016
Capital Transfer	\$16 million over 10 years (less loans)
Resource Revenue Sharing	\$493,122/year for 50 years (indexed to inflation) NPV \$15.7 million
Ongoing funding for programs and services, and incremental implementation and governance activities: Health Social Development Education Land and resource management Fisheries management Self-Government	\$2.3 million/year
One-time funding to support: Ongoing costs of treaty management and time-limited transition costs of land and resource management. Establishment of a capacity-building and transition fund. Establishment of an economic development fund Establishment of a fisheries fund to support ongoing costs of the general management of the Lheidli T'enneh fishery.	\$16.4 million
Capital Construction Commitment	\$3-7 million



# Taxation Chapter

The Taxation Chapter sets out:

- ❑ The taxation powers of the LTFN government
- ❑ Provisions for agreements outside the treaty about:
  - taxing non-LTFN Citizens and co-ordination with federal and provincial taxes
  - how the LTFN government will be taxed
- ❑ Tax exemptions of the LTFN government (for TSL and capital)
- ❑ Phase-out of the tax exemption for LTFN Status Indians
- Requires two side agreements: the Tax Treatment Agreement (TTA) and the Property Tax co-ordination Agreement, it also allows side agreements to be negotiated to cover Income tax and Transaction taxes
- ❑ The Tax Treatment Agreement sets out how the First Nation will be treated for taxation purposes

# Tax Exemption phase-out

- Currently, status Indians on reserve are exempt from paying taxes (including sales and income taxes) under Section 87 of the *Indian Act*.
- The Final Agreement replaces the Indian Act and phases out the s.87 tax exemption over a 8 and 12 year period depending on the type of tax.
- Once the phase-out period is over LTFN citizens will be subject to tax regardless of where they live. (TSL, other reserves, off reserve)
- The phase out period is 8 years for sales taxes and 12 years for all other taxes
- During the phase-out period the S.87 continues on reserves and former LTFN reserve lands

# Sales Tax

- Sales tax is a tax applied to retail sales of goods and services
- The section 87 exemption has a requirement that needs to be fulfilled in order to take advantage of the exemption:
  - must make purchase or delivery of goods on a reserve

## *Impact on Members:*

- Loss of section 87 on Sales Tax may impact more members than on income tax but to a lesser extent as generally most purchases are made off reserve.

## *Implication for LTFN government revenues:*

- Tax co-ordination agreements would transfer 100% of all federal GST collected from all residents residing on TSL **whether the sale was made on or off TSL**
- Tax co-ordination agreements would transfer 50% of all provincial PST collected from citizens residing on TSL **whether the sale was made on or off TSL**
- A net benefit to the community as revenue received exceeds new expenditures on GST and PST (benefit increases with number of non-status residents)

# Personal Income Tax (2012)

Personal Income tax is tax that individuals pay on income they earn, such as wages, investment income but excludes others such as gifts, inheritances, lottery winnings and capital gains on primary residence.

Total Income	Fed. Tax	Prov. Tax	Refundable Benefits	Net Tax Payable
<b>Single Individual</b>				
10,000	0	0	1,742	-1,742
20,000	1,035	41	752	325
40,000	3,832	1,400	137	5,094
60,000	7,951	2,909	0	10,860
<b>One-Earner Family of Four</b>				
10,000	0	0	12,731	-12,731
20,000	0	0	12,905	-12,905
40,000	1,911	967	7,230	-4,352
60,000	6,030	2,476	4,618	3,888





# Personal Income Tax

## *Impact on Members:*

- For a number of members there will be no impact as they do not qualify for section 87 exemption
- The section 87 exemption has a number of requirements that need to be fulfilled in order to take advantage of the exemption for employment income:
  - over 90% of duties of employment occur on a reserve (employee may live off-reserve)
  - employer and employee reside on reserve (activities may be off-reserve)
  - >50% of duties occur on reserve and either employer or employee reside on reserve
  - the employer is an Indian band or agency on reserve and the duties are non commercial.

## *Implication for LTFN government revenues:*

- Canada will transfer all the income tax revenue from all on TSL residents to the LTFN government
- BC will transfer 50% of all income tax collected from LTFN citizens to the LTFN government



# Property Tax

- The assessment and taxation of real estate in British Columbia has existed since before 1860
- Property tax is a tax levied by the government upon property owners on the value of property (building and land) they own
- Property assessment and taxation in British Columbia is a two-step process involving BC Assessment and the various tax authorities
  - BC Assessment determines the classification, value and exemption status of property
  - Government will then apply their tax rates to assessments
    - $\text{Property tax} = \text{value of property} * \text{tax rate}$
- Property tax revenues in municipalities are used to provide local services such as: transportation, health services, recreational facilities, police and fire protection, water, sewer systems and garbage disposal

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# Property Tax

## *Impact on members*

- When system is mature, all residents on TSL pay property tax, this could impose a sudden hardship on low income homeowners
- Possible solutions:
  - put restrictive covenants on land transfers to reduce value of homes
  - reduce the general tax rate
  - offer a grant program that rebates a portion of the tax to certain classes of tax payers e.g., elders, low income households, etc.
  - reduce or waive property taxes for low income tax payers
  - Redesign the HOG: increase the grant or use lower minimum taxes
- Other options exist for low income renters (Social Housing Classification) as social housing is tax exempt

## *Implication for LTFN government revenues:*

- Property Tax for LTFN is discretionary revenue as the FFA will provide funding for local services

# Summary

- 8 years after effective date, sales tax exemption ends for LTFN citizens
- 12 years after effective date, income tax and property tax exemption ends for LTFN citizens
- LTFN will levy and collect property tax from all residents on TSL
- Numerous options are available and will be explored to minimize the impact of property tax to citizens
- LTFN, separately with Canada and BC will enter into tax sharing agreements whereby Canada and BC will collect income and sales tax and remit all or a portion back to the LTFN government
- The tax revenue received by LTFN is not earmarked for any particular purpose and will form part of the Nation's general revenues.

# So – How does Treaty help us?

- So far the discussions have been about Treaty benefits but not why they are important
- Treaty provides the tools to become self sufficient and independent
- Small economies require 5 crucial components to be viable.
  - Governance
  - Land
  - Development opportunities
  - Fiscal and Tax base
  - Human Capacity

Tools	What we mean	Indian Act	Final Agreement
Governance	<ul style="list-style-type: none"> <li>• Law making power</li> <li>• Accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Limited to bylaws</li> <li>• Accountability to Ottawa</li> </ul>	<ul style="list-style-type: none"> <li>• Powers in many areas</li> <li>• accountability to Citizens</li> </ul>
Lands	Having a say over development and activities on lands	<ul style="list-style-type: none"> <li>• Reserves may be managed through FNLMA</li> <li>• Additional land extremely hard to obtain</li> </ul>	<ul style="list-style-type: none"> <li>• Fee simple land</li> <li>• Full law making powers</li> <li>• New land provided and may be acquired later</li> </ul>
Developm't	Opportunity to use the land, create business and jobs	Limited to activities on existing lands with INAC approval	<ul style="list-style-type: none"> <li>• Far more opportunities</li> <li>• no INAC approvals required</li> </ul>
Fiscal and Taxation	<ul style="list-style-type: none"> <li>• Adequate funding for Programs and services</li> <li>• Stable revenue source</li> </ul>	<p>Limited agreements are available on non status residents</p> <ul style="list-style-type: none"> <li>• FNGST</li> <li>• Property</li> </ul>	<p>Comprehensive agreements are available on non status residents</p> <ul style="list-style-type: none"> <li>• GST</li> <li>• Personal Income</li> <li>• Property</li> </ul>
Capacity	<ul style="list-style-type: none"> <li>• Training,</li> <li>• access to expertise</li> <li>• available funding</li> </ul>	<ul style="list-style-type: none"> <li>• Linked to pop base</li> <li>• limited funding from Canada/BC</li> </ul>	<ul style="list-style-type: none"> <li>• More money through FA</li> <li>• Opportunity through development and JV</li> </ul>

FN	Governance	Land	Ec Dev	Fiscal/Tax	Capacity
Squamish	IA <ul style="list-style-type: none"> <li>Organized laws</li> <li>Supported by tax revenues</li> </ul>	Large res. (~2,100 ha) well located FNLMA	Major lease developments in North Vancouver	<ul style="list-style-type: none"> <li>Property tax non Indians</li> </ul>	Large pop base (3,755) <ul style="list-style-type: none"> <li>good location</li> <li>have money for training and expertise</li> </ul>
Westbank	<b>SGA:</b> <ul style="list-style-type: none"> <li>Improved law making power</li> <li>exercise jurisdiction</li> </ul>	Large res. (~2,160ha), well located FNLMA	Large pop base for tax >8000	<ul style="list-style-type: none"> <li>FNST,</li> <li>Property tax</li> <li><b>FNPIT (eligible for)</b></li> </ul>	pop (692) <ul style="list-style-type: none"> <li>have money for training and expertise</li> </ul>
T'sawwassen Pre treaty	IA	Small res. 390 ha	Limited <ul style="list-style-type: none"> <li>no land</li> <li>no powers</li> </ul>	property tax non Indians	Small pop, (235) limited opportunities
T'sawwassen post treaty	Self- government	<ul style="list-style-type: none"> <li>Strategic parcels</li> <li>new land 365 ha</li> </ul>	<b>Numerous new opportunities</b> <ul style="list-style-type: none"> <li>Port</li> <li>Mall</li> <li>Housing</li> </ul>	All residents <ul style="list-style-type: none"> <li>Property tax,</li> <li>Income tax</li> <li>Sales taxes</li> </ul>	<b>New money allows a focus on training and hiring experienced managers</b>
Tla'amin Pre treaty	IA	Large res. (~1,900ha), FNLMA	Limited <ul style="list-style-type: none"> <li>lease lands</li> </ul>	FNST Property tax non Indians	Pop, (600) limited opportunities
Tla'amin Post treaty	Self- government	<ul style="list-style-type: none"> <li>Strategic parcels</li> <li>new land 6,405 ha</li> </ul>	<b>Numerous new opportunities</b> <ul style="list-style-type: none"> <li>Fish</li> <li>Forest</li> <li>Property dev't</li> </ul>	All residents <ul style="list-style-type: none"> <li>Property tax,</li> <li>Income tax</li> <li>Sales taxes</li> </ul>	<b>New money</b> <ul style="list-style-type: none"> <li>Training</li> <li>Ed dev</li> </ul>

# How does Treaty help us?

	Gov.	Land	Ec Dev	Fiscal/Tax	Capacity
Pre treaty	IA	Small res. 675 ha	Limited • some timber	Limited property tax revenue ~\$80K	Small pop: 429 total, 106 on reserve Limited opportunities
Post Treaty	Self- gov't	<ul style="list-style-type: none"> <li>• Strategic parcels</li> <li>• 3,655 ha new Land</li> <li>• 4,330 ha of Lands</li> </ul>	Numerous new opportunities: <ul style="list-style-type: none"> <li>• Forestry &gt;100K m<sup>3</sup> Forest License</li> <li>• Fishery with transfer provisions</li> <li>• Water and Hydro development rights</li> <li>• Property development (residential and commercial)</li> </ul>	<ul style="list-style-type: none"> <li>• Substantial new Funds and revenue streams</li> <li>• Significant increase, in amount of and increased certainty in funding for programs and services</li> <li>• All residents               <ul style="list-style-type: none"> <li>• Property tax</li> <li>• Income tax</li> <li>• Sales taxes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• New money allows a focus on training and hiring experienced managers and building internal capacity</li> <li>• Opportunities and incentives to bring members back to lands</li> </ul>

- Treaty provides the necessary tools to move forwards





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# Further Questions?

If you have any further questions or points that you would like clarified or discussed please send me an email at

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And I will respond to you ASAP

