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Maaqutusiis Hahoulthee Stewardship
Society
Strategic Approach Meeting



Wednesday, October 2, 2013

Own Source Revenue Summary

- What is “Own Source Revenue”
- What is included and excluded in OSR
- How is the OSR offset determined
- Fiscal Transfer Approach
- OSR Planning
- Closing Comments

What is “Own Source Revenue”

- OSR Policy
 - Government of Canada policy related to the revenue earned by a First Nation that over time in a comprehensive governance agreement reduces the amount that is paid by the Government to that First Nation.
- Based loosely on the Federal/Provincial fiscal relationship
- Applies to:
 - Self-government
 - Treaty
 - Education Jurisdiction
- Annual funding agreement with AANDC – they can claw back a proportionate amount of any surplus stated in your audited statements.

What is Included in the OSR Calculation

- Includes all the revenue received into the First Nation from sources other than the government, such as:
 - Interest earned, income and dividends from investments
 - Funding from any outside companies
 - Revenue from any First Nation owned companies & businesses
 - Revenue from Impact Benefit Agreements
 - Any fees, service charges or taxes, received

What is Excluded from the OSR Calculation

- Excludes:
 - Any compensation for loss or damage
 - All Land sales
 - All specific claims
 - All funding transferred from the GOC and the Province
 - Gifts or donations
 - Repayment of the principal of a loan

Fiscal Transfer Approach

- Net Transfer = Negotiated Funding Amount – OSR Offset
- Net Transfer
 - Funding amount transferred to the First Nation
- Negotiated amount
 - Funding amount negotiated and set out in the funding agreement
- OSR Offset
 - Amount of First Nation own source revenue taken into account in determining the transfer. Determined by the provisions in the OSR or funding agreement.

OSR Planning

- Similar to tax planning, First Nation's subject to OSR engage in OSR planning.
- Given that the OSR approach only considers revenue coming into the First Nation government, one strategy is to limit revenues:
 - Profits earned by separate corporate entities are not subject to OSR, but if those profits are sent to the Ahousaht First Nation government (eg. as in dividends) then they are included
 - Strategy is to retain the earnings in the corporations and conduct business through the corporations or make dividend payments directly to citizens
 - Have the corporations undertake some non-program functions of government
 - Move current government run businesses into MHSS.
- Largest AFN revenue sources are fund transfers, mortgage revenues and some sawmill and fishery revenues.

Closing Comments

- Limiting OSR exposure does not mean reducing the revenue that comes into your community and is utilized for your membership.
- Look to build your economic base and limit your OSR exposure through strategic utilization of MHSS structure.
- Develop policies and procedures in MHSS on how funds can be distributed in the community for community purposes.

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