



TSAWWASSEN FIRST NATION
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From: Executive Council, Tsawwassen First Nation

To: TFN Economic Development Corporation
Attn: Board of Directors, TFN

Date: November 24th, 2009

Re: First Letter of Expectations Pursuant to Section 22 of the
Economic Development Act of the Tsawwassen First Nation

Dear Board of Directors,

On April 3rd, 2009, Tsawwassen First Nation enacted a number of laws that set out the scope of its self-governing legislation. One of these laws was the Economic Development Act. This Act established the Economic Development Corporation and set out broad parameters of structure and reporting to Tsawwassen Government. One of those reporting requirements, set out in Section 22, provides that the Shareholder (Tsawwassen First Nation, as usually represented by the Executive Council) can set out in a letter what it expects the Board to accomplish over the course of a term of three years.

The purpose of this Letter of Expectations is to set out some parameters within which Executive Council expects the TFN Economic Development Corporation (the Corporation) to operate. This Letter is meant to provide an indication as to:

- The process Executive Council expects the Board to use when doing business, and;
- The outcomes that Executive Council expects the Board to achieve.

This is the first Letter of Expectations contemplated in section 22 of the Economic Development Act. Unless superseded or amended by another Letter of Expectations, it should be treated as setting out what the Tsawwassen First Nation expects the Corporation to achieve to March 31, 2012. On or before that date, the Executive Council will issue a second letter of Expectations, which will replace this one.

Part One – Mandate, Planning, and Business Activity Expectations

Corporate and Board Mandate

Executive Council expects the Corporation to:

- In a responsible manner, create long-term wealth for the benefit of Tsawwassen First Nation and Tsawwassen Members. This includes the creation of:
 - stable, long-term revenue streams for Tsawwassen Government.
 - development opportunities for Tsawwassen Members who hold Tsawwassen Fee Simple Interests.
 - entrepreneurial opportunities for the Tsawwassen community.
 - long-term employment opportunities for the Tsawwassen community.
 - projects that generate financial returns on investments both land and capital, that on an annualized basis are equal to or higher than market comparables.

Executive Council expects the Board of Directors to:

- Act in the best interests of Tsawwassen First Nation while achieving the corporate mandate set out above.
- Ensure an excellent understanding of local priorities and local issues that are important to Tsawwassen Members and to the broader community of Tsawwassen First Nation, by:
 - Holding periodic meetings with the TFN community to identify local concerns and issues.
 - Ensuring regular written communications from the Board to the TFN community regarding the activities of the Corporation.
 - Giving consideration to the designation of individual Board members as specifically responsible for providing local input.
- Report to Executive Council on TFN member and community engagement as part of the annual reporting process.
- Engage with the Corporation of Delta as appropriate in respect of economic development activities that the Corporation is contemplating.

Planning and Budgeting

Executive Council expects the Corporation to:

- Create a five-year strategic plan for the Corporation.
- In respect of Industrial Lands assigned to the Corporation from time to time, implement the Industrial Lands Master Plan, as approved.
- Assist in the development of a long-term plan for Tsawwassen Lands, to be led by the Tsawwassen Government, in compliance with the Land Use Plan and Tsawwassen Laws, regulations and policies.
- Assist Tsawwassen Government in the development and implementation of a plan to assist Tsawwassen Fee Simple Interest (TFSI) holders in developing TFSI Lands according to their goals and in compliance with the Land Use Plan and Tsawwassen Laws, regulations and policies.
- Prepare annually a budget with financing requirements, and three year financial plan for approval of TFN Executive Council

Business Activities

Executive Council expects the Corporation to:

- In its first three years, create, at a minimum, 2 new revenue streams based on the Industrial Lands.
- Recognizing that the initial focus of development on Tsawwassen Lands will be to develop the Industrial Lands, build revenue streams in a variety of sectors, including industrial, commercial and residential, to create a diverse and stable revenue stream that can withstand negative trends in specific sectors.
- Propose to Executive Council, on a case-by-case basis, optimal business structures to maximize after-tax and after-OSR profits for each individual agreement. It is generally contemplated that these structures will take the form of joint venture partnerships, with TFN as a Limited Partner and the Corporation and developer as General Partners. However, leases, equity shares, and other forms of partnership may also be considered.
- Seek out investments outside Tsawwassen Lands in addition to the development of Tsawwassen Lands, subject to the availability of funds. These investments will seek to maximize revenue to the Corporation and employment opportunities for Tsawwassen Members. Investments outside of TFN Lands should follow these general guidelines:
 - Most investments should be within the Lower Mainland, inside TFN's traditional territory
 - Consideration should be given to investments elsewhere in British Columbia, with special consideration for investment or joint venture opportunities with other First Nation partners.
 - On an exceptional basis as a result of unique opportunities, consider investments elsewhere in Canada or internationally.
- Subject to the establishment of the Joint Venture Investment Fund identified in the 2004 TFN-PMV Memorandum of Agreement, invest in at least one joint venture between the Corporation and the Port of Metro Vancouver under the TFN-PMV Joint Venture Investment Fund.
- Subject to the establishment of the TransCity-TFN Joint Venture, as the Limited Partner, participate in the development of the first phase of the Tsatsu Shores Retirement Community to generate revenue and job and business opportunities for TFN Members.
- For every agreement that involves Tsawwassen Lands, generate land lease rates that on an annualized basis, are equal to or higher than market comparables,

Environmental Approach

Executive Council expects the Corporation to:

- Working with Tsawwassen Government, be a regional leader in environmental design and development and make Tsawwassen First Nation an example of a sustainable First Nations community.
- Develop and implement environmental standards for the development of Tsawwassen Lands that meet or exceed the environmental standards established by Tsawwassen Government.

- Include in the Annual Report, a section outlining how the Corporation has included sustainability principles in its actions and decisions.

Part 2 – Financial Expectations

Own-Source Revenue and Taxation

Executive Council expects the Corporation to:

- Be aware of, and fully consider, the implications of the Own-Source Revenue Agreement (OSRA) when contemplating the structure of revenue streams. The OSRA sets out how business revenue to TFN will be included in a formula that reduces the federal financial transfer to TFN. It needs to be considered in conjunction with corporate tax implications, to provide the best overall return to TFN Government.
- TFN Government may provide further advice to the Corporation through a Policy Directive after considering various options to maximize after OSR and after- tax profits.

Start-up Loans from Tsawwassen Government

Start-up costs for the Corporation will be funded by Tsawwassen Government on the basis of no-interest loans from the Treaty Economic Development fund or other sources. Executive Council expects the Corporation:

- To repay those start-up loans through gross profits flowed through to Tsawwassen Government. Those loans may be considered as expenses for the purpose of calculating OSR and tax outcomes.
- To propose a plan to Tsawwassen Government for the full re-payment of those loans within the first five years of operation of the Economic Development Corporation, unless to pay them later would maximize OSR or tax savings.
- Loan repayments will be considered a contribution to Tsawwassen Government's annual revenue base, for the purpose of determining 'commercial viability' in the *Profits* section.

Profits:

Executive Council expects the Corporation to

- Achieve commercial viability and begin contributing to Tsawwassen Government's annual revenue base by March 31st, 2012. Commercial viability requires that Corporation revenues, excluding Tsawwassen Government contributions, meet or exceed Corporation expenses.
- Distribute all profits to Tsawwassen Government in the initial years, subject to OSR and tax implications. However, when structuring profits, the Corporation must retain some flexibility to retain profits, such that if it becomes more profitable from a tax/OSR perspective, the Corporation may retain earned revenue in its accounts for reinvestment or capitalization.

Risk:

Executive Council expects the Corporation to manage and consider the following types of risk when making business decisions:

- Strategic Risk, meaning the risk that a joint venture or other investment will make inappropriate strategic choices or be unable to successfully implement selected strategies.
- Investment Risk, meaning the risk of loss inherent in achieving its investment objectives, including market, credit, counterparty and liquidity risks.
 - With respect to Investment Risk, the Corporation is expected, when investing any surplus funds, to maintain a balance of risk within its investment portfolio that is commensurate with the Corporation's long-term mandate as a Corporation charged with creating profits for Tsawwassen Government and Tsawwassen Members.
- Legislative and Regulatory Risk, meaning the risk of loss due to non-compliance with applicable law including regulations, rules, and mandatory industry practices.
- Operational Risk, meaning the risk of loss from inadequate or failed internal processes, people or systems, or from external factors.
- Reputation Risk, meaning the risk of loss of reputation, credibility or image due to external or internal factors.
- Tsawwassen Government may provide further direction to the Corporation in this respect, through a Policy Directive outlining what Tsawwassen First Nation considers an acceptable risk level.

Part 3 - Community Benefits and Engagement Expectations

Employment and Entrepreneurship:

Executive Council expects the Corporation to

- Partner or provide assistance to individual TFSI holders, where requested by TFN Government and as appropriate, where the TFSI holder's plan supports the Land Use Plan and the plan for the development of Tsawwassen Lands.
- Have created at least 12 employment-years of employment opportunities where first preference is given to Tsawwassen Members.

Community Approval:

Executive Council expects the Corporation to:

- Be inclusive and pro-active in seeking community input and approval for projects. This expectation must be balanced with the necessity to provide the community with sufficient information for useful discussion, as well as with the necessity for privacy that is normally expected of two prospective partners negotiating a business agreement in a competitive climate. This requirement recognizes that the Tsawwassen community is more likely to approve of a project when they have had sufficient time and information to discuss benefits and costs and to become comfortable with the core concepts of the project.
- Implement, for every major project involving Tsawwassen Lands, a consultation process that involves Tsawwassen Members in a meaningful way.
- To support Tsawwassen Government in seeking community approval on matters falling under Part 7 of the Land Act.

- Tsawwassen Government may provide further direction to the Corporation in this respect, through a Policy Directive respecting consultation with members.

Communication with Executive Council:

Executive Council expects the Corporation to

- On an informal basis, meet, discuss and liaise about business opportunities and their potential benefits and costs to TFN.
- Meet annually with Exec Council and report annually to the Legislature in accordance with the Act and the rules of the Legislature.

Organizational Stability:

- Create strong and supportive working relationships between the Board and staff of the Corporation.
- Integrate with Tsawwassen First Nation by taking active steps to build strong, positive and productive relationships with Tsawwassen Government and the Tsawwassen community.

Regards,



Chief Kim Baird

On Behalf of Tsawwassen First Nation Executive Council