

# INDIAN COUNTRY TODAY

## OPINION

### Lewis: Put your financial house in order

By Daniel N. Lewis

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If one good thing comes out of these challenging economic times I hope every tribe would take some time to conduct a thorough assessment of its financial standing. Imagine if your tribe had conducted that assessment several years ago and then based its financial decisions not on what everyone else was doing, but instead asked themselves: What is in the best financial interest of my tribe? What can we afford? What if these good times don't last? Are we getting a reasonable return on our investment in this project?

Unfortunately, governments and individuals are now awash in debt with no ready plan or significant reserves in place to help mitigate the forthcoming demands from creditors and certain reductions in programs, services and personnel. If your tribe does not understand the true state of its financial health, it may be headed for potentially daunting and long-term problems.

I've observed Indian country long enough to know that tribes are ready and able to quickly unite against political and legal threats to sovereignty. But when tribal sovereignty is threatened internally – gangs, drugs, family violence, political turmoil, etc. – the reaction can range from denial to demanding additional federal assistance. Now, other internal threats are appearing – poor financial organization and lack of financial discipline. The threats are nothing new; they've always been there. The difference is that Indian country is becoming keenly aware that they can no longer ignore these threats or hope that someone else will resolve them. Unless tribes commit themselves to putting their financial houses in order, tribes, individually and collectively, may have to live with the negative financial and social consequences for a long time.

#### Where am I?

Too many tribes simply don't know their true financial condition. That is, taking everything into consideration – not simply the casino's net revenues – and asking where does your tribe stand? What do you owe? What is your debt capacity? How have the financial agreements for various projects – gaming and non-gaming, revenue and non-revenue generating – limited your financial flexibility? Are you prepared for the debt balloon payment coming due? How much money are you receiving from the federal government versus how much are you earning from your tribal enterprises?

Unless you have a comprehensive understanding of where you stand, you'll find it virtually impossible to know the steps you need to take to place your tribe on a path to financial stability.

#### What do I want vs. what do I need?

This is a great question to ask in any economy. Tribal councils always have a ready list of projects to build and initiatives to fund. While some of these projects may produce revenue, governments are primarily focused on providing and enhancing tribal programs and services. Therefore, any governmental list will largely consist of



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non-revenue generating projects. This means that a source of cash flow will need to be identified to build, maintain and repay the loan for those projects.

The wherewithal to develop such projects has been routinely financed by either bank or bond debt. Debt is a method that can turn projects into reality, but if you're in the habit of financing wants versus needs, you may soon find yourself with a significant debt load dependent on the continued success of your tribe's revenue-generating project(s). In turn, this will make your tribe's financial health increasingly dependent on economic circumstances beyond your control – a very dangerous place to be. Thus, rigorous financial analysis in advance is essential to building stronger reservation economies.

### **What can I afford?**

Once you have determined what your tribe actually needs rather than wants, the next step is to evaluate what your tribe can afford. Answering this question is not simply finding out what the monthly, quarterly or annual payment will be, but understanding how past financings affect a tribe's ability to borrow today as well as testing downside scenarios for your project should the current economic climate remain or take a further negative turn. Such is the case for tribes who thought a few years ago that they could refinance their outstanding loan balances at the end of the original term. Now these tribes have discovered that owing to circumstances beyond their control, their financial outlook has changed making future financings more expensive, more restrictive and forcing new tribal initiatives to be tabled and previous initiatives facing possible rescission.

Are you currently left wondering how such a good idea just a few years ago has suddenly placed a financial straitjacket on your tribe? To be sure, tribes are not entirely at fault. A few years ago banks were eager to do business in Indian country. The economic environment was bullish and then matters reversed course. Banks are struggling to deal with bad assets across the board. As a result, banks have tightened credit parameters for even the most credit worthy borrowers. Banks also know the loans they were eager to make in the past are now coming due, and what could have easily been refinanced a few short years ago falls into an entirely different category which will place additional pressure on banks and tribes to find a mutually satisfactory solution.

### **What can I do?**

Protecting tribal financial sovereignty has been overlooked for too long. This is not a job that belongs solely to the tribal treasurer with assistance from an accounting firm and an auditor. These tribal employees and contractors are already overworked and have little time to think strategically or keep up to date with current market trends.

Hiring an experienced financial advisor can be an invaluable resource that can help your tribal council understand its situation, develop a roadmap to regain financial footing, and prepare for future issues, especially if you are facing pending maturities or will soon violate certain terms under existing credit agreements.

A proactive, thoughtful and comprehensive approach is required to put your financial house in order. Use these challenging economic times to learn and improve.

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