
Briefing Note

Mohawk Pentecostal Church

October 2012

Visa Card Funding Distribution Program

Current Situation

Financial Transfer Agreements, (FTA) help to promote local accountability measures in conjunction with Contribution Funding Agreements (CFA's) which dictate requirements of full disclosure for expenditure audits. Failure to report on mandatory components of the audits lead to instant and complete financial shut down of the band's operations. In some communities, the CFA is the only source of income coming into the community and so the issue of accountability and transparency is crucial to band council operations but the need for information must be balanced against costs to track expenditures given the narrow envelope of funding that can be allocated to administrative overhead.

Funding is allocated to families using a bi monthly cheque distributed through the band's council. Typically, cheques are cashed locally and the funds distributed by the head of the family unit. Expenditures of cash are hard to track and increase risks of impulse purchasing and crime in a community.

Opportunity

An opportunity exists for the band councils to deploy VISA debit cards in the place of a single cheque issued to the head of the household. Bi-monthly expenditures are then placed on the card and accessed in the following manner:

- cash can be withdrawn at ATM machines
- purchases can be made at any physical store location
- online or e-commerce becomes possible using internet merchants.

This proposal allows for a card to be issued to the husband and separate cards allocated to the wife and each dependant attending post secondary institutions outside of the reservation. Each card holder will receive an on-line bank account that allows them to make payments, receive funds, remit money and invest funds at their own discretion with complete privacy in a fully secure, bank grade environment.

The following benefits for the band and its constituents can be defined:

- Rebates from card loading and usage fees will form revenue streams for the band council which can, in turn, be re-invested into the community. (See Proposal Section outlined below)
- At the band council's discretion, spending patterns can be aggregated and reported to determine adequacy of funding. In this way the band council can request funding increases from the Federal Government if, for example, the cost of food supplies become proportionally higher than the cost of accommodations, travel or communications.
- Reporting in aggregate format, to respect the privacy laws of Canada, the band can meet increased audit reporting scrutiny without incurring additional costs for monitoring and tracking expenditures.
- Aboriginal women will gain control over the funds allocated to the maintenance of the household and family resulting in greater social accountability
- Opportunities exist to purchase items more cheaply on the internet and have them delivered to the reserve.
- Opportunities exist to arrange purchase rebates by leveraging buying power across the community. By aggregating purchases and acquiring goods directly from wholesalers or distribution companies, products could be acquired more cheaply and purchase rebates can then be used by the band council for discretionary community projects.
- Opportunities will be created for individual small business innovation and commerce through the introduction of the electronic banking service.

Proposal

GDI-XXXXX is requesting that the Chief and band council endorse the distribution of a prepaid VISA card, co-branded with the band's name to each qualifying member of the band. The households will each complete a funding allocation form that determines the monthly funds that are to be received by each card holder. Cards will be purchased by the band from GDI-XXXXX using the following cost structure:

	Retail Price	Commissions	XXXXX Cost
1 to 5,000 Pre-paid Cards	\$20.00	\$ 2.50	\$17.50
5,001 to 10,000 Prepaid Cards	\$20.00	\$ 3.50	\$16.50
10,001 to 15,000 Prepaid Cards	\$20.00	\$4.50	\$15.50
15,001 to 50,000 Prepaid Cards	\$20.00	\$5.50	\$14.50
50,000 and above	\$20.00	\$7.50	\$12.50

Estimated Commissions and Revenue Share

Assumptions	1)	The funding from the Pentacostal Band Council will be the standard Federal Transfer Agreement allocated to a family.							\$ 3,000.00	\$ 5,000.00
	2)	Multiple cards will be issued to members of a single household. The initial estimated distribution will be as follows:							Fathers	775
									Mothers	475
									Children	250
										<u>1,500</u>
	3)	Loading costs shall be :	2%							
		Total Commissions:	0.35%							
					Scroll	Winston	Church			
					0.088%	0.088%	0.18%			
		Total Amounts loaded per month	\$ 3,875,000.00							
		Commission Allocations PER MONTH		\$ 3,391	\$ 3,391	\$ 6,781				

Discussion and Recommendation

The adoption of the XXXXX VISA card program has additional monetary benefits beyond those discussed here. For example:

- Opportunities exist to negotiate bulk purchase rebates or incentive payments from wholesalers and distributors based on the aggregated spending demographics available from the card program.
- Extension of the XXXXX VISA card program to allow pay day loans, VISA card overdraft and credit builder initiatives which are fee driven services offered to the card holder at their discretion. The band council will also be beneficiaries of a percentage of the fees, the magnitude of which could easily triple the proposed annual recoveries detailed above.