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OPINION

Lewis: Remembering the future

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Everywhere you turn – radio, television, Internet or the newspaper – the debate continues about whether we have come through the worst of the recession, or will we enter a double-dip recession? And even if the dreaded double-dip does not occur, there appears to be a growing chorus that the economic recovery will take years rather than months to occur. Recently Paul Volcker, former Federal Reserve governor and current senior advisor to President Obama, said, “People are nervous about the long-term outlook, and they should be.”

David Walker, president and CEO of the non-partisan Peter G. Peterson Foundation and former comptroller general of the United States, succinctly captured the current state of affairs in his July 1 testimony to the National Commission on Fiscal Responsibility and Reform, when he said: “America finds itself in a deeply difficult and increasingly complex fiscal situation. ... our economic recovery has not been as vigorous as we had hoped or needed it to be. Unemployment remains dangerously and stubbornly high, consumer spending is tepid, the housing market remains weak. ... As a nation, we lack confidence in the future of the economy.”

The federal government is not alone. States and local governments are facing their own array of fiscal and economic problems. According to the Center on Budget and Policy Priorities, “The states’ cumulative budget shortfall will likely reach \$140 billion in the coming year, the largest shortfall yet in a string of huge annual gaps that date back to the beginning of the recession. Closing it will have severe effects on services and jobs.”

States will have little choice but to make further decreases in programs and services as well as enact various tax increases – a combination that would further negatively affect consumer spending, including the discretionary income used by patrons of tribal casinos. The fiscal decisions that our nation, the states, and tribal governments will have to make are not going to be easy. Tribal leaders need to confront these issues now by obtaining an unvarnished assessment of their financial standing and the realistic options they have for addressing their own needs, revisit policies and investments that have become a burden on tribal budgets, and then have the courage to chart a new and transparent course and the discipline to follow through.

The economic downturn is already exacerbating the pain felt by some tribes who have been burned by poor investment decisions off-reservation, co-signing loans for other tribes that went bad, and making hasty decisions on various non-gaming and community development projects all of which consumed free cash flow, affected financing capacity and/or tapped into tribal liquidity reserves.

We see the economic and fiscal crisis our country is facing and wonder how these things could have happened. Then the perfect storm hits our boats and we wonder why we are not prepared. Did the good times blind us? Did we really investigate the potential downside scenarios of all the community and economic development projects



we approved? Did we set parameters for what areas we were willing to invest in and what we expected our return on investment to be, and carefully examine the soundness of any analysis?

Here is a quick list of areas to start thinking about as you assess your own tribal situation:

What are the real issues? Is it the general economy? Management under-performance? Governmental interference with management? Over-spending or restrictive terms? Maybe it's a combination of these and other issues.

Take a holistic look at the financial condition of the tribe and enterprise(s). Understand your true financial condition. Are you hoping for another federal stimulus to bail you out? Is the enterprise hoping the tribe will bail them out? Where will you stand if the economy remains flat for several years or dips into another recession? What if appropriations for federal Indian programs remain flat or decrease owing to federal budget deficits?

Develop a communication plan for tribal membership. Be transparent with your membership, otherwise even the best plan can get delayed or diluted because people feel they have not been consulted or kept informed. When presented with the facts, tribal members will understand that the tribe is facing a range of serious sustainability issues that threaten their future. And they see no reason why their elected leaders cannot meet the challenges of both addressing the short-term financial needs while putting the tribe's long-term fiscal house in order.

Hire an independent financial advisor. An experienced financial advisor can provide invaluable assistance by helping the tribe and members understand its current financial situation as well as developing a game plan to meet its short and long-term financial objectives. A financial advisor can either validate or identify red flags contained in plans developed by the tribal council or staff and help you prepare to effectively respond to questions or concerns raised by members or lenders.

Develop a realistic plan of action (and a backup plan) before approaching your lenders. Avoid asking lenders what they think. As helpful as lenders try to be, the advice they offer will always be premised on using their products and services. In addition, if you're seeking to restructure your loan, you only want to approach your lender after you have conducted a thorough and detailed analysis for why your request makes sense – especially since your lender is facing tougher internal lending standards.

For years I have often heard tribal leaders paraphrase the quote that we must plan today with the seventh generation in mind. It's a wonderful and wise saying, but I wonder why that wisdom is not reflected more in the financial decisions that tribal governments are required to make on a regular basis? What will the seventh generation say of the decisions being made today?

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