



# TFA

## Monthly Newsletter

### June 2022

#### IN THE NEWS

**Law Giving Tribes Sports Betting Revenue is Bittersweet**

5/4/22 – [indiancountrytoday.com](https://www.indiancountrytoday.com)

**Commercial Gaming Off to Fastest Start Ever, Q1 Revenue Tops \$14 Billion**

5/11/22 – [prnewswire.com](https://www.prnewswire.com)

**The New Markets Tax Credit Program: An Underutilized Opportunity for Indian Country**

5/13/22 – [hklaw.com](https://www.hklaw.com)

**Minnesota House Votes To Legalize Sports Betting, But Obstacles Remain**

5/13/22 – [startribune.com](https://www.startribune.com)

**Oklahoma Sports Betting Bill Fails**

5/13/22 – [tahlequahdailypress.com](https://www.tahlequahdailypress.com)

**How A Native American Tribe Changed The Gambling Industry by Standing Up to The FBI**

5/20/22 – [azcentral.com](https://www.azcentral.com)

**\$147M in Grants Awarded to Tribal Communities**

5/26/22 – [indiancountrytoday.com](https://www.indiancountrytoday.com)

## Black Swan Events – Preparing for the Unexpected (and what that means right now for Indian Country)

By William Crader, CFA

The black swan theory or theory of black swan events is a metaphor that describes an event that comes as a surprise, has a major effect, and is often inappropriately rationalized after the fact with the benefit of hindsight. In the past three years, we have experienced two “black swan events”, (1) a global pandemic that started in late 2019 and (2) the February 2022 Russian invasion of Ukraine. Unless you were a member of a think tank, an epidemiology expert, or a foreign policy expert, more than likely none of the two above events were front

and center during meetings or Thanksgiving dinner in November 2019. And, yet it appears with increasing regularity these events occur every decade. How can tribal governments and tribal enterprises be better prepared going forward and what should be done today given the current uncertainty created by the prevailing geopolitical environment?

**Risk Planning.** Believe it or not, we know of at least one tribe that held a risk planning session prior to the Pandemic and listed it as a potential event to be pre-

(continued from Page 1)

pared for in the future. As much as it is remarkable that was included in their risk planning, the overarching importance is the actual exercise of a tribe taking a real hard look at what potentially could occur and how to be best prepared for it. It's similar to us in California having a stockpile of goods in the event of an earthquake. Even if your tribe has already conducted a risk planning exercise, now may be the time to reassess that plan and any vulnerabilities to it.

**Cash Reserves (“Cash is King”).** As much as the early onset of the Pandemic immediately called into question the strength of many tribal entities’ balance sheets, the subsequent funding support provided by the Federal government (primarily in the form of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Act funds)

and surge in tribal gaming performance have left many tribes flush with cash. That said, not many have adequate plans on how to spend those funds and, most importantly, how to maintain healthy balance sheets going forward. Here is one example of a potential problem: A Tribe has sufficient ARP funds to build a healthcare center, but has not assessed the ongoing capital needs to maintain the facility on a go forward basis. So, the new resource potentially becomes a drain on future cash flows and negatively impacts cash reserves. A holistic review of all cash resources and future cash inflows is critical to maintaining adequate cash reserves.

**Strong Credit Markets.** As much as the prevailing environment has increased uncertainty, there remains strength and consistency in the debt capital markets

even with pressure on interest rates. Whether a tribe has existing debt or after conducting risk planning and assessing cash reserve needs, now is great time to consider refinancing debt or accessing a credit facility to further enhance a tribal government or enterprise access to liquidity.

In summary, we at TFA would advocate tribes take advantage of this relative calm and reassess risk planning, diversification and growth strategies, revisit tribal liquidity needs and, if necessary, refinance or obtain access to credit facilities to shore up access to liquidity and fund growth initiatives. TFA stands ready to assist tribes with any of these activities.

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