

***BUDGET & FINANCE
COMMITTEE
OF THE
NAVAJO NATION COUNCIL***

***Fiscal Year 2019
SECOND QUARTER REPORT
January 1- March 31, 2019***

***2019 Spring Session
April 15-April 19, 2019***



5 April 2019

Hon. Seth A. Damon, Speaker
The 24th Navajo Nation Council
Window Rock, Navajo Nation

Honorable Members
The 24th Navajo Nation Council
Window Rock, Navajo Nation

Dear Mr. Speaker and Council Delegates:

Attached hereto for your review is the Fiscal Year 2019 Second Quarter Report of significant accomplishments and activities of the Budget and Finance Committee of the Navajo Nation Council during the reporting period from January through March 2019. There were a total of 4 legislations considered by the Committee this quarter.

If there are questions relative to this report, please confer with the members of Budget and Finance Committee.

Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'J' and 'H' followed by a horizontal line.

Jamie Henio, Chairperson
Budget and Finance Committee

**Budget and Finance Committee
Of the 24th Navajo Nation Council
FY 2019 Second Quarter Report
January, February, and March 2019**

General Information

A. Committee Membership:

Jamie Henio, Chairman, representing Ramah, Alamo, Tohajiilee Chapters in the Eastern Agency.

Raymond Smith Jr., Vice Chairman, representing Lupton, Houck, Klagetoh, Wide Ruins, Nahatadzil, Chapters in the Fort Defiance Agency.

Elmer Begay, representing White Cone, Dilkon, Teesto, Indian Wells, and Greasewood Springs Chapters in the Fort Defiance Agency.

Nathaniel Brown, representing the Kayenta, Dennehotso, Chilchinbeto Chapters in the Western Navajo Agency.

Amber K. Crotty, representing Sanostee, Cove, Beclabito, Sheepsprings, Toadlena/Two Grey Hills, Gadiahi/Tookoi, Red Valley Chapters in the Northern Navajo Agency

Jimmy Yellowhair, representing Hard Rock, Forest Lake, Whipporwill, Black Mesa and Pinon Chapters in the Chinle Agency

Contact Person: Jamie Henio, Chairman,
Budget and Finance Committee
P.O. Box 3390
Window Rock, Arizona 86515
(928) 871-6380

B. Budget and Finance Committee Meetings are held in the Budget and Finance Committee Conference Room in Window Rock, Arizona.

Committee Staff: Peggy Nakai, Legislative Advisor peggynakai@navajo-nsn.gov
Office of Legislative Services
(928) 871-7590
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(928) 871-6949

The Fiscal Year 2019 Second Quarter Report is for the reporting period from January 1, 2019 through March 31, 2019. Information contained in this report pertain to the purpose and powers of the Budget and Finance Committee (“Committee”) of the Navajo Nation Council, included are the resolutions enacted and significant activities and accomplishments of the “Committee” during the reporting period.

PURPOSE OF THE BUDGET & FINANCE COMMITTEE

Pursuant to 2 N.N.C. §§ 300 *et seq*, the purpose of the Budget and Finance Committee is:

- A. Budget and Finance Committee is hereby established as a standing committee of the Navajo Nation Council.
- B. The Committee shall consist of six members.
- C. The Committee shall exercise oversight authority including but not limited to budget, finance, investment, bonds, contracting, audits, accounting, taxes, loans, Chapter budget and finance for the following purposes:
 - 1. To Coordinate, oversee and regulate the fiscal, financial, investment and audit polices of the Navajo Nation;
 - 2. To report to the Navajo Nation Council on the fiscal and financial state of the Navajo Nation;
 - 3. To recommend to the Navajo Nation Council the adoption of legislation designed to strengthen the fiscal and financial position of the Navajo Nation to promote the efficient use of the Fiscal and financial resources of the Navajo Nation;
 - 4. To protect the interests of the Navajo people through the prudent management of the financial reserves of the Navajo Nation and the use of funds available for expenditure by the Navajo Nation;
 - 5. To act as an Audit Committee of the Navajo Nation government.

Committee Meeting Schedule

All regular meetings for the Budget and Finance Committee are held on the first and third Tuesday of each month, pursuant to 2 N.N.C. § 302.

INTRODUCTION

This report identifies areas of Committee oversight activities during the Second Quarter of Fiscal Year 2019, which includes the months of January, February and March 2019. During the reporting period, the Budget and Finance Committee approved a number of reports in the area of budget related issues; the Committee considered and recommended approval of **4** legislations this quarter.

In January, the Committee held **0** regular meeting, **1** special meetings; and in February, the Committee held **1** regular meeting; In March the Committee held **2** regular meetings, **5** work sessions and a joint work session with Health, Education and Human Services Committee for a combined total: **3** regular meeting, **1** special meetings, **5** work sessions **1** joint work session for a combined total of **10** days of meetings during the 2nd Quarter of FY2019. Committee members attended **10** meetings this quarter.

SUMMARY OF SIGNIFICANT ACTIVITIES AND ACCOMPLISHMENTS

The following is a summation of key issues brought before the Budget and Finance Committee of the Navajo Nation Council during this reporting period. If additional information is needed, the Budget and Finance Committee journals are available for public review upon request from the Office of Legislative Services, Budget and Finance Committee Legislative staff.

A brief summary of the Issues presented at Committee Meetings during the Second Quarter:

Budget and Finance Committee Appointments

At a Special Session of the 24th Navajo Nation Council held Monday, February 11, 2019 convening at 10:04am, former Budget and Finance Committee Chairman, the Honorable Speaker Seth A. Damon presented Legislation No. 0016-19: An Action Relating to the Navajo Nation Council; Confirming the Speaker's Appointments to the Budget and Finance, Law and Order, Resources and Development and Health, Education, and Human Services Committees of the 24th Navajo Nation Council. The main motion was held by Ricky Nez seconded by Jimmy Yellowhair, with 1 amendment, the legislation was adopted by a vote of 14 in favor 9 opposed.

The following Council Delegates were appointed to the membership of the 24th Navajo Nation Council's Budget and Finance Committee:

Elmer Begay, representing White Cone, Dilkon, Teesto, Indian Wells, and Greasewood Springs Chapters in the Fort Defiance Agency.

Nathaniel Brown, representing the Kayenta, Dennehotso, Chilchimbeto Chapters in the Western Navajo Agency.

Amber K. Crotty, representing Sanostee, Cove, Beclabito, Sheepsprings, Toadlena/Two Grey Hills, Gadiahi/Tookoi, Red Valley Chapters in the Northern Navajo Agency

Jamie Henio, representing Ramah, Alamo, Tohajiilee Chapters in the Eastern Agency.

Raymond Smith Jr., representing Lupton, Houck, Klagetoh, Wide Ruins, Nahatadziil, Chapters in the Fort Defiance Agency.

Jimmy Yellowhair, representing Hard Rock, Forest Lake, Whipporwill, Black Mesa and Pinon Chapters in the Chinle Agency

Selection of the Chairperson and Vice Chairperson

At the regular meeting of February 19, 2019, the **Legislation No. 0028-19**: An Action Relating to the Budget and Finance Committee; Confirming the Budget and Finance Committee's Selection of Chairperson and Vice Chairperson *Sponsored by Seth Damon, Council Delegate* was considered by the Budget and Finance Committee. The main motion was held by Nathaniel Brown seconded by Jimmy Yellowhair with 1 amendment and a vote of 5 in favor 0 opposed. The amendment was selecting Delegate Jamie Henio as the Chairman and Delegate Raymond Smith, Jr. as the Vice Chairman. The legislation was approved.

Appointments made during this quarter:

1. Delegate Jamie Henio as the Chairman of the Budget and Finance Committee automatically became a member of the Investment Committee pursuant to 12 N.N.C. §203(I);
2. By virtue of their designation as the Chairman/Vice Chairman, Delegates Jamie Henio and Raymond Smith, Jr. became members of the Retirement Plan Administration Committee (RPAC);
3. Delegate Jimmy Yellowhair was appointed to serve on the Investment Committee;
4. Delegate Nathaniel Brown as Shareholder Representative to the Navajo Nation Transitional Energy Company, LLC;
5. Delegate Raymond Smith, Jr. as Shareholder Representative to the Dine Development Corporation;
6. Delegate Jamie Henio as Shareholder Representative to the Navajo Times Publishing Company;
7. Delegate Jimmy Yellowhair as Shareholder Representative to the Navajo Community Development Financial Institution;
8. Delegate Elmer P. Begay as Shareholder Representative to the Navajo Oil and Gas Company.

Orientation Work Sessions

The standing committees of the Navajo Nation Council conduct oversight orientation meetings to learn of their role and responsibilities. The Committee held orientation work sessions with those departments/programs under its oversight per 2 N.N.C. §300 *et seq.* :

- March 11, 2019 starting at 8 am the Office of the Controller, KPMG, Investment Committee and the Office of the Tax Commission provided orientation presentations to the Committee.
- March 13, 2019, starting at 8am the Office of the Auditor General provided an orientation presentation.
- March 18, 2019 starting at 8 am the Office of Management & Budget, the Department of Justice Tax and Economic Development Unit, and the Office of Legislative Counsel provided orientation presentations.

- March 19, 2019 starting at 8am the Insurance Services Department, Workman's Compensation, Employee Benefits Plan and Risk Management provided orientation presentations.
- March 21, 2019 The Committee conducted a strategic session to review its priorities to present at the Leadership meeting held at the Twin Arrows Navajo Resort, Leupp, Arizona on March 22, 2019.

Committee Priorities

The Committee met March 13 and March 21 to begin developing priorities to work on during the term as the 24th Council's Budget and Finance Committee. 20 priorities were discussed and a power point presentation was developed which is attached to this report. The presentation lacks more detailed information and is a document in process for finalization. A draft matrix was developed and will be finalized which will include timelines, assigned entities, cost involved in development/implementation of the priority, etc. The Committee will revisit its priorities periodically to determine the status of the priorities.

Joint Work Session with Health, Education, & Human Services Committee (HEHSC)

On Wednesday, March 27, 2019, the Committee met with the HEHSC to review the status of the Navajo Head Start financial status and included information from the DALTC from the Department of Health. The NTUA provided an overview of the status of utilities services to the 2 programs and a handout was given to show outstanding payments due the Enterprise in the total amount of \$40,000.

During the presentation by the Head Start staff a 3 inch binder with copies of outstanding unpaid invoices was presented but the program was directed to provide a detailed summary list to the Committees. The Head Start will continue to meet with the Office of the President related to the 2018 unpaid bills and the close out of FY2018/2019 budgets. Furthermore, the joint committees did not discuss the main reason for the joint work session. The KPMG had sent a letter to the Navajo Nation Council dated September 11, 2018 of an audit finding of questioned costs in the amount of \$581,361, however, in asking the Administration for Children & Families verified the amount was understated by \$210,956.66 for a total amount of \$796,317.66 disallowed costs. The Head Start program must resolve the audit finding working with KPMG.

The proposed amendments to the Gaming Distribution Funds was not discussed although the assigned DOJ attorney sent a written report for discussion by the joint committees.

Summary of Legislations this quarter:

Expenditure Plans; Fund Management Plans

- Legislation No. 0045-19, approving a budget modification to Fleet Management Departments BU# 812003 fund management plan in the amount of \$9,417,139

Committee Training/Travel

The Budget and Finance Committee traveled off-reservation during this reporting period. The following meetings were held off-reservation:

- Navajo Nation Leadership meeting, March 22, 2019, Twin Arrows Navajo Resort, Leupp, Az. (Committee funds were not expended)

Financial Report

The Budget and Finance Committee was appropriated a revised budget of \$121,402 as a total amount for FY2019; \$28,046.04 has been expended at 26.40%; a total remaining balance of **\$89,355.96** as of March 31, 2019.

Attachments:

1. *Form 2*
2. *Legislative Reporter's Report*
3. *BFC Priorities dated March 22, 2019*

PART I. PROGRAM INFORMATION:		Business Unit No.: 101003		Program Name/Title: Budget and Finance Committee							
PART II. PLAN OF OPERATION/RESOLUTION NUMBER/PURPOSE OF PROGRAM:											
2 N.N.C. §300 et seq. authorizes the Budget and Finance Committee to oversee, coordinate all Navajo Nation budget matters; review internal audits											
PART III. PROGRAM PERFORMANCE CRITERIA:		1st QTR		2nd QTR		3rd QTR		4th QTR			
		Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual
1. Goal Statement:											
To report quarterly program data and program performance											
Program Performance Measure:											
Conduct regular, special meetings, budget hearings, work sessions on budget related matters		5	14	5	10	5		5		5	
2. Goal Statement:											
Adopt an annual budget; review, recommend supplemental fund proposals applying budget policy											
Program Performance Measure:											
Implement Budget Instructions Manual; develop budget ceiling for FY2020		2	9	1		2		1			
3. Goal Statement:											
Review program/chapter audits, review/approve corrective action plans/sanctions;											
Program Performance Measure:											
Implement Title 12 Appropriations Act & amendments; review/recommend amendments to Navajo codes.		1	7	2	1	3		1			
4. Goal Statement:											
Recommend/monitor expenditures to minimize fund reversions; ensure match funds exist.											
Program Performance Measure:											
Review external fund requests, expenditures, matching fund requirements		3	2	3		2		2		2	
5. Goal Statement:											
Review for implementation amendments to budgeting process; monitor progress of expenditure plans											
Program Performance Measure:											
Restructuring of the budgeting process; develop/review/monitor expenditure plans.		2	3	2		4		2		2	

PART IV. I HEREBY ACKNOWLEDGE THAT THE ABOVE INFORMATION HAS BEEN THOROUGHLY REVIEWED.

<p>_____ Program Manager's Printed Name Jamie Henio, Chairman, BFC 4/5/19 _____ Program Manager's Signature and Date</p>	<p>_____ Division Director/Branch Chief's Printed Name Seth A. Damon, Speaker 4/6/19 _____ Division Director/Branch Chief's Signature and Date</p>
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2019

2nd Quarter - Quarterly Reports Budget and Finance Committee January - March 2019

DATE	MEETINGS							HEARINGS		RESOLUTIONS				JOURNALS	Location of Meeting
	REGULAR	SPECIAL	SUB COMMITTEE	JOINT MEETING	LEADERSHIP MEETING	BUDGET HEARINGS	PUBLIC HEARINGS	WORK SESSION (ORIENTATION)	Approved (Resolutions)	DISAPPROVED	TABLED	REPORTS (LEGISLATIONS) COMMITTEE REPORTS	Oral Reports, Travels, Budgets, Other Business		
1/3/2019		X													BFC Conference Room - W.R. AZ
2/19/2019	X								1						BFC Conference Room - W.R. AZ
3/5/2019	X														BFC Conference Room - W.R. AZ
3/11/2019								X						2/19/2019	BFC Conference Room - W.R. AZ
3/13/2019								X							BFC Conference Room - W.R. AZ
3/18/2019								X							BFC Conference Room - W.R. AZ
3/19/2019								X							BFC Conference Room - W.R. AZ
3/19/2019	X								2			1		3/5/2019	BFC Conference Room - W.R. AZ
3/20/2019								X							BFC Conference Room - W.R. AZ
3/27/2019 Joint								X HEHSC							Retirement Services Ofc. - W.R. AZ
TOTAL	3	1						6	3		0	1	33	2	NN Council Chambers - W.R. AZ

**BUDGET & FINANCE COMMITTEE
Of the NAVAJO NATION COUNCIL**

2019 – RESOLUTION LISTING

PRESIDED: RAYMOND SMITH, JR.

DATE: February 19, 2019

BFF-01-19 **LEGISLATION NO. 0028-19-:** An Action Relating to the Budget and Finance Committee; Confirming the Budget and Finance Committee's Selection of Chairperson and Vice Chairperson

NATHANIEL BROWN/JIMMY YELLOWHAIR/EPB, NB, AKC, RS, JY/0 - CNV

PRESIDED: RAYMOND SMITH, JR.

DATE: March 19, 2019

BFMA-02-19 **LEGISLATION NO. 0041-19:** An Action Relating to Budget and Finance Committee; Appointing a Budget and Finance Committee Member to the Investment Committee

NATHANIEL BROWN/ELMER P. BEGAY/EPB, NB, AKC, RS, JY/0 - VCNV

BFMA-03-19 **LEGISLATION NO. 0048-19-:** An Action Relating to Budget and Finance Committee; Appointing Delegate Members from the Budget and Finance Committee to the Navajo Nation Transitional Energy Company, LLC as a Member Representative; The Diné Development Corporation as a Shareholder Representative; The Navajo Times Publishing Company as a Shareholder Representative; The Navajo Community Development Financial Institution as a Shareholder Representative; and Navajo Nation Oil and Gas Company as a Shareholder Representative

ELMER P. BEGAY/JIMMY YELLOWHAIR/JH, EPB, NB, JY/ 0 - VCNV

24th Navajo Nation Council

Budget and Finance Committee

FY 2019 – 20 Legislative Priorities

Committee:

Jamie Henio	Eastern Agency	Chair
Raymond Smith Jr.	Ft. Defiance Agency	Vice – Chair
Amber K. Crotty	Northern Agency	
Elmer Begay	Ft. Defiance Agency	
Jimmy Yellowhair	Chinle Agency	
Nathaniel Brown	Western Agency	



Revenue Generating

- Navajo Nation Economist (endowment program, consultant, contractual services)
- Development of small businesses i.e. Restaurants stores, hotels, tour guides
- Toll roads (legal feasibility of roads to be tolled)
- Promotion of Film industry to the Nation
- Promote tourism/ eco-tourism
- Capture tourism dollars by providing Tesla charging stations atm
- Promote “Buy Navajo” Advertise Discover Navajo
- Pursue Industrial Hemp; support Farm Bill 2018; develop regulations



Taxation

- Tax study all ROW agreements
- Cellular Towers
- Determine a budget for the Office of the Tax Commission to appraise Cell towers (200+ on the Navajo Nation)
- Review Uniform Tax Administration (Title 24) for amendment to determine whether to tax NN entities not currently taxed

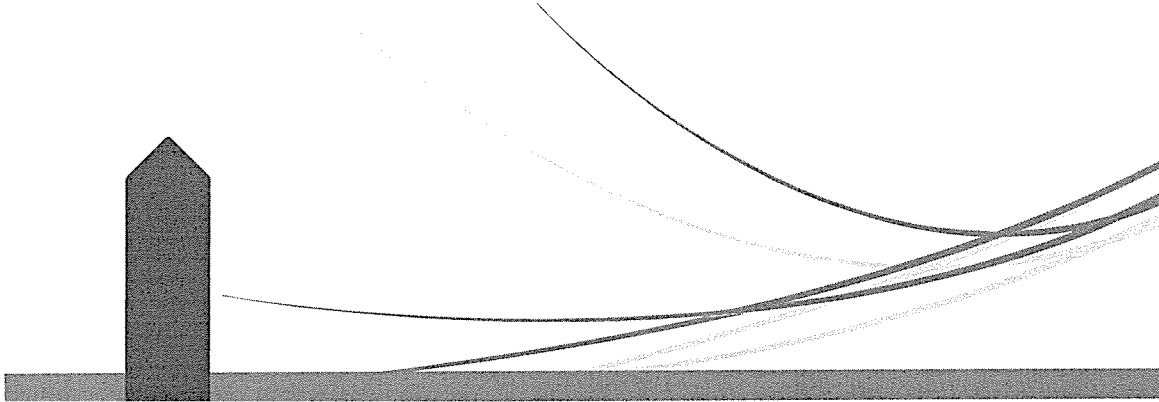


Amend Navajo Nation Codes: Title 12

- Review Title 12 to analyze the 50/50 appropriation formula to determine if this needs to be amended.
- Create a Sihasin Trust Fund (\$45 million) Investment to use interest
- Review and analyze the current Procurement Code (minimize quotations & processes required for more efficient procurement process) Including 164 review process
- Gaming Distribution Fund and possible amendments (include DALICS, Head Start; look at sanctioned chapters)
- Audit sanctions (Office of the Auditor General plan of operation)
- CIP process: analyze the mechanism for funding
- Political Action Committee (political contributions) / Lobbying
- Scholarship funds (including chapter scholarship funds)
- Restatement of the Retirement Plan and Deferred Comp

Amend Navajo Nation Codes: Title 24

- Navajo Tax Statutes: Analyze the current taxation and revenues generated by the Navajo Nation.
- Navajo Enterprises: review history of tax exemption status. Question: is it time to amend this provision to begin taxation?

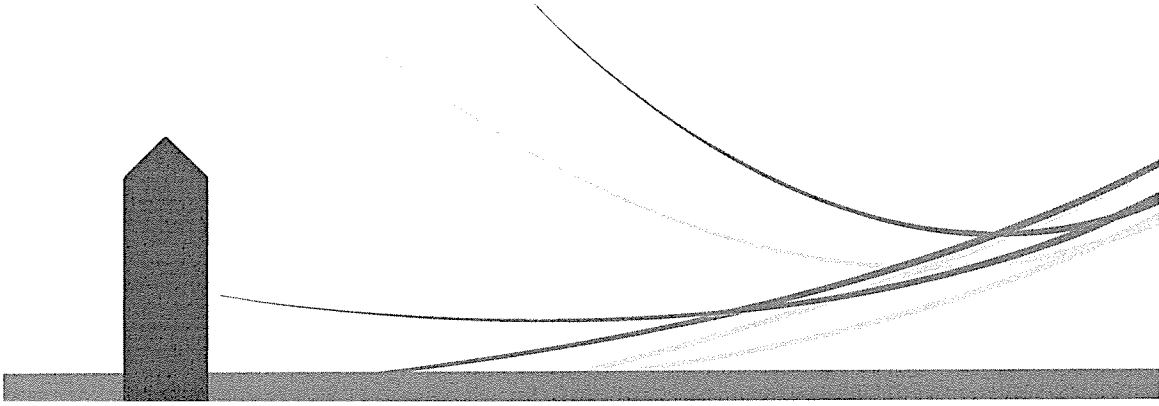


Local Chapter Governments: FISCAL MATTERS

- ▶ Local Governance Act , update the Five Management System to current status.
- ▶ Review the current system of chapter appropriations and make recommendations to amend the process.
- ▶ Review the current chapter line item accounts and policies allowing chapters control over these accounts. Transfer of funds between accounts for needed expenses.

Amend Navajo Nation Codes: Title 5

- Analyze the current the Business Site Leasing Act to determine the “obstacles” and recommend amendments to streamline the Act where Navajo businesses are less impacted.
- impacts revenue generation





Streamline Governmental Processes

- Address Accounts Payable process for payments; hire accountants
- Restructure Department of Personnel Management so each Branch has own human resource department; allow local chapters/programs to recruit/hire personnel;
- Amend the Budget Instructions & Policy Manual (BIPM) to streamline the Office of the Controller's close out process to minimize external/internal funds reversions
- Amend the BIPM by approving the budget policy manual
- Reversion of monies: Federal, State, Counties, Tribe.

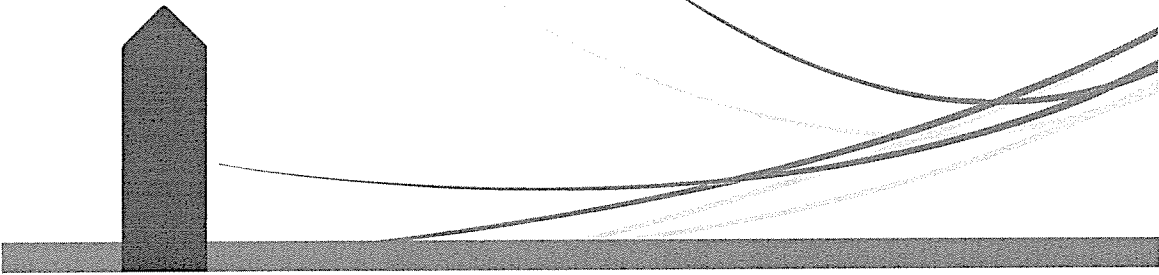


Long Range goal

- Research and analyze the current Navajo Nation's investment portfolio
- Amend the law and policy to allow the Navajo Nation to manage a small percentage of the Investment.
- staff will need certifications, grow own Navajo expertise.
- Funding an endowment program for Navajo Professionals to attain professional certification(s) such as Certified Public Accountant, Certified Financial Analyst, etc.

Conclusion





Contact Information:

Budget & Finance Committee:

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