



THE NAVAJO NATION

RUSSELL BEGAYE PRESIDENT
JONATHAN NEZ VICE-PRESIDENT


Memorandum

Date: January 18, 2018

To: Honorable Russell Begaye, President
Office of the President/Vice President

Honorable Lorenzo Bates, Speaker
Navajo Nation Council

Honorable Thomas Holgate, Acting Chief Justice
Judicial Branch

From: 
Pearline Kirk, Controller
Office of the Controller

Subject: Controller's Report – Winter Session January 2018

I am pleased to present to you the following information related to the 1st Quarter of Fiscal Year 2018.

I. Controller's Highlights for the 1st Quarter for FY-2018:

During the First Quarter of the Fiscal Year 2018, the following events occurred:

- The Fiscal Year 2018 budget was passed by the Navajo Nation Council in September 2017.
- The FY 2017 to 2018 Carryovers have been calculated.
- The Navajo Nation Gaming Enterprise Loan was approved for restructuring.
- The FY 17 Navajo Nation Audit began with the single audit preliminary work in December 2017 and Financial fieldwork will be begin January 22, 2018.

- FY 2019 Planning will begin at the end of January 2018. The Revenue projection request will be sent to the Navajo Nation revenue generating programs for a return target date of March 9, 2018.
- The Sihasin Fund Update. The current un-appropriated balance in the Sihasin Fund is \$351,349,788 as of November 30, 2017. The amounts that have been expensed and reserved, are the following:
 - Resolution CJY-12-16 Water/Waste Water Projects. This will be entering into its third year of projects. The total dollar amount to be spent over 5 years will total \$180,175,924. The third year includes a Water Management Branch total of \$2,000,000, an NTUA portion of \$20,525,972 and SDS Projects of \$15,000,000 for a total of \$37,525,972 of funding in FY 2018.
 - CJY-39-16 Gaming C-Store. The total amount of \$10 million was approved for the C-Store at the Twin Arrows site. Of the total, \$2.5 million will be in direct funding for planning, development and construction of infrastructure necessary to support Twin Arrows Travel Center and ancillary developments. An amount of \$3.5 million will be in direct funding to the Navajo Nation Gaming Enterprise for the planning, development and construction of the Twin Arrows Travel Center facilities. An amount of \$4 million dollars will be in loan funding from the Sihasin Fund to the Navajo Nation Gaming Enterprise for planning, development and construction of the Twin Arrows Travel Center facilities. The required draft agreements are currently being drawn up between the OOC, DOJ, and NNGE.
 - CO-57-16 USDA Pasture, Rangeland. An amount of \$10,180,481 is still reserved from the original balance of \$19,835,612 to guarantee annual Crop year insurance premiums for 6,984,343 acres, which shall only be draw-down from the Sihasin Fund if the PRF Insurance Program indemnity is insufficient to cover the insurance premium. As of 10/01/2017 the program indemnity to date was insufficient therefore a payment of \$9,655,131 was made for the 2017 premium. The remaining amount of the reserve is \$10,180,481 for 2018 program indemnity. Final 2017 program indemnity will not be known until February 2018.
 - CN-57-16 CDFI Economic Development. CDFI received their first draw of \$10 million in the Second Quarter of Fiscal Year 2017. The second draw of \$10 million has yet to be released due to certain conditions that need to be met with the first \$10 million. The anticipated release will be in the first quarter of FY 2018. These are all in the form of grants.

- The Permanent Fund update. The Fund will be entering into its 3rd year of projects in the five year plan. Funding for the projects will be coming from the FY 2017 derived income. The projects which total \$30,500,000 will begin to be set up in the FMIS and will begin their phases soon. The projects are as follows:
 - Water/Waste Water Projects. This will be entering into its third year of projects. The total dollar amount to be spent over 5 years will total \$68,250,000. The third year includes a Water Management Branch total of \$15,750,000.
 - NNGE Shiprock Hotel-Restaurant- An amount of \$2,800,000 will be funding this project in the third year.
 - Eastern Agency Economic Development Projects- an amount of \$6,950,000 will fund this project.
 - Shonto Retail & Hotel- the amount approved for this project is \$5,000,000,
 - Any excess remaining from the derived income will be utilized by the Navajo Nation General Fund

- The Permanent Fund Contingency Fund. In October 2016, CO-54-16 was passed which set up the Permanent Fund 5-year Contingency Fund. This fund was to maintain a reserve of dollars from the portion of excess amount from the Permanent Fund 5-year plan to General Fund for future use. There is an initial deposit of \$2,885,000 within this fund authorized by this resolution. This amount is being utilized in the General Fund for FY 2018. The Fund Management Plan was passed in early October 2017 by the Budget and Finance Committee. As of December 31, 2017 there is a remaining amount of \$23,724 in this fund for future use.

Controller's Office Financial Information for the 1st Quarter of FY-2018:

1) The Accounts Payable section has run 21,198 checks with a total dollar amount of \$107,060,074 paid out in the First Quarter of Fiscal Year 2018.

	<u>Number of Checks</u>	<u>Amount</u>
Oct-17	7,693	\$ 68,098,635
Nov-17	6,662	\$ 16,782,685
Dec-17	6,843	\$ 22,178,753
Total:	21,198	\$ 107,060,074

2) **The Payroll section** has run 4,336 checks and processed 29,658 direct deposits with a gross wages amount of \$42,374,630 paid out in the First Quarter of Fiscal Year 2018. Payroll continues to move away from costly payroll checks and move to direct deposits and payroll paycard.

	<u>Direct Deposits</u>	<u>Checks</u>	<u>Gross Payment</u>
Oct-17	9,695	1,433	\$ 14,187,088
Nov-17	9,936	1,442	\$ 14,005,057
Dec-17	10,027	1,461	\$ 14,182,485
Total:	29,658	4,336	\$ 42,374,630

3) The General Fund Financial data is as follows:

The gross General Fund Revenues (see **Exhibit "A"**) as of December 31, 2017 is \$80,757,320, and the total set asides total \$29,736,318. The Net Revenue for the General Fund is \$51,021,002, which is 34.28% of the projection. The average price of barrel of oil for the quarter has been \$56.28, the lowest month being in October 2017 with a price per barrel of \$52.33. (See below) This schedule shows the monthly revenue deposited into the Navajo Nation General Fund Revenues for the oil. An amount of \$4,589,584 has been received in oil and gas revenues for the First Quarter of the Fiscal Year.

Oil and Gas Revenue		
	*Average Price of barrel of oil	Monthly NN Revenue
October 2017	52.33	\$2,093,091
November 2017	56.21	2,367,756
December 2017	60.31	128,736
	56.28	\$4,589,584

*Source: Bloomberg.com

The other significant revenue source is the Tax Revenues for the General Fund. The following is a schedule compiling the collections by month of the Tax Revenues. Total collections for the First Quarter were \$25,363,144.

Tax Revenue

	Monthly NN Revenue
October 2017	\$5,431,248
November 2017	18,078,237
December 2017	1,853,659
	<hr/>
	\$25,363,144

The total expenditures by branch are shown on **Exhibit "B"**.

- The Legislative Branch has expenditures of \$3,563,004, encumbrances of \$862,596 with a remaining budget of \$12,415,236.
- The Executive Branch expenditures are \$49,053,703; encumbrances are \$6,744,977 with a remaining budget of \$115,151,257.
- The Judicial Branch expenditures are \$2,914,355 with zero encumbrances and remaining budget of \$10,559,525.
- Total General Fund expenditures are \$55,531,062; total encumbrances are \$7,607,573 with an overall remaining budget of \$138,126,018.

The updated UUFB as of January 18, 2018 is \$27,348,660 (see **Exhibit "C"**). There have been two supplemental appropriations during Fiscal Year 2018 in the total amount of \$3,909,557.

4) Contract and Grant Information:

Attached is a summary of the Active Federal Funds by Division (See **Exhibit "D"**). Unaudited Summary totals for the active federal report shows the revised budget to be \$581,862,938, actual expenses of \$250,403,600, encumbrances of \$16,866,636 and a remaining budget of \$314,592,701 as of December 31, 2017.

Exhibit "E" shows the Active State Funds Report by Division. Unaudited Summary totals for the active State report show the revised budget to be \$50,195,297, actual expenditures of \$20,617,484, encumbrances of \$6,761,461 and a remaining budget of \$22,816,352 as of December 31, 2017.

Exhibit "F" is the BIA-IHS Fund Report. Summary totals for the Active BIA-IHS report show the revised budget to be \$579,327,135, actual expenditures of \$380,548,676, encumbrances of \$17,304,048 and a remaining budget of \$181,474,411 as of December 31, 2017.

5) Investment Information:

Total investments of the Master Trust for the Navajo Nation totaled \$3,108,923,985 at the end of November 30, 2017 (see Exhibit "G"). The average rate of return for the entire portfolio for the 2 months ending November 30, 2017 is 1.02%. This is only two months of data for the First quarter. The entire first quarter data will not be available until after the 3rd week of January 2018.

During the fiscal year, there has been one interest rate hike that the Federal Reserve has approved.

	From	To
December 13, 2017	1.25%	1.50%

These interest rate hikes help the dollars that are invested in short term securities at Wells Fargo.

If you should have any questions, you can contact me at Tribal extension X6308.