



23RD NAVAJO NATION COUNCIL OFFICE OF THE SPEAKER

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Resources and Development Committee receives update report regarding Navajo Nation Gaming Enterprise

LEUPP, Ariz. – The Resources and Development Committee met on Tuesday and received an update report from the Navajo Nation Gaming Enterprise that included financial highlights, an update on the status of a loan modification, and ongoing projects and initiatives.

According to the report provided by the NNGE chief executive officer Brian Parrish, the financial operating results of their consolidated income statement for 2013 to 2016 indicated a steady increase in total revenues, EBITDA, and net income, with a profit margin that has grown to approximately 33-percent for 2016.

Parrish said the NNGE is fully self-funded by the Navajo Nation without assistance from capital markets, adding that very few tribes are able to build a \$325 million enterprise during a “hard” economic recession and that gaming revenues continue to gradually increase.

RDC member Council Delegate Leonard Pete (Chinle) said although the enterprise’s numbers are increasing, he had concerns regarding the interest rate of the 2012 Loan Agreement, which the enterprise is currently repaying to the Navajo Nation, which was used to establish the enterprise.

“Increasing the interest rate on the enterprise would be good for the Nation, but bad for the NNGE? Even to move toward other ventures and get into something else, you will be confined to a certain extent, as to what you can do because you are at the mercy of the interest. What can be done to change that for a positive outcome?” asked Delegate Pete.

In response to Delegate Pete’s inquiry, Parrish stated that the NNGE is still waiting for the approved lower interest rate of approximately 5.9-percent to be implemented for the amended loan agreement, which was approved by the Budget and Finance Committee in June 2016. The current interest rate is 9-percent, and could potentially increase to 13-percent in Jan. 2018.

Parrish added that the lower interest rate would allow additional capital that would allow the NNGE to expand and develop other gaming ventures, as well as maintaining existing gaming facilities to the highest standards possible.

In July 2016, the Navajo Nation Attorney General Ethel Branch issued an opinion stating that the amended loan agreement was legally insufficient because the Navajo Nation Council's Standing Committees did not follow the "Prudent Man Rule," that the Attorney General must maintain the position to earn the highest interest rates as possible, and that the NNGE is a "risky investment."

RDC vice chair Council Delegate Benjamin Bennett (Crystal, Fort Defiance, Red Lake, Sawmill) said that the Attorney General's opinion should be discussed more thoroughly to ensure the lower interest rate is implemented as soon as possible.

"The opinion by the Attorney General should be revisited. The opinion is just an opinion, but it is not the final decision. We are all under the Navajo Nation and we need to seek ways to ensure we are supporting one another so the revenues can get back to our people for direct services," said Delegate Bennett.

He added that the lower interest rate would allow additional cash flow for the NNGE to begin expanding gaming, but it would also aid in funding projects for economic development in chapter areas, increase employment on the Nation, improve educational needs, and provide additional elder services and youth programs.

Additionally, the NNGE is currently constructing a police and fire substation that is scheduled for completion in Oct. 2017, the Twin Arrows Travel Center is still awaiting the release of funds that were approved through the Síhasin Fund policy to begin construction, and the NNGE is currently working with the Shiprock Chapter to begin developing a hotel in Shiprock, said Parrish.

RDC members voted 4-0 to accept the report.

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