

**EXECUTIVE & FINANCE COMMITTEE
LEGISLATIVE CONFERENCE ROOM
January 25, 2007
3:05 P.M.**

STANDING COMMITTEE: Executive & Finance

COMMITTEE PRESIDED BY: Linda O'Leary, Chair

COMMITTEE MEMBERS PRESENT:

Linda O'Leary	Bill John Baker	Buel Anglen
Jack D. Baker	Joe Crittenden	Meredith Frailey
Don Garvin	Chuck Hoskin	Bill Johnson
Taylor Keen	John F. Keener	Jackie Bob Martin
Melvina Shotpouch	David Thornton, Sr.	Cara Cowan Watts

COMMITTEE MEMBERS ABSENT:

Phyllis Yargee

STAFF PRESENT:

Debra Wilson	Tom Elkins	Melanie Knight
Tamsye Leake	Doug Evans	Michael Lynn
Nason Morton		

VISITORS:

Callie Catcher	Dennis McLemore	Carey Tilley
Brian Collins	Todd Hembree	Gina Olaya
Susan Ruckman	David Stewart	Shaun Slayton

QUORUM ESTABLISHED: Yes

LEGISLATION: Yes

MINUTES: See Attached

**EXECUTIVE & FINANCE COMMITTEE
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January 25, 2007

3:05 P.M.

CALL TO ORDER:

Chair Linda O'Leary called the meeting to order at 3:05 p.m. Councilman Keen gave the invocation. Roll was called and a quorum was established.

APPROVAL OF MINUTES:

Councilman Bill John Baker moved for the approval of the minutes of the December 11th regular session, December 14th regular session and the January 4th special session in Toto. Councilman Garvin seconded the motion. Motion carried.

Councilman Thornton stated he was notified by the Bush family last week they are requesting assistance to pay for Sam Ed Bush funeral expenses and if the Council can think of any way to help the Bush family he would appreciate it. He stated Mr. Bush served on this Council from 1975 to 1999 and he feels he deserves some type of recognition.

Todd Hembree recommended the committee allow him to get with Doug Evans and any other financial people from Cherokee Nation to see what resources would be available in order to try to make this happen.

REPORTS:

Financial Report/Secretary-Treasurer Report: Tamsye Leake reported a \$628,000 increase in the cash investments, restricted cash and cash equivalence from last year. They are still in the process of audit and getting the assets into the system. They are hoping to have the system reopened for the final journal entries this week and they still have the date of February 28th, 2007 as the final CAFR date.

Cherokee Nation Enterprise: David Stewart thanked the Council for the special meeting held to present the projects they have because the Council's support is critical to their success. December was an exceptional month representing the best financial results they have ever had. Their cash position remains strong as they go into the projects and all projects are underway. They are having some challenges with Roland but they are working through those. They are in the final stages of Catoosa and West Siloam was kicked up several months ago and they are working to complete all the projects. Cherokee employment remains strong and fairly consistent as it has been over the past several months. They will have a difficult month this month due to the ice storm where they had two weeks the casinos were essentially closed without a lot of attendance.

Councilman Bill John Baker moved to amend the agenda to make an item #2 under new business, the Resolution to allow increasing the line of credit to \$50 million. Councilman Jack D. Baker seconded the motion. Motion carried.

Council member Shotpouch asked if CNE is getting electricity across the line out of Arkansas. David Stewart stated they are currently in the midst of negotiations with all three

providers. Council member Shotpouch asked Mr. Stewart if he would be interested in attending a town meeting with the City of Siloam to discuss some of the concerns they have. Mr. Stewart stated he would be happy to do that.

Councilman Anglen asked if there has been any movement from the Real Estate Department on the property at Ramona. David Stewart stated they have the offer back from the owner and they are taking that to the board meeting on Tuesday. They will go ahead and get the agreement started and then go through the Bureau process as soon as it is signed. There is no actual movement yet but there will be.

Councilman Hoskin asked who the agreement is with for water and sewer at West Siloam. David Stewart stated the agreement for water is with the City of Siloam and the sewer is with West Siloam. Councilman Hoskin also asked who the three providers are currently under negotiations for power. Shaun Slayton stated GRDA, REC and the City of Siloam. Councilman Hoskin stated he would appreciate being kept informed on this issue.

Cherokee Nation Industries: Dennis McLemore reported for the month of November CNI had a gain of \$67,000 and total sales for the month was \$7.5 million. For a five month period they had a gain of \$926,000 and sales of \$43 million. Cash has been paid down to zero due to paying down the line of credit. Trade receivables were \$13.4 million, inventory was \$10 million and liability/accounts payable was \$9.3 million. The revolving line of credit balance is at \$6.4 million and the debt on the old ADC inventory is \$562,000 dollars. Net worth at the end of November is \$15.9 million. Net worth and some of the loan agreements are all before they do any adjustments from their audit and those adjustments will be made by the close of December.

Councilman Bill John Baker asked what he anticipates the adjustments to be. Dennis McLemore stated they will do some additional reserves on inventory and write off the GEG investment. Councilman Bill Baker asked how much will they write down on GEG. Dennis McLemore stated the total amount of which is currently \$3.3 million for GEG and probably write some of the note off and it will be around \$4.2 million involving the GEG and the CIS. They will also be writing off around \$500,000 dollars of CND inventory.

The next board meeting is scheduled for Monday at 3:00 p.m. in Catoosa in the Cherokee Golf Course Club House. The audit committee meeting is today to do a final draft on the audit and hopefully have the final report out next week.

Councilman Anglen asked if GEG was still running. Dennis McLemore stated they have a line there but there are no current orders. The company itself, of course we own and as far as he knows is still running and is still listed on the stock market but they are not doing much activity at the CNI facility. Brian Collins stated there are no firm orders at this time. They have some forecasted orders that are high confidence and in the next thirty days about thirty units. They have received preliminary orders and they do have the product in stock ready to ship but it won't ship until they have cash in hand. GEG is not really functioning from having a sales force and from his stand point they are not pumping money into it. GEG is being written off for a reason and it was just not a good investment.

Councilman Crittenden asked compared to the stock price that was initially given for it, how is the stock price now. Brian Collins stated the last he looked it was around .03¢ on the stock

market and there was some people dumping some stock and there was also a write down of goodwill from \$15 million to \$4 million and that affected stock price.

Historical Society: Carey Tilley stated their calendar year ended December 31, 2006 and he reported they made significant progress on payoff of the long term debt and they are on pace now to have it paid off by the end of 2007. Terri Rhodes has been hired as the new Development Director and her start date is February 5th, 2007. They have a new exhibit called "Cherokee Pottery, People with One Fire" opening February 1st and it will run through April and there will be an opening reception for it Friday night, February 2nd at 6:00 p.m.

Cherokee Nation Business: Callie Catcher stated October financials were sent to Doug Evans this morning and she doesn't have an account of CNB but she is working to get their consolidated financials up to date through October. She reported sales of \$128,000 and a loss of \$101,000 primarily from Connex, and Cherokee CRC had a \$33,000 profit. The board has been interviewing for a CEO and they are close to making an offer so hopefully within the next thirty days they will see a new CEO in place at CNB. The next board meeting is this Saturday at 10:00 a.m. in Catoosa. Connex continues to struggle and she has two goals and one is to make sure that the Vinita project which is in progress is protected and to recoup as much of their investment as she can. They ceased funding that operation almost a month ago and their partners have continued to loan money into the business to pay the overhead. The way that project worked is the CCA which actually has the contract with Vinita, sub-contracted to Connex for the network billed out. It is her understanding there has not been a contract signed for the daily operations for the network once its billed out and that project is still on track to be complete and up and running by mid February.

COMMUNITY ASSISTANCE:

Doug Evans stated the un-obligated legal fees from last year were added to the balances of each Council member's community assistance funds on this report. There were some of those unspent funds, after checking with Todd Hembree, that were because of the appeal of the District Court rule of Case #39-06. He identified those balances on the report but he did not add them to the balance pending that Supreme Court ruling.

In addition to the report that was sent out to Council members the following requests need to be added to the report.

Grove Technical Group	Councilor Shotpouch	\$500	Student Assistance
Short Baptist Church	Councilor Yargee	\$800	Lawn Mower
Coffeyville Com. College	Councilors J. Baker/Keen	\$250 ea.	Native Gathering
Hulbert FFA	Councilors Conner/Baker	\$800 ea.	Stock Trailer
Short Baptist Church	Councilor Thornton	\$800	Lawn Mower
Locust Grove High School	BBaker/Conner/Keener/Frailey	\$325 ea	

Councilor Bill Baker moved for the approval. Councilor Cowan Watts seconded the motion. Motion carried.

LAW ENFORCEMENT:

Washington Co. Vol. Sheriff's Dept.	Councilor Johnson	\$10,000	Equipment
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Councilor Cowan Watts moved for the approval. Councilor Bill Baker seconded the motion. Motion carried.

OLD BUSINESS:

Cherokee Nation Benefit Analysis. Callie Catcher stated this topic has been on the agenda for a few months. This was discussed last month and Amy Brille from Human Resources gave some information. She got a copy of Doug Evans's analysis which he prepared for the Council where there were some specific questions and she has gathered the information which includes some reports from our Health Administrator. She sent those over to the Council in a memo dated February 2nd, 2007 where she tried to answer the questions. There is a problem in the fringe pool and that has been why the health claims have continued to go up. They have had under recoveries for the last three years. What they are looking at for 2007 is the fringe rate would increase to about 60% if they tried to recover this entire deficit in one year. What she proposed in her memo is the Council authorizes Doug Evans to work with her on a joint project to bring a proposal to the Council to address this issue.

Councilman Bill John Baker moved to direct Doug Evans to work with Callie Catcher to find a solution and bring it back to the Council. Council member Cowan Watts seconded the motion. Motion carried.

An Act Amending LA#2-03; Corporation Law Increasing Dividends from Corporation to the Cherokee Nation. Councilman Bill John Baker stated this Act is taking the dividend from 30% to 60% and earmarking the 30% to give back to CNB when they come up viable products or methods of investing money they filter one last time.

Councilman Bill Baker moved for the approval of this Act. Councilman Thornton seconded the motion. Roll call is as follows:

Buel Anglen	<u>Nay</u>	Bill John Baker	<u>Yea</u>
Jack D. Baker	<u>Nay</u>	Audra Conner	<u>Nay</u>
Joe Crittenden	<u>Yea</u>	Meredith Frailey	<u>Nay</u>
Don Garvin	<u>Nay</u>	Chuck Hoskin	<u>Yea</u>
Bill Johnson	<u>Nay</u>	Taylor Keen	<u>Nay</u>
John F. Keener	<u>Yea</u>	Jackie Bob Martin	<u>Nay</u>
Linda O'Leary	<u>Yea</u>	Melvina Shotpouch	<u>Nay</u>
David Thornton	<u>Yea</u>	Cara Cowan Watts	<u>Nay</u>
Phyllis Yargee	<u>Absent</u>		

The motion for approval failed by a vote of six (6) yeas; ten (10) nays.

NEW BUSINESS:

An Act Amending Legislative Act #26-06 Authorizing the Comprehensive Budget for Fiscal Year 2007 – Mod. 4; and Declaring an Emergency. Council member Cowan Watts moved for the approval of Mod. 4. Councilman Garvin seconded the motion.

Councilman Bill Baker moved for an amendment for \$1.5 million to complete the balance of the employee bonuses. Councilman Keen seconded the motion.

Todd Hembree stated it is his duty to make sure this Council is consistent. When this matter first came up, it was in mod 1 which was vetoed. Administration proposed mod 2 that had all of mod 1 absent the employee raise. It was the decision of this Council not to consider that so those items were pulled back out and only considered mod 1. Here if the Council was to add this in they would be inconsistent with what they have done in the past so he offered a suggestion that no vote be taken on this today. At the next Council meeting there will be an act of unfinished business and the Council will either sustain or override the veto at that point. If the Council overrides the veto this will be done and complete but if the veto is sustained and they don't take a vote today they are still consistent and any Councilor on the floor of the Council meeting can move to amend mod 4 at that time. They still have their vote to add this to mod 4 and which would be done on the floor and the Council would remain legislatively consistent as to what they have done.

Councilman Keen moved to table the amendment. Councilman Bill Baker seconded the motion. Motion carried.

Question called for the motion of approval of mod 4. Motion carried.

A Resolution Authorizing Certain Lending Transactions Involving Cherokee Nation Enterprises, a Cherokee Nation Tribal Limited Liability Company and Authorizing a Limited Waiver of Sovereign Immunity. Councilman Bill John Baker stated this Resolution is to increase the credit line for CNE from the \$28 million to \$50 million.

Councilman Bill Baker moved for the approval of increasing the credit line for CNE from \$28 ml. to \$50 ml.. Councilman Keen seconded the motion. Motion carried with opposition from Councilman Thornton.

Doug Evans stated he would like to make the Council aware that in their packet is not only the legal fees coming into their community assistance this month but also contained in mod 4 is the law enforcement apportionment from motor vehicle tax in each account as well as the roads balances. He sent out separate memos to Council members two weeks ago and if anyone has not received or seen that memo with the new numbers that are coming into these accounts let him know and he will provide another copy.

Callie Catcher stated Council put money aside in the budget for the work that has been done with the ice storm and one of the areas they are still researching to come up with the dollar amount is with people who want to help but they may be paid out of the indirect cost or a federal grant where it doesn't allow them to go out and help during work hours. They have a contingency reserve in the budget so it is her intent to allow those people who can and will help out in the emergency to charge their salary and wages to the contingency reserve so the progress is not held up. This will keep the people rolling and responding.

Council member Frailey stated Mr. Daugherty asked her to tell everyone they have almost 4000 absentee applications in as of today.

ANNOUNCEMENTS:

The next meeting date is tentatively scheduled for February 22nd, 2007 at 3:00 p.m.

ADJOURNMENT:

Councilman Johnson moved for adjournment. Councilman Crittenden seconded the motion. Motion carried.

APPROVAL / DISTRIBUTION:

Minutes submitted by: Gayle Miller, Recording Secretary

Motion to approve minutes made by: Buel Anglen

Minutes attested and concurred by: Ray John Lala

Date: 2-23-07