

**TOBACCO SETTLEMENT AUTHORITY
BOARD OF DIRECTORS
Special Meeting**

Minutes

July 24, 2018

Board Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:05 p.m. on Tuesday, July 24, 2018.

The Special Meeting was held in the Board Room of the Washington State Housing Finance Commission (the “Commission”) located on the 28th floor of 1000 Second Avenue, Seattle, Washington 98104.

Board members Ms. Carla DewBerry and Mr. Tim Kerr were present in the board room. Board members Ms. Marlis Petersen Spawn and Mr. Mike Roberts were present by telephone. Authority staff members present were Mr. Kim Herman, Executive Director; Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Ms. Carol Johnson, Affiliates Manager; and Ms. Rona Monillas, Affiliates Program Assistant.

Finance team members present were Ms. Faith Pettis of Pacifica Law Group; Ms. Debbie Kuykendall and Ms. Christine Ok of U.S. Bank; and Mr. Rusty Fallis, Assistant Attorney General. Joining via teleconference was Mr. Fred Eoff of Public Financial Management Group; Ms. Kym Arnone of Jefferies LLC; Mr. Howard Zucker and Mr. Roger Bagley of Hawkins, Delafield and Wood; and Mr. Mike Leffler, Mr. Michael Jang, and Mr. Timothy Rattigan of Citigroup.

**Approval of the
May 15, 2018
Special Meeting
Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on May 15, 2018. Mr. Kerr made the motion and it was seconded by Mr. Roberts. The minutes were approved unanimously, 4-0.

**Action Item:
Approval of
Annual Budget**

Ms. DewBerry introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2018 thru June 30, 2019. Mr. Cook explained that the budget has more expenses in the next year, up about \$16,000 from the 2018 budget and totaling \$118,000. He added that in April 2018, \$19,000 was drawn from the Tobacco Settlement Revenues (TSR's) to fund general operations and for continuing operating funds for the following year.

Mr. Cook addressed the budget summary for the fiscal year ending 2019 and stated that the budget aims to monitor the transaction and exercise any refunding option that may become available. The budget is a little higher than budgeted last year due to additions in the administrative area. He added that the Authority expects an increase in the 2018 projected actual budget when we close out this fiscal year. This increase is due to refunding activity that was not anticipated when the budget was established.

Ms. DewBerry asked for a motion to accept the budget for the 2018-2019 fiscal year. Mr. Roberts made the motion and it was seconded by Mr. Kerr. The motion was approved unanimously, 4-0.

**Review &
Consider
Acceptance of
Financial
Statement**

Ms. DewBerry asked Mr. Cook to present the unaudited current financial statement. Mr. Cook stated that the financial statement as of May 31, 2018 shows assets of approximately \$178,000 with \$13,000 of expenditures, leaving a net unrestricted position of around \$165,000. He added that current year-to-date revenue was around \$21,000 with expenditures of \$47,000 and a net deficit of \$26,000.

Ms. DewBerry asked for a motion to accept the unaudited financial statements. Mr. Roberts made the motion and it was seconded by Ms. Petersen Spawn. The motion was approved unanimously, 4-0.

**Invoice for
Services**

Mr. Cook stated that the invoices from the Housing Finance Commission for the three-month period from January 1, 2018 through March 31, 2018 totaled \$5,496.94. The invoice was previously approved by Board Treasurer, Ms. Petersen

Spawn.

Refunding Recap

Ms. DewBerry introduced Mr. Herman and Ms. Arnone to present a recap on the TSA 2018 refunding.

Mr. Herman presented the press release on the refunding and reminded everyone of how it became a smaller transaction. Ms. Arnone added that the transaction was successful and that all the bonds were structured to pass S&P's rating criteria, with ratings of "A". She mentioned that the transaction was priced aggressively and was well received in the marketplace. She added that the deal ended up generating about \$4.9 million in present value (PV) savings which was in excess of 10.39% of the refunded par. She recalled that back in May, the expected PV savings were in the range of \$3.7 million or 7.8% of the refunded par and mentioned that the deal certainly exceeded the preliminary level by a considerable margin.

Ms. Arnone reported that there were \$134.8 million of Series 2013 bonds that remained outstanding as of July 2, 2018. Of those, \$71.2 million are non-callable serials and \$63.5 million are callable serials that remain mature 2030-2033.

Mr. Herman added that the Authority was prepared for possible inquiries from the public regarding the recent refunding. He said that aside from a call from one journalist, the Authority did not receive inquiries on this deal compared to the 2002 and 2013 bond issues.

Market Update

Ms. Arnone proceeded with the tobacco market update and stated that the market has very favorable technicals and stable credit fundamentals. She mentioned that Altria will be releasing their Q2 results this week.

Trustee Report

Ms. DewBerry introduced Ms. Kuykendall to present the Trustee's Report.

Ms. Kuykendall gave an update on the 2013 and 2018 refundings. She stated that the partial refunding generated \$47,645,000 with interest expense of \$212,844.06.

She specified that as of June 30, 2018 the outstanding bonds from Series 2013 were \$182,480,000 and \$43,630,000 for series 2018, totaling \$226,110,000 in total bonds outstanding. An amount of \$47,645,000 in 2013 bonds was scheduled for redemption in early July.

Ms. Kuykendall said that the projected TSR's as of June 1, 2018 were \$40,834,487 and added that she will be updating these numbers based on the 2018 Official Statement. She also mentioned that the Authority gained \$18,086 in income on the investment proceeds while we waited to redeem the refunded bonds.

Ms. Kuykendall stated that the report from June 1, 2018 was submitted to the rating agency. She said that they will be operating under two similar disclosure agreements for the 2013 and 2018 bonds with different CUSIP numbers for each. She also reported that the total reserve was maintained at \$31,997,719.44.

Ms. DewBerry introduced Mr. Herman to present the Executive Director's Report.

Mr. Herman thanked Mr. Roberts for his continued support for the Authority although his term ended already. He added that the Authority is in the process of looking for a new board member to replace him. He mentioned that the Authority is accepting suggestions and recommendations.

Mr. Herman shared a Bond Buyer article regarding ratings of underwriters and financial advisors. He noted that TSA finance team members Public Financial Management, Inc., Jefferies, and Citigroup dominated the rankings and were mentioned very favorably in the article. He added that the Authority has one of the best financing teams in the business.

Mr. Herman stated that if there is no change in the schedule, the next Authority board meeting will be on December 5, 2018.

Ms. DewBerry asked if there were any comments from the public.

**Executive
Director's
Report**

**Public
Comment**

Adjournment

Ms. DewBerry adjourned the meeting at 1:25 p.m.

Ms. Carla DewBerry, Chair