
TSA

TOBACCO SETTLEMENT AUTHORITY

Tobacco Settlement Authority

Special Meeting

December 16, 2019

TSA

TOBACCO SETTLEMENT AUTHORITY

Meeting Agenda

YOU ARE HEREBY NOTIFIED that the Tobacco Settlement Authority will hold a Special Meeting in the Authority's Offices at 1000 Second Avenue, Suite 2800, Seattle, WA 98104 in the Board Room at 1:00 p.m. Pacific Time, on Monday, December 16, 2019, to consider the following:

I. CALL TO ORDER: *Chair, Ms. Carla DewBerry*

II. INTRODUCTION OF NEW EXECUTIVE DIRECTOR, STEVE WALKER:

Chair

1

III. APPROVAL OF THE JULY 11, 2019 SPECIAL MEETING MINUTES: *Chair*

2

IV. ACTION ITEMS:

A. Finance Report – Mr. Bob Cook

1. Consider and Act on acceptance of Final Audit Report

3

i. Presentation of Independent Auditor's Report – Ms. Amy Sutherland, Moss-Adams, LLP

2. Review and Act on acceptance of the Financial Statement

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V. INFORMATION ITEMS

A. Invoice for Services – Mr. Bob Cook

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B. Tobacco Securitization Market Update – Ms. Kym Arnone, Jefferies LLC

6

C. Trustee Report – Ms. Christine Ok, U.S. Bank

7

D. Status of Nonparticipating Manufacturer (NPM) Adjustment Arbitration

– Mr. Robert J. (Rusty) Fallis, Assistant Attorney General

VI. ADDITIONAL INFORMATION ITEMS

A. Executive Director's Report – *Mr. Steve Walker*

B. Authority Meeting Schedule – *Mr. Steve Walker*

1. June 3, 2020
2. December 2, 2020

VII. PUBLIC COMMENT : *Chair*

(May limit public comment to five minutes or less per person).

VIII. MISCELLANEOUS BUSINESS AND CORRESPONDENCE

8

IX. EXECUTIVE SESSION (*if necessary*)

X. ADJOURNMENT

Board Members may participate in the Special Meeting by dialing in on the designated call-in number.

November 20, 2019

Steve Walker named executive director of state Housing Finance Commission

SEATTLE, Wash. – The Washington State Housing Finance Commission has named Steve Walker as its new executive director after a nationwide search.

Walker returns to the Commission, where he was director of Multifamily Housing and Community Facilities until 2013, after most recently leading the City of Seattle Office of Housing.

“To lead an organization I know so well, where the work, the vision and the values are aligned with my own commitment to housing stability, is exciting,” Walker said.

“We had a good pool of candidates from across the country, and Steve was the best choice to lead the Commission into the future,” said Karen Miller, chair of the Housing Finance Commission.

Walker will step into the shoes of founding director Kim Herman, who retires this year after 36 years at the helm of the Commission.

Walker has dedicated his 30-year career to affordable housing and community development, beginning with homeless housing in New York City. He then directed housing programs for a nonprofit in his native northern California before coming to Seattle.

In 1996, Walker joined the Washington State Housing Finance Commission and eventually became director of the Multifamily Housing and Community Facilities division, overseeing the financing of affordable apartments, nonprofit facilities, and many other projects benefitting families and communities statewide.

He was appointed by Seattle Mayor Ed Murray in 2014 to lead the city’s housing strategies and investments, including Seattle’s largest voter-approved Housing Levy to date. Walker served during a time of rapid growth marked by skyrocketing housing costs, displacement, and homelessness. He was reappointed by Mayor Durkan in 2018 and left the post earlier this year.

As executive director of the Commission, Walker will oversee a self-supporting state agency that each year finances more than 6,000 affordable apartments and more than 7,000 home loans, using tools such as tax-exempt bonds and federal housing tax credits.

“The reputation of the Commission in Washington state and across the nation, my passion for providing affordable housing for those most in need, and the opportunity to advance racial and social equity objectives are among the many reasons I am enthusiastic to take on this role,” Walker said.

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The [Washington State Housing Finance Commission](http://www.wshfc.org) is a publicly accountable, self-supporting team that brings private investment dollars to benefit families and achieve public goals throughout Washington.



TOBACCO SETTLEMENT AUTHORITY
Special Meeting

Minutes

July 11, 2019

Board Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:03 p.m. on Thursday, July 11, 2019.

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

Board members Ms. Carla DewBerry, Mr. Tim Kerr, and Mr. Wolfgang Opitz were present. Mr. Gavin Cooley was 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. Debra Stephenson, Senior Controller; 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. Joining via teleconference were Ms. Kym Arnone of Jefferies LLC; Mr. Howard Zucker and Mr. Roger Bagley of Hawkins, Delafield and Wood; and Mr. Michael Jang and Mr. Jigar Bhakta of Citigroup.

**Approval of the
Dec. 18, 2018
Special Meeting
Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on December 18, 2018. Mr. Kerr made the motion and it was seconded by Mr. Opitz. The minutes were approved unanimously, 4-0.

Mr. Herman announced that Mr. Cooley will be retiring as CFO for the City of Spokane in January. In addition, his four-year term on the board officially ended last month and he will not request renewal for a second term. Mr. Cooley has agreed to continue serving on the board until the Governor appoints a replacement.

July 11, 2019

Mr. Herman thanked Mr. Cooley for his service to the citizens of Washington State and to the TSA Board.

**Election of
Secretary and
Treasurer**

Ms. DewBerry introduced Mr. Herman to present the election of Board Secretary and Treasurer. Mr. Herman stated that each year the Board elects a Secretary and a Treasurer. He noted that the past year Mr. Kerr served as Secretary and Ms. Petersen-Spawn served as Treasurer. He added that both agreed to continue in their roles if the Board chooses to nominate and re-elect them.

Mr. Kerr made the motion to elect himself as Secretary and Ms. Petersen-Spawn as Treasurer. Mr. Opitz seconded the motion. The motion to re-elect Mr. Kerr as Secretary and Ms. Petersen-Spawn as Treasurer was approved unanimously, 4-0.

**Action Item:
Approval of the
Annual Budget**

Ms. DewBerry introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2019 thru June 30, 2020 ("FY20").

Mr. Cook stated that the Authority is projecting .42 FTEs for FY20 compared to .47 FTEs budgeted for FY19. He added that as of the end of the FY19, the Authority is projecting to bill about .35 FTEs.

Mr. Cook said that the Authority is budgeting \$70,000 from the Tobacco Settlement Revenues (TSR) to cover about \$108,000 in expenses. An Officer's Certification for the funds will be processed in April 2020. He added that the Authority is expecting to have some reserves at the end of the year. He then called the Board's attention to a detailed breakdown of the expenses.

Mr. Cooley inquired about the varying significance between the adopted budget for Employee Expenses for fiscal year 2019 (\$76,000) and the actual budget projected (\$29,000). Mr. Cook responded that it is due to the amount of time the staff spent on Authority work.

Mr. Cooley asked if the \$35,000 budget shortfall would come from the \$167,000 unrestricted net position shown in the unaudited financial statement or from the TSRs. Mr. Cook said that it will come from both.

Ms. DewBerry asked for a motion to accept the budget for FY20. Mr. Cooley made the motion and it was seconded by Mr. Opitz. The motion was approved unanimously, 4-0.

**Review &
Consider
Approval of
Financial
Statement**

Mr. Cook presented the unaudited, current financial statement of the Authority's General Operating Fund. Mr. Cook stated that the financial statement as of May 31, 2019 shows assets of approximately \$180,000 with \$12,000 of expenditures, leaving a net unrestricted position of around \$167,000. He referred to the detailed breakdown of the expenses on the last page of the unaudited financial statement.

Ms. DewBerry asked for a motion to approve the unaudited financial statement. Mr. Kerr made the motion and it was seconded by Mr. Opitz. The motion was approved unanimously, 4-0.

**Invoice for
Services**

Mr. Cook stated that the invoices from the Housing Finance Commission for a six-month period from October 1, 2018 through March 31, 2019 totaled just over \$15 thousand. The invoice was previously approved by Board Treasurer, Ms. Petersen-Spaw.

**Tobacco
Securitization
Market Update**

Ms. DewBerry introduced Ms. Kym Arnone to present the Tobacco Securitization Market update.

Ms. Arnone stated that during the first six months of 2019, volume has been significantly lighter than last year. She said that \$100 million of taxable Turbo Current Interest Bonds were issued by an entity in California called the Inland Empire Tobacco Securitization Authority in order to forestall a default in 2021 on the outstanding 2007 bonds.

Ms. Arnone reported that the market is being driven by technical factors such as limited supply and historic fund inflows. She added that as of June 2019, aggregate fund flows totaled \$40.1 billion with \$9.4 billion going into high yield funds. Last year as of June 20th, aggregate fund flows totaled \$9.8 billion with \$2.3 billion going into high yield funds.

Ms. Arnone said that the ban on menthol cigarettes is still possible but that there has been no real activity since the FDA's proposal in November. She also mentioned that the acting FDA Commissioner issued a notice on how he plans to regulate e-cigarettes by restricting youth access to Electronic Nicotine Delivery Systems (ENDS).

Ms. Arnone stated that Altria purchased a 35% stake in JUUL. She added that following this announcement, S&P lowered Altria's credit rating from A- to BBB and subsequently placed 32 tobacco bonds on negative credit watch.

Ms. Arnone said that since May of this year, S&P has placed 240 tobacco revenue bonds on credit watch with negative implications including the 2018 and 2013 TSA tobacco bonds. She mentioned that this is because of the slight update on S&P's criteria in response to the decline in cigarette volume.

Mr. Herman mentioned that when the Authority did the 2013 refunding, it was refunded in a manner that would protect the Authority up to an approximate 10 percent reduction in cigarette shipments nationally. Ms. Arnone added that even with a very steep consumption decline, the Authority's bonds are in good shape based on their healthy break evens.

Trustee Report

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

Ms. Kuykendall reported that the annual receipts from the TSR were received and applied to the upcoming principal and interest payments in June. She mentioned that since funds only come once a year, a portion was reserved for the payments due

in December. She added that in June the Authority was able to optionally redeem \$12,750,000 of bonds which was applied only to the 2013 bonds since 2018 bonds are not optionally callable until 2023.

Ms. Kuykendall said that payments continue to come in from the Lehman bankruptcy. She received checks totaling \$12,277 in June.

Ms. Kuykendall stated that the required semi-annual report was submitted to the rating agency in May and that the Issuer's Annual Certification letter was received. She also reported that the total reserve was maintained at \$31,997,719.44.

Status of Non-participating Manufacturer (NPM) Adjustment Arbitration

Mr. Herman gave the status report on the Nonparticipating Manufacturer (NPM) adjustment arbitration on behalf of Mr. Rusty Fallis, Assistant Attorney General.

Mr. Herman stated that the 2004 arbitration was set on July 8, 2019. He mentioned that the parties to all other cases have agreed to a 95-day post-hearing briefing schedule and added that it may be November before the arbitration panel issues its decision.

Mr. Herman said that there could be additional hearings relating to the allocation and reallocation of the NPM Adjustment for any states that the panel found to be non-diligent in the enforcement of those states' escrow laws. Given the expense and delays associated with the NPM Adjustment arbitration process, the non-settling states and the participating manufacturers have begun discussions regarding the possibility of resolving multiple years in dispute in the next arbitration, although no agreement has been reached.

Executive Director's Report

Mr. Herman gave an update about his retirement and the search for the new Executive Director for the Washington State Housing Finance Commission. He thanked everyone for their partnership and support over the last three decades.

Mr. Herman reported that Washington was the 10th state to pass a Tobacco 21

policy statewide. The Law, Engrossed House Bill 1074, was signed by the Governor on April 5, 2019 and is effective on January 1, 2020.

Mr. Herman presented an article and relevant correspondence regarding the updates on Tobacco Securitization Market and Master Settlement Agreement (MSA) payments.

Mr. Herman stated that if there is no change in the schedule, the next Authority board meeting will be on December 4, 2019.

**Public
Comment**

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

Adjournment

Ms. DewBerry adjourned the meeting at 1:45 p.m.

Ms. Carla DewBerry, Chair



MOSSADAMS

Audit Results

Better Together: Moss Adams & Tobacco Settlement Authority

[illegible]



Board of Directors

Tobacco Settlement Authority

Dear Board of Directors:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of the Tobacco Settlement Authority (“Authority”) for the year ended June 30, 2019.

The accompanying report, which is intended solely for the use of the Board of Directors and Management and not intended to be and should not be used by anyone other than these specified parties, presents important information regarding the Authority’s financial statements and our audit that we believe will be of interest to you.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of Authority personnel. We are pleased to serve and be associated with the Authority as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.

Required Communications

to Those Charged with Governance

ENTRANCE

- Auditor's responsibility under U.S. generally accepted auditing standards
- Planned scope and timing of audit

EXIT

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues

Auditor Report on the Financial Statements



Unmodified Opinion

Financial statements are presented fairly and in accordance with US GAAP

Our Responsibility Under US Generally Accepted Auditing Standards

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, **we** are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the board of directors is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the board of directors is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2019.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgments & Accounting Estimates

The board of directors should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

The most sensitive estimate is management's estimate of the tobacco settlement receivable and related revenue. We evaluated the key factors and assumptions used to develop the estimate and have determined it is reasonable in relation to the financial statements as a whole.

Financial Disclosures

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

Our Comments

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We call your attention to the following:

- Note 5 – Bonds Payable
- Note 7 – Contingencies

Other Communications

- No significant difficulties were encountered during our audit.
- There were no corrected or uncorrected audit adjustments.
- The Authority is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in Note 8 to the financial statements.
- We are pleased to report that there were no disagreements with management.
- We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.
- We are not aware of any instances of fraud or noncompliance with laws and regulations.

Contact Us



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THANK
YOU

TOBACCO SETTLEMENT AUTHORITY

November 26, 2019

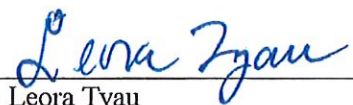
Authority Directors
Tobacco Settlement Authority
Seattle, Washington

We have compiled the UNAUDITED statement of net position of the Tobacco Settlement Authority (the "Authority"), General Operating Fund, as of October 31, 2019, and the related statement of activities and changes in net position for the month then ended in accordance with generally accepted accounting principles.

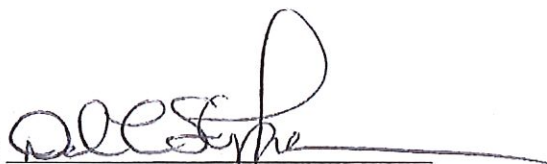
This compilation is limited to presenting, in the form of financial statements, information that is accurate to the best of our knowledge and belief. These statements have not been audited or reviewed by an independent third party.

We have elected to omit substantially all of the disclosures required by generally accepted accounting principles including the statement of changes in financial position. If the omitted disclosures were included in the financial statements, they might influence the users' conclusions about the Authority's financial position, results of operations and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about these matters.

Prepared by:


Leora Tyau
Fiscal Analyst 4

Approved by:


Debra L. Stephenson
Sr. Controller

TOBACCO SETTLEMENT AUTHORITY
GENERAL OPERATING FUND

October 31, 2019
Unaudited

CONTENTS

(See Accountant's Compilation Report)

Accountant's Report

Financial Statements:

Statement of Net Position	3
Statement of Activities & Changes in Net Position	4
Detailed Statement of Activities	5

Tobacco Settlement Authority
Statement of Net Position
Fund: General Operating Fund
Division: All
October 31, 2019
(See Accountant's Compilation Report)

	Current Year	Prior Year	Variance Amount	%
<i>ASSETS</i>				
Cash and Cash Equivalents:	\$ 156,844	\$ 155,133	\$ 1,711	1%
Prepaid Expenses & Other Receivable	4,364	4,325	39	1%
<i>Total Assets</i>	<u>\$ 161,208</u>	<u>\$ 159,458</u>	<u>\$ 1,750</u>	<u>1%</u>
<i>LIABILITIES</i>				
Accounts Payable and Other Liabilities	\$ 25,045	\$ 28,917	\$ (3,872) (1)	-13%
<i>Total Liabilities</i>	<u>25,045</u>	<u>28,917</u>	<u>(3,872)</u>	<u>-13%</u>
<i>NET POSITION</i>				
Unrestricted	136,163	130,541	5,622	4%
Total Net Position	<u>136,163</u>	<u>130,541</u>	<u>5,622</u>	<u>4%</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 161,208</u>	<u>\$ 159,458</u>	<u>\$ 1,750</u>	<u>1%</u>

(1) The decrease in accounts payables is due to a timing difference in the payments of the interagency (IA) invoices. In the prior year there were five months of IA charges (June-October 2018) that were outstanding at the end of October, compared to four months of IA charges (July-October 2019) that were outstanding at the end of October of the current year.

Tobacco Settlement Authority
Statement of Activities and Changes in Net Position
Fund: General Operating Fund

Division: All

For The Year To Date Ending: October 31, 2019

(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance Amount	%
<i>Revenues:</i>					
Interest Earned	\$ 250	\$ 1,151	\$ 1,053	\$ 98	9%
<i>Total Unadjusted Revenues</i>	<u>250</u>	<u>1,151</u>	<u>1,053</u>	<u>98</u>	<u>9%</u>
<i>Expenses:</i>					
Salaries, Wages, and Employee Benefits	2,738	10,871	11,187	(316)	-3%
Travel & Conferences	-	57	-	57	NA
Professional Fees	13,000	15,030	13,751	1,279	9%
Office Expense	761	3,664	4,222	(558) (1)	-13%
<i>Total Expenses</i>	<u>16,499</u>	<u>29,622</u>	<u>29,159</u>	<u>463</u>	<u>2%</u>
<i>Adjustments</i>					
Gains/(Loss) on Investments	15	(1)	(19)	18	-95%
<i>Total Adjustments</i>	<u>15</u>	<u>(1)</u>	<u>(19)</u>	<u>18</u>	<u>-95%</u>
(Deficit) Excess of Revenues over Expenses	<u>(16,234)</u>	<u>(28,472)</u>	<u>(28,125)</u>	<u>(347)</u>	<u>1%</u>
<i>Net Position</i>					
Total net position, beginning of period	152,397	164,635	158,666	5,969	4%
Current Increase (Decrease) to Net Position	<u>(16,234)</u>	<u>(28,472)</u>	<u>(28,125)</u>	<u>(347)</u>	<u>1%</u>
Total net position, end of year	<u>\$ 136,163</u>	<u>\$ 136,163</u>	<u>\$ 130,541</u>	<u>\$ 5,622</u>	<u>4%</u>

(1) The decrease in office expense is primarily due to lower allocated overhead expenses from WSHFC. The allocation is based on TSA hours worked as a percentage of total WSHFC staff hours. In the prior year there were more TSA hours worked due to the issuance of refunding revenue bonds which closed in June 2018.

Tobacco Settlement Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All

For The Year To Date Ending: October 31, 2019
(See Accountant's Compilation Report)

	Variance-YTD vs. PY Actuals		Prior YTD	YTD	YTD	Variance-YTD Budget to Actual	
	%	Amount	Actual	Actual	Budget	Amount	%
Revenues:							
Interest Revenue	9.3%	\$ 98	\$ 1,053	\$ 1,151	\$ 902	\$ 249	27.6%
Other Income	NA	-	-	-	23,333	(23,333)	-100.0%
Total Unadjusted Revenues	9%	98	1,053	1,151	24,235	(23,084)	-95%
Expenses:							
Salaries & Wages - Staff & Temp. Svcs	-3.2%	(271)	8,457	8,186	17,898	(9,712)	-54.3%
Employee Benefits - Staff	-1.6%	(45)	2,730	2,685	5,192	(2,507)	-48.3%
Travel in state - Staff	NA	57	-	57	250	(193)	-77.2%
Accounting Fees	6.0%	800	13,400	14,200	17,000	(2,800)	-16.5%
Legal Fees	136.5%	479	351	830	1,250	(420)	-33.6%
Financial Advisor Fees	NA	-	-	-	333	(333)	-100.0%
Office Rent/Conf. Room Rentals	-53.2%	(383)	720	337	743	(406)	-54.6%
Deliveries	87.3%	55	63	118	83	35	42.2%
Insurance	1.0%	21	2,161	2,182	2,167	15	0.7%
Meeting Expense	NA	-	-	-	50	(50)	-100.0%
Software Maint. Support & Other Info Svcs	-25.1%	(179)	713	534	881	(347)	-39.4%
Postage	-80.0%	(24)	30	7	33	(26)	-78.8%
Printing	22.4%	38	170	208	200	8	4.0%
Supplies	-58.7%	(111)	189	78	353	(275)	-77.9%
Telephone	-52.2%	(24)	46	22	56	(34)	-60.7%
Other Office Expenses	39.2%	51	130	181	280	(99)	-35.4%
Total Expenses	2%	464	29,160	29,625	46,769	(17,144)	-37%
Adjustments							
Revenues:							
Investments Gain (Loss)	-94.7%	18	(19)	(1)	-	(1)	NA
Total Adjustments	NA	18	(19)	(1)	-	(1)	NA
(Deficit) Excess of Revenues over Expenses	1.2%	\$ (349)	\$ (28,126)	\$ (28,475)	\$ (22,534)	\$ (5,941)	26.4%

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period April 1, 2019 through June 30, 2019

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
April	\$ 2,708.62	\$ 350.30	\$ 13.31	\$ 3,072.23
May	1,909.13	237.73	8.45	2,155.31
June	2,533.73	72.69	16.09	2,622.51
Total Per Category	\$ 7,151.48	\$ 660.72	\$ 37.85	\$ 7,850.05

Previous Balance at March 30, 2019 7,363.21
Payments & Credit Memos (through June 30, 2019) (7,363.21)

Due to WSHFC: \$ 7,850.05

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of TSA and allocation of certain HFC expenses based on TSA salary hours as a percentage of total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation expense based on TSA salary hours as a percentage of total HFC salary hours.

Approval for Payment


Authority Board Member

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period July 1, 2019 through September 30, 2019

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
July	\$ 2,903.66	\$ 406.33	\$ 18.60	\$ 3,328.59
August	2,743.32	428.52	12.09	3,183.93
September	2,336.19	234.97	7.71	2,578.87
Total Per Category	\$ 7,983.17	\$ 1,069.82	\$ 38.40	\$ 9,091.39

Previous Balance at June 30, 2019 7,850.05
Payments & Credit Memos (through September 30, 2019) (7,850.05)

Due to WSHFC: \$ 9,091.39

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of TSA and allocation of certain HFC expenses based on TSA salary hours as a percentage of total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation expense based on TSA salary hours as a percentage of total HFC salary hours.

Approval for Payment



Authority Board Member

TAB 6

Tobacco Securitization Market Update

(Will be distributed to Board Members prior to meeting)

TOBACCO SETTLEMENT BONDS

Trustee Update December 2019

Structure:

2018 Serial maturities from June 1, 2022 through 2024:

2013 Series maturities from June 1, 2019 through 2022, 2023, and 2027 and 2033

Combined: Bond Debt Service Table					
Date	2013 Series Interest Due	2018 Series Interest Due	2013 Series Maturities	2018 Series Maturities	Series 2013 Optional Redemptions
6/1/2018	5,329,212.50		13,215,000		12,505,000
7/2/2018	212,844.06				47,645,000
12/1/2018	3,450,343.75	975,615.28	-	-	-
6/1/2019	3,450,343.75	1,090,750.00	13,665,000		12,750,000
12/1/2019	2,774,031.25	1,090,750.00	-	-	-
6/1/2020					
	15,216,775.31	3,157,115.28	26,880,000.00	-	72,900,000.00

Total Bonds Outstanding = \$152,050,000

Series 2013: \$108,420,000 and Series 2018: \$43,630,000

Date	Projected TSR Receipts (OS pg 32)	Actual TSR Receipts	Difference	Other Receipts
6/1/2018	40,834,487.00	35,253,912.55	5,580,574	279,726
7/1/2018		Earnings on Bd Proceeds		18,086
12/1/2018			-	123,285
6/1/2019	40,778,814.00	34,319,420.34	6,459,394	12,277
12/1/2019			-	33,523
6/1/2020			-	
	81,613,301	69,573,333	12,039,968	466,898

Compliance:

Report to Rating Agency on Debt Service Dates: Report Submitted 12-1-19

Disclosure Reporting:

Series 2013 and 2018 Continuing Disclosure Agreements:

EMMA Posting on 10-30-19 of Financial Statement and Voluntary Disclosure

Total Reserve maintained at requirement = \$31,997,719.44

Series 2013: \$23,214,164.29 and Series 2018: \$8,783,555.15



Rising popularity of vaping blamed for drop in WV's tobacco settlement payment

By PHIL KABLER HD Media
Nov 11, 2019

West Virginia's annual payment from major cigarette manufacturers dropped by more than \$1.6 million, as rising popularity of e-cigarettes and vaping has accelerated the decline in tobacco consumption, members of a state board that monitors tobacco settlement payments learned last week.

The state's 2019 payment as part of the national Tobacco Master Settlement Agreement was \$59.6 million, down from \$61.26 million in 2018, members of the state Tobacco Settlement Finance Authority were advised.

Citigroup financial adviser Paul Creedon told the panel Thursday that cigarette sales in 2018 — the year that the 2019 payment is based on — fell 4.72 percent.

"It was a steeper decline than originally anticipated," he said.

For the first three quarters of 2019, sales have dropped another 5.5 percent, he said, leading cigarette manufacturing giant Altria to accelerate its projections for declines in sales from between 4 percent to 5 percent a year to 5 percent to 6 percent annually.

Creedon said industry analysts point to the rapid rise in popularity of e-cigarettes, or vaping, for the accelerating decline in sales of conventional cigarettes.

However, one factor that could slow that decline, he said, is that a number of localities and the federal government are looking at banning flavored e-cigarette pods, which are believed to be effective in enticing young people to take up vaping.

"The general sense is, if these bans go into effect in a significant way, it could actually benefit combustible cigarettes," Creedon said.

Asked if legalization of marijuana in many jurisdictions around the country is affecting cigarette sales, he said, “For right now, I don’t think we’ve seen a significant identifiable impact of legal cannabis.”

West Virginia, under then-Attorney General Darrell McGraw, was one of the first states to sue major cigarette manufacturers to help cover the future costs of treating smoking-related diseases.

In 1998, McGraw signed off on the national settlement agreement, worth at least \$1.8 billion to West Virginia, to be paid in annual payments in perpetuity, based on total domestic cigarette sales.

In 2007, the state sold the rights to its next 25 years of payments to bondholders, raising \$911 million from the sale of tobacco settlement bonds. The state used \$807 million of those funds to shore up the then-critically underfunded Teachers Retirement System pension fund, and put most of the remainder into a reserve fund.

That fund was set up to make up the difference in years when the tobacco settlement payment falls below the \$62 million minimum annual payment that the state makes to bondholders.

When the agreement was signed in 1998, projections were that cigarette consumption would decline at a steady rate of 3 percent a year. However, the decline accelerated sharply beginning around 2009, as a number of states and municipalities hiked tobacco taxes and many localities enacted strict smoking bans, Creedon noted.

However, bondholders bear the risk should there be a sudden, severe cessation in smoking nationwide.

The five-member board, chaired by Administration Secretary Allan McVey, meets annually to review tobacco settlement fund finances, and to be updated on tobacco consumption trends nationally.

Reach Phil Kabler at philk@wvgazettemail.com, 304-348-1220 or follow @PhilKabler on Twitter.

From: Jang, Michael <michael.jang@citi.com>
Sent: Friday, November 01, 2019 7:45 AM
To: Jang, Michael
Cc: *MSD US PFD Tobacco
Subject: Tobacco Securitization Market Update - Altria 3Q Results and S&P CreditWatch Resolution

All,

On Thursday, October 31st, Altria (Philip Morris USA's Parent) reported in its 10-Q filing for the nine months ended September 30, 2019 that its smokeable products domestic cigarette shipment volume declined by an estimated 7.5%, when adjusted for trade inventories. PM USA estimates that total domestic cigarette industry volume declined by an estimated 5.5% for the nine months ended September 30, 2019, compared to the same period last year.

Additionally, on Thursday, October 24th, S&P Global resolved its CreditWatch placement of 256 tobacco bonds. S&P affirmed ratings on 166 bonds, upgraded 23 bonds and downgraded 67 bonds. This rating action reflects S&P's updated view of future cigarette volumes as well as the downgrade of Altria to 'BBB' from 'A-'.

If you have any questions regarding this email, do not hesitate to contact any member of the Citi Tobacco Team.

Michael Jang
Director | Public Finance Department, Citi
388 Greenwich Street, Trading Floor 6, New York, NY 10013
Phone: 212-723-4947
michael.jang@citi.com

From: Jang, Michael <michael.jang@citi.com>
Sent: Tuesday, July 30, 2019 7:46 AM
To: Jang, Michael
Cc: *MSD US PFD Tobacco
Subject: Tobacco Securitization Market Update - Altria 2Q19 Results

All

Today, Altria (Philip Morris USA's Parent) reported in its 10-Q filing for the three months ended June 30, 2019 that its domestic cigarette shipment volume decreased by an estimated 7% when adjusted for trade inventories in the Second Quarter as well as the First Half of 2019. Altria reports this shipment volume decline was primarily driven by the "industry's rate of decline, retail share losses and calendar differences".

Altria also cut its guidance for cigarette volumes for 2019 by 1 percentage point from -4% to -5%, to -5% to -6%, mainly due to greater e-vapor volumes. Altria also changed its the guidance for the compounded annual average rate of domestic cigarette industry volume declines through 2023 to 4% to 6% from a range of 4% to 5%, "primarily due to increased adult smoker movement to the e-vapor category" as well as "the accelerated adult smoker movement across categories and strong national momentum behind raising the legal age to purchase tobacco products to 21."

If you have any questions regarding this email, do not hesitate to contact any member of the Citi Tobacco Team.

Michael Jang

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