
TSA

TOBACCO SETTLEMENT AUTHORITY

Tobacco Settlement Authority

Special Meeting

June 28, 2021



TOBACCO SETTLEMENT AUTHORITY

Meeting Agenda

YOU ARE HEREBY NOTIFIED that the Tobacco Settlement Authority will hold a **Special Meeting** at 11:00 a.m. prevailing Pacific Time, on Monday, June 28, 2021, to consider the items in the agenda below.

Per the Governor's proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will only be offered virtually.

To join virtually, please go to www.zoom.us and enter:

Meeting ID: 823 4697 2343

Password: 604499

Participants using a computer without a microphone who wish to participate verbally, please dial: 1-(888) 788-0099 U.S. toll-free

Please note that the line will be muted to the public except during the public comment portions of the meeting.

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

II. APPROVAL OF THE JANUARY 26, 2021 SPECIAL MEETING

MINUTES: *Chair*

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III. ACTION ITEMS:

A. Election of Secretary and Treasurer for one year term – *Mr. Steve Walker*

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B. Finance Report – *Mr. Bob Cook*

1. Review and consider adopting the Annual Budget for the period July 1, 2021

– June 30, 2022

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2. Consider and Act on acceptance of the current Financial Statement

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3. Invoice for Services

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IV. INFORMATION ITEMS

- A. Tobacco Securitization Market Update – *Ms. Kym Arnone, Jefferies LLC*

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- B. Trustee Report – *Ms. Christine Ok, U.S. Bank*

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- C. Status of Nonparticipating Manufacturer (NPM) Adjustment Arbitration

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

V. ADDITIONAL INFORMATION ITEMS

- A. Executive Director’s Report – *Mr. Steve Walker*

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

1. December 1, 2021

VI. PUBLIC COMMENT : *Chair*

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

VII. MISCELLANEOUS BUSINESS AND CORRESPONDENCE

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VIII. EXECUTIVE SESSION (*if necessary*)

IX. ADJOURNMENT

TAB 1

TOBACCO SETTLEMENT AUTHORITY
Special Meeting

Minutes

January 26, 2021

Board Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:01 p.m. via videoconference and teleconference.

Board members present on the line were Mr. Tim Kerr, Mr. Wolfgang Opitz, Mr. Ken Vyhmeister, and Mr. James Krejci. Authority staff members present were Mr. Steve Walker, Executive Director; Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Mr. Lucas Loranger, 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. Christine Ok of U.S. Bank; Mr. Rusty Fallis from the Washington Attorney General’s Office; Mr. Fred Eoff of Public Financial Management Group; Ms. Kym Arnone, Mr. William Bloom, and Ms. Kate Jovanoska of Jefferies LLC; Mr. Roger Bagley of Hawkins Delafield and Wood; and Mr. Timothy Rattigan and Mr. Michael Jang of Citigroup.

Other meeting attendees were Mr. Bob Woodard and Mr. Matt Vickery of the Washington State Housing Finance Commission; and Ms. Amy Sutherland of Moss Adams.

**Approval of the
June 23, 2020
Special Meeting
Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on June 23, 2020. Mr. Opitz made the motion and it was seconded by Mr. Vyhmeister. The minutes were approved unanimously, 5-0.

**Consider and Act
on Staff
Recommendations
Regarding
Selection of
Investment
Banking and
Underwriting
Services**

Ms. DewBerry introduced Mr. Edwards to present the staff recommendations regarding selection of investment banking and underwriting services.

Mr. Edwards shared a memorandum explaining the process that the Authority followed. He stated that current contracts with Jefferies LLC as Book-Running Senior Manager and Citigroup Global Markets Inc. as Co-Senior Manager, expire on February 28, 2021.

Mr. Edwards gave a recap of the Request for Proposals (RFP) process. He added that an internal evaluation team thoroughly reviewed the submitted proposals and made a decision regarding the recommendations to the board.

Mr. Edwards said that staff recommended continuing to contract with Jefferies LLC as Book-Running Senior Manager and Citigroup Global Markets Inc. as Co-Senior Manager, for an initial term of 2 years with options to extend for up to 5 years. He added that the Authority has been very pleased with the service that the current senior underwriter team has provided since 2002.

Mr. Kerr made the motion and Mr. Opitz seconded the motion. The motion was approved unanimously, 5-0.

**Action Item:
Acceptance of
Final Audit
Report**

Ms. DewBerry introduced Ms. Amy Sutherland to present the summary of Audit Report to the Authority board.

Ms. Sutherland presented the overall results of the audit. She highlighted that the financial statements were presented fairly and in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Ms. Sutherland stated that management's judgments and accounting estimates were based on knowledge and experience about the past and current events, and assumptions about future events. She added that the key factors and assumptions used to develop these estimates were reasonable in relation to the financial

statements as a whole.

Ms. Sutherland encouraged board members to read the bonds payable information in Note 5 and the contingencies in Note 7.

Mr. Vyhmeister asked if the report could include only fiscal years 2020 and 2019.

Ms. Sutherland said that including 2018 in the Management Discussion and Analysis portion of the report is required under the governmental auditing standards. The 2018 results are not included in the financial statements themselves.

Mr. Vyhmeister asked why the revenue remained constant even if the shipments declined 5.5% in 2019. Mr. Cook said that inflation, estimates for the second half of the fiscal year, and projections based on the historical records were some of the reasons the revenue remained constant.

Mr. Cook encouraged board members to read the notes in the report because they provide a good summary of the activities of the Authority.

Ms. DewBerry asked for a motion to approve the Final Audit Report. Mr. Opitz made the motion. Mr. Kerr seconded the motion. The resolution was approved unanimously, 5-0.

Mr. Cook introduced the Authority's new Senior Controller, Mr. Lucas Loranger.

**Review &
Consider
Approval of
Current
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 November 30, 2020 shows assets of approximately \$107,000 with \$11,000 in liabilities, leaving a net unrestricted position of around \$96,000. He highlighted approximately \$41,000 in expenses to date and referred to the detailed breakdown of the expenses on the last page of the unaudited financial statement.

Mr. Cook stated that the invoices from the Housing Finance Commission covering

April to September 2020, totaling over \$25,000, have been approved by Board Treasurer, Mr. Opitz.

Ms. DewBerry asked for a motion to approve the unaudited financial statement. Mr. Krejci made the motion and it was seconded by Mr. Vyhmeister. The motion was approved unanimously, 5-0.

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

Ms. Arnone reported that the market started to stabilize in the summer which continued into the fall. She highlighted the record municipal bond issuance in October of \$70 billion, which was 15% of 2020 supply.

Ms. Arnone said that inflows since May have surpassed the \$50 billion of outflows in March and April. Six tobacco transactions were successfully priced: Merced County, CA (\$36 million); Sonoma County, CA (\$67 million); Michigan (\$467 million); Michigan (\$384 million); West Virginia (\$694 million); and Placer County, CA (\$60 million).

Ms. Arnone stated that Altria released Q3 2020 results on October 30th, reporting that the industry's domestic cigarette shipment volumes increased by 1% as opposed to the average 3% down per year.

Ms. Arnone reported that on June 17, the African American Tobacco Control Leadership Council filed a lawsuit requesting the court to compel the FDA to ban menthol-flavored cigarettes. She said that the FDA is scheduled to decide by April 29th. She added that such a ban would be significant to the tobacco market, as menthol cigarette sales represent 30-35% of total cigarette sales in the United States.

Mr. Vyhmeister inquired about expected U.S. consumer behavior if the FDA bans

menthol-flavored cigarettes. Ms. Arnone said that smoking non mentholated cigarettes, switching to e-cigarette products, and the opportunity for this group of people to quit smoking are some of the alternatives if the FDA banned this type of cigarette.

Ms. DewBerry inquired about the demographics of people who smoke menthol-flavored cigarettes. Ms. Arnone responded that a disproportionate number of black people smoke menthol products. She added that there are continuing discussions on whether menthol-flavored cigarettes should be banned or not.

Ms. Arnone stated that the bonds issued by the Authority are still scheduled to be paid off by 2024.

Trustee Report

Ms. DewBerry introduced Ms. Ok, the Bond Trustee from U.S. Bank National Association, to present the Trustee's Report.

Ms. Ok reported that payments for interest due for both the 2013 series and 2018 series were received and paid to bond holders in December. Series 2013 bonds were outstanding in the amount of \$80,395,000 and Series 2018 bonds were outstanding in the amount of \$43,630,000, totaling \$124,025,000 in total bonds outstanding.

Ms. Ok said that payments continue to come in from the Lehman bankruptcy. She received checks totaling \$4,731 in October.

Ms. Ok stated that the required semi-annual report was submitted to the rating agency in December. She also reported that the total reserve was maintained at \$31,997,719.44.

Mr. Vyhmeister inquired about the significance of the projected tobacco settlement revenue (TSR) compared to the actual TSR. Ms. Ok said that the projected TSR is not a requirement but for informational purposes only. Mr. Cook added that it is a reference to the amounts that were expected as of the initial bonds issue in 2002. He

Status of Non-participating Manufacturer (NPM) Adjustment Arbitration

further added that amounts have varied significantly from those projected in 2002.

Ms. DewBerry introduced Mr. Rusty Fallis from the Attorney General's Office to give the status report on the Nonparticipating Manufacturer (NPM) adjustment arbitration.

Mr. Fallis reported that the arbitration panel still has not issued a decision on the 2004 NPM adjustment arbitration even though the evidentiary hearings were concluded several months ago.

Mr. Fallis said that the parties have been negotiating a case management order for the next arbitration which cover years 2005, 2006, and 2007. He added the Authority's bonds may be paid off by the time a decision is made.

Ms. DewBerry asked if the Authority will still sunset after paying off the bonds in 2024 even though there is no final decision for the NPM adjustment arbitration. Mr. Fallis said that the Authority will still sunset and any money that is left will revert to the State.

Executive Director's Report

Mr. Walker said that the State legislative session started on January 11. He committed to keeping the board updated if anything comes up related to the Authority or its work.

Mr. Walker reported that the Authority received inquiries about the tobacco bonds and payoff dates. He said that these inquiries appeared to be connected to work on the Governor's budget. He added that the focus remains on the budget deficit, the economy, COVID-19, racial justice, and housing. Mr. Walker said that the State may be interested in the TSA's portion of the MSA income stream coming back to them after the bonds pay off in 2024.

Mr. Walker gave a summary of an article available in the meeting packet.

He added if there is no change in the schedule, the next Authority board meeting will be on June 2, 2021.

**Public
Comment**

Ms. DewBerry asked if there were any comments from the public. There were none.

Adjournment

Ms. DewBerry adjourned the meeting at 1:48 p.m.

Ms. Carla DewBerry, Chair

TAB 2



Memorandum

To: Tobacco Settlement Authority Board Members

From: Carol Johnson

RE: **Election of Secretary and Treasurer**

Date: June 18, 2021

CC: Steve Walker, Paul Edwards, Bob Cook, Lucas Loranger, Rona Monillas

BACKGROUND:

The enabling legislation that created the Tobacco Settlement Authority included a Governor-appointed Chair and a board-elected Secretary and Treasurer. The primary role of the Secretary will be to sign official documents of the Authority, and in cooperation with staff, to maintain the minutes and records of the Authority's meetings and actions. The primary role of the Treasurer will be to coordinate with staff to accurately report on the financial status of the Authority and to interact with the Authority auditor on behalf of the Board.

The Secretary and Treasurer each serve a one-year term and as officers will be authorized to sign checks on behalf of the Authority. The elected officer positions are currently held by Mr. Tim Kerr as Secretary and Mr. Wolfgang Opitz as Treasurer. Both have agreed to continue to serve in their positions if re-elected.

ACTION:

The Board is required by statute to elect a Secretary and Treasurer from among its members. Both positions serve for a one-year term.

Staff recommends that both positions be filled. For these positions, a simple majority vote is required by the members in attendance.

TAB 3



TOBACCO SETTLEMENT AUTHORITY

Ms. Carla DewBerry
Chair

Mr. Steve Walker
Executive Director

Memorandum

To: Board Members

From: Bob Cook; Lucas Loranger

CC: Steve Walker, Paul Edwards, Carol Johnson

Date: June 15, 2021

Re: Annual Budget for the fiscal year July 1, 2021 – June 30, 2022

BACKGROUND

Tobacco Settlement Authority staff have prepared the following proposed Program Summary and operating budget for the upcoming July 1, 2021 – June 30, 2022 fiscal year (“FY22”).

Total expenses are budgeted at \$144,692. This is a 30% increase over the current year’s budget to make allowance for additional legal review and submission of extensive public records in relation to a suit between all counties in Washington and JUUL Labs, Inc. This will be discussed further in the Executive Director’s report. Also, we expect a biennial state audit to be conducted during the next fiscal year.

During the current fiscal year, we recognized \$88,970 in operating revenues from Tobacco Settlement Revenues (TSR). This amount is intended to support FY21 operations. Similarly, in April 2022, we anticipate requesting \$92,000 in operating revenues from the TSR payment. We adjust the amount of the request prior to each April’s Tobacco Settlement Revenue distribution based upon the annual anticipated need for additional operating funds. While it is intended to support operations for the following fiscal year, the TSR payment is recognized as revenue when received.

PROPOSED ACTION

Management recommends that the Authority Board review, consider, and act on the July 1, 2021 – June 30, 2022 budget.

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TOBACCO SETTLEMENT AUTHORITY

Program Summary Fiscal Year 2021-2022

Problem/Need:

Faced with a \$1.5 billion shortfall in the state's general fund, the Legislature authorized, and Governor Gary Locke signed into law on April 4, 2002, legislation establishing the Tobacco Settlement Authority (the Authority). The legislation authorized the Authority to issue revenue bonds backed by part (29.2%) of the state's portion of the revenue stream from the Master Settlement Agreement between the state and the five major tobacco manufacturers. In exchange, the Authority would deposit \$450 million in bond proceeds into the state general fund.

In 2013, outstanding 2002 bonds were refunded. The refunding generated an estimated \$58.2 million of present value (PV) savings to the Authority and shortened the expected final maturity by 2 years. In June of 2018, an allowable portion of the 2013 bonds were refunded. The \$43,630,000 refunding generated estimated PV savings of \$4.95 million and shortened the maturity to an earlier date in 2024 or 2025. By shortening the expected final maturity, the pledged tobacco settlement revenues (TSRs) will be returned to the state sooner, giving the state access to the full TSR income stream.

Goal:

The primary goal of the program, as stated in the first paragraph above, was achieved in 2002. The TSA's primary purpose has been to monitor the feasibility of refunding and/or completing a new issue, monitor investments and payments, and periodically report on the status of the TSA's outstanding bonds, report on the tobacco securitization market, and return the 29.2% of tobacco revenues to the state as early as possible. By shortening the expected final maturity, the pledged tobacco settlement revenues (TSRs) will be returned to the state sooner, giving the state access to the full TSR income stream.

Business Objectives:

1. Monitor receipt of all TSRs and payments of bond principal and interest by the Trustee and report to the board in June and December.
2. Monitor and report on the tobacco market and report to the board in June and December.
3. Coordinate with the TSA finance team to identify opportunities to refinance the outstanding bonds if a 5% savings can be met.
4. Describe and evaluate efforts designed to enhance diversity and inclusion in agency operations and policies.

Assumptions:

A reasonable tobacco bond market continues to exist that will support repayment of the bonds by the expected maturity of 2024 or 2025.

TSA
Budget Summary for the fiscal year ending: June 30, 2022

FINANCIAL AND PROGRAM INFORMATION

	FYE 22 Proposed Budget	FYE 21 Projected Actual	FYE 21 Budget as Adopted
Personnel Resources [FTE's]			
Permanent	0.41	0.26	0.41
Temporary		-	-
Total FTE's	0.41	0.26	0.41
Program Budget			
Interest Income	640	8	1,661
Other Income	92,000	88,970	50,000
Total Revenue	92,640	88,978	51,661
Employee Expenses	70,344	38,400	70,104
Travel Expenses	500	-	500
Professional Fees	58,000	23,746	25,500
Office Expenses	15,848	11,388	14,958
Total Expenses	144,692	73,535	111,063
Total Income/(Loss)	(52,052)	15,443	(59,401)

TSA - Budget Report for the fiscal year ending: June 30, 2022

		Proposed Budget	Current Year, Projected Actual	Current Year Budget	Prior Year Actual
	<u>Revenues</u>				
4020	Interest Earned	640	54	1,661	2,323
4051	Unrealized Gain/Loss on Invest	-	(46)	-	30
4900	Other Income	92,000	88,970	50,000	40,145
	Total Revenues	92,640	88,978	51,661	42,498
	<u>Expenses</u>				
5010	Salaries & Wages	50,315	29,199	54,333	25,453
5021	Annual Leave	4,234	-	-	-
5031	Payroll Taxes	3,570	2,185	3,532	1,941
5032	Health Insurance	5,522	3,001	5,313	2,501
5033	Retirement	6,461	3,610	6,477	3,125
5041	Commute Trip Reduction	193	405	400	600
5043	Recognition - Employee	49	-	49	425
5120	In State Travel Expenses	500	-	500	57
5210	Accounting Fees	22,000	17,270	21,000	19,575
5220	Legal Fees	35,000	6,476	3,500	4,038
5230	Financial Advisor Fees	1,000	-	1,000	-
5410	Printing (Letterhead, etc)	500	136	700	563
5420	Supplies- Office	1,268	159	1,429	505
5430	Postage	125	53	150	116
5431	Delivery	300	207	500	258
5460	State Services	-	30	-	25
5498	Office Expense - Other	848	639	895	580
5510	Rent- Office Building	2,666	1,224	2,196	1,187
5511	Facility Rent - Conference Rms	-	176	-	-
5600	Telephone	387	96	211	88
5610	Database Design & Support	-	-	-	511
5630	Software Maintenance & Support	2,120	1,224	2,028	845
5670	Legal Advertising	-	132	-	-
5810	Insurance	7,285	7,313	6,600	6,545
5840	Meeting Expense	350	-	250	-
	Total Expenses	144,692	73,535	111,063	68,938
	Revenue over (under) Expense	(52,052)	15,443	(59,401)	(26,440)

TAB 4

TOBACCO SETTLEMENT AUTHORITY

June 9, 2021

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 [April 30, 2021](#), 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
Leora Tyau
Fiscal Analyst 4

Approved by: Shirleen Noonan
Shirleen Noonan
General Operations Manager

TOBACCO SETTLEMENT AUTHORITY
GENERAL OPERATING FUND

April 30, 2021
Unaudited

CONTENTS

(See Accountant's Compilation Report)

Accountant's Report

Financial Statements:

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Detailed Statement of Activities	5

Tobacco Settlement Authority
Statement of Net Position
Fund: General Operating Fund
Division: All
April 30, 2021
(See Accountant's Compilation Report)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Variance</u>	
			Amount	%
<i>ASSETS</i>				
Cash and Cash Equivalents:	\$ 176,670	\$ 172,402	\$ 4,268	2%
Prepaid Expenses & Other Receivable	1,214	1,094	120 (1)	11%
<i>Total Assets</i>	<u>\$ 177,884</u>	<u>\$ 173,496</u>	<u>\$ 4,388</u>	<u>3%</u>
<i>LIABILITIES</i>				
Accounts Payable and Other Liabilities	\$ 14,690	\$ 21,136	\$ (6,446) (2)	-30%
<i>Total Liabilities</i>	<u>14,690</u>	<u>21,136</u>	<u>(6,446)</u>	<u>-30%</u>
<i>NET POSITION</i>				
Unrestricted	163,194	152,360	10,834	7%
Total Net Position	<u>163,194</u>	<u>152,360</u>	<u>10,834</u>	<u>7%</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 177,884</u>	<u>\$ 173,496</u>	<u>\$ 4,388</u>	<u>3%</u>

(1) The increase in prepaid expenses is due to an increase in the cost of the annual insurance premium prepaid each June.

(2) The decrease in accounts payables in the current year is due to the timing in interagency (IA) payments. In April of the prior year, outstanding payables included October 2019 through April 2020 IA charges. In the current year, outstanding payables include IA charges for the months of January - April 2021.

Tobacco Settlement Authority
Statement of Activities and Changes in Net Position
Fund: General Operating Fund
Division: All
For The Year To Date Ending: April 30, 2021
(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance	
				Amount	%
<i>Revenues:</i>					
Interest Earned and Realized Gain	\$ 1	\$ 45	\$ 2,238	\$ (2,193) (1)	-98%
Other	88,970	88,970	40,145	48,825 (2)	122%
<i>Total Unadjusted Revenues</i>	<u>88,971</u>	<u>89,015</u>	<u>42,383</u>	<u>46,632</u>	<u>110%</u>
<i>Expenses:</i>					
Salaries, Wages, and Employee Benefits	2,452	31,878	25,047	6,831 (3)	27%
Travel & Conferences	-	-	57	(57)	-100%
Professional Fees	2,195	22,646	20,548	2,098 (4)	10%
Office Expense	849	9,454	9,066	388	4%
<i>Total Expenses</i>	<u>5,496</u>	<u>63,978</u>	<u>54,717</u>	<u>9,261</u>	<u>17%</u>
<i>Adjustments</i>					
Gains/(Loss) on Investments-Unrealized	-	(38)	59	(97)	-164%
<i>Total Adjustments</i>	<u>-</u>	<u>(38)</u>	<u>59</u>	<u>(97)</u>	<u>-164%</u>
(Deficit) Excess of Revenues over Expenses	<u>83,475</u>	<u>24,999</u>	<u>(12,275)</u>	<u>37,274</u>	<u>-304%</u>
Net Position					
Total net position, beginning of period	79,719	138,195	164,635	(26,440)	-16%
Current Increase (Decrease) to Net Position	<u>83,475</u>	<u>24,999</u>	<u>(12,275)</u>	<u>37,274</u>	<u>-304%</u>
Total net position, end of year	<u>\$ 163,194</u>	<u>\$ 163,194</u>	<u>\$ 152,360</u>	<u>\$ 10,834</u>	<u>7%</u>

- (1) The decrease in interest income is primarily due to a lower market yield in the current period of .01% compared to the same period in the prior year of .43%.
- (2) Other income reflects the receipt of Officer's Certificate funds in April 2021 and April 2020.
- (3) The increase in salaries and benefits in the current year is due to a higher allocation of staff hours compared to the prior period, plus a cost of living (COLA) increase for General Services staff.
- (4) The increase in the current period is related to legal services, including for the e-cigarette matter.

Tobacco Settlement Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All
For The Year To Date Ending: April 30, 2021
(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 Earned and Realized Gain	-98.0%	\$ (2,193)	\$ 2,238	\$ 45	\$ 1,384	\$ (1,339)	-96.7%
Other Income	122%	48,825	40,145	88,970	41,667	47,303	113.5%
Total Unadjusted Revenues	110%	46,632	42,383	89,015	43,051	45,964	107%
Expenses:							
Salaries & Wages - Staff & Temp. Svcs	29.5%	5,521	18,718	24,239	45,278	(21,039)	-46.5%
Employee Benefits - Staff	20.7%	1,310	6,329	7,639	13,142	(5,503)	-41.9%
Travel in state - Staff	-100.0%	(57)	57	-	417	(417)	-100.0%
Accounting Fees	-8.3%	(1,568)	18,838	17,270	20,250	(2,980)	-14.7%
Legal Fees	214.4%	3,666	1,710	5,376	2,917	2,459	84.3%
Financial Advisor Fees	NA	-	-	-	833	(833)	-100.0%
Office Rent/Conf. Room Rentals	45.4%	363	799	1,162	1,830	(668)	-36.5%
Advertising	NA	109	-	109	-	109	NA
Deliveries	-30.9%	(77)	249	172	417	(245)	-58.8%
Insurance	11.3%	617	5,454	6,071	5,500	571	10.4%
Meeting Expense	NA	-	-	-	208	(208)	-100.0%
Software Maint. Support & Other Info Svcs	-6.4%	(70)	1,086	1,016	1,690	(674)	-39.9%
Postage	-33.8%	(22)	65	44	125	(81)	-64.8%
Printing	-74.8%	(336)	449	113	583	(470)	-80.6%
State Services	0.0%	-	25	25	-	25	NA
Supplies	-69.0%	(294)	426	132	1,191	(1,059)	-88.9%
Telephone	43.6%	24	55	79	176	(97)	-55.1%
Other Office Expenses	16.0%	73	457	530	746	(216)	-29.0%
Total Expenses	17%	9,259	54,717	63,977	95,303	(31,326)	-33%
Adjustments							
Revenues:							
Gains/(Loss) on Investments-Unrealized	-164.4%	(97)	59	(38)	-	(38)	NA
Total Adjustments	NA	(97)	59	(38)	-	(38)	NA
(Deficit) Excess of Revenues over Expenses	-303.7%	\$ 37,275	\$ (12,275)	\$ 25,000	\$ (52,252)	\$ 77,252	-147.8%

TAB 5

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period January - March 2021

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
January	\$ 3,999.96	\$ 476.08	\$ 27.97	\$ 4,504.01
February	2,207.56	414.94	10.71	2,633.21
March	2,499.70	155.59	8.58	2,663.87
Total Per Category	\$ 8,707.22	\$ 1,046.61	\$ 47.26	\$ 9,801.09

Previous Balance at December 2020	9,609.98
Payments & Credit Memos (through April 29, 2021)	(9,609.98)
Due to WSHFC:	<u>\$ 9,801.09</u>

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

Wolfgang Opitz
Wolfgang Opitz (May 27, 2021 10:30 PDT)

Authority Board Member

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period October 1 - December 31, 2020

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
October	\$ 3,625.67	\$ 246.01	\$ 14.00	\$ 3,885.68
November	2,945.02	240.16	14.17	3,199.35
December	2,202.60	307.41	14.94	2,524.95
Total Per Category	\$ 8,773.29	\$ 793.58	\$ 43.11	\$ 9,609.98
Previous Balance at September 30, 2020				12,644.69
Payments & Credit Memos (through December 31, 2020)				(12,644.69)
Due to WSHFC:				<u>\$ 9,609.98</u>

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

Wolfgang Opitz
Wolfgang Opitz (Apr 5, 2021 14:36 PDT)

Authority Board Member

TAB 6

(To be distributed to the board members prior to the meeting)

TAB 7

TOBACCO SETTLEMENT BONDS

Trustee Update June 2021

Structure:

2018 Serial maturities from June 1, 2022 through 2024:

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

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	2,774,031.25	1,090,750.00	13,970,000		14,055,000
12/1/2020	2,055,837.50	1,090,750.00	-	-	-
6/1/2021	2,055,837.50	1,090,750.00	13,880,000		17,557,417
	22,102,481.56	6,429,365.28	54,730,000.00	-	104,512,417.19

Total Bonds Outstanding = \$92,590,000

Series 2013: \$48,960,000 and Series 2018: \$43,630,000

Date	Projected TSR	Actual TSR	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	40,000,073.00	34,049,268.16	5,950,804.84	9,592
12/1/2020	-	-	-	4,731
6/1/2021	39,241,014.00	36,485,284.51	2,755,729.49	20,447
	160,854,388	140,107,885.56	20,746,502.44	501,667

Compliance:

Report to Rating Agency on Debt Service Dates: Report Submitted 6-1-2021

Disclosure Reporting:

Series 2013 and 2018 Continuing Disclosure Agreements:

EMMA Posting on 11-20-20 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



TAB 8

From: Jang, Michael <michael.jang@citi.com>
Sent: Wednesday, May 12, 2021 6:12 AM
To: Jang, Michael <michael.jang@citi.com>
Cc: *MSD US PFD Tobacco <cititobacco@citi.com>
Subject: Tobacco Securitization Market Update – 2020 MSA Payment Data

All,

Over the past two days, the National Association of Attorneys General (“NAAG”) posted MSA Payment data related to cigarette shipments, potential NPM Adjustment and participating manufacturer market share for sales year 2020 (payment year 2021). The NAAG data indicates that total net market cigarette shipments increased by approximately 2.02% in sales year 2020 to 229.7 billion cigarettes from 225.2 billion cigarettes in sales year 2019. All cigarette shipment data in this email calculates the RYO equivalent conversion rate at 0.0325 ounces per cigarette. However, OPMs experienced a slight decrease in cigarette shipments in 2020 totaling 183.1 billion sticks, or 84 million fewer shipments than in sales year 2019. OPM shipments are a significant factor in the calculation of MSA Payments.

The NAAG data release also indicates that 2020 OPM market share declined by approximately 1.1% from 81.1% in 2019 to 80.0% in 2020. Correspondingly, both SPM and NPM 2020 market share increased to 10.8% and 9.3% from 10.4% and 8.5%, respectively. NAAG reports the sales year 2020 Potential NPM Adjustment Percentage at 20.51% or 2.2% higher than sales year 2019. This is the highest Potential NPM Adjustment Percentage on record. According to NAAG, the Total Potential NPM Adjustment for sales year 2020 is approximately \$1.473 billion.

A link to the NAAG data is provided below:

<https://www.naag.org/our-work/naag-center-for-tobacco-and-public-health/the-master-settlement-agreement/msa-payment-information/>

If you have any questions regarding this email, please contact any member of Citi’s Tobacco Securitization 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: Comfort, Cam (ATG) <cam.comfort@atg.wa.gov>
Sent: Thursday, May 6, 2021 10:55 AM
Subject: Summary of MSA Disbursements in April 2021

Dear MSA Contacts:

The independent auditor has provided a summary of the MSA disbursements made on April 15, 2021 and April 22, 2021. The total amount disbursed to Washington was \$124,949,604.48, of which the State received 70.8 percent (\$88,464,319.97) and the Tobacco Settlement Authority received 29.2 percent (\$36,485,284.51). For comparison purposes, the amount disbursed to Washington in April 2020 was \$116,607,083.75. With respect to Washington's payment, participating manufacturers deposited \$21,658,738.11 (approximately 15 percent) into the disputed payments account based on their claims to the non-participating manufacturers' adjustment.

We are still awaiting the arbitration panel's decisions involving 2004 calendar year data. We expected the panel would issue the decisions late last year or early this year, but to date no decisions have been issued.

Cam

Cameron G. Comfort

Sr. Assistant Attorney General
Revenue and Finance Division
PO Box 40123
Olympia WA 98504-0123
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From: Comfort, Cam (ATG) <cam.comfort@atg.wa.gov>

Sent: Friday, April 23, 2021 11:53 AM

Subject: RE: Second MSA Payment

Dear MSA Contacts:

The amount distributed to Washington yesterday was \$12,020,403.48. My email yesterday contained a math error. The distributed amount should have been “about \$12,020,403.47” and not “about \$12,030,403.47.” However, the amount listed in the email regarding the distribution to the Tobacco Settlement Authority yesterday did not include the math error. The distribution to the TSA yesterday was \$3,509,957.82.

Cam

From: Comfort, Cam (ATG)

Sent: Thursday, April 22, 2021 2:21 PM

Subject: Second MSA Payment

Dear MSA Contacts:

I received notice from the Office of State Treasurer that the State received a second MSA distribution today in the amount of \$8,510,445.66. This means that the Tobacco Settlement Authority should have received or be receiving about \$3,509,957.81 and today's distribution to Washington will be about \$12,030,403.47. Consequently, the total amount distributed to Washington last Thursday and today will be about \$124,959,604.47. The amount distributed to Washington today is about \$10,700 more than the estimated amount of \$12,019,689.10 provided in my April 16 email.

Let me know if you have any questions.

Cam

Cameron G. Comfort

Sr. Assistant Attorney General

Revenue and Finance Division

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From: Comfort, Cam (ATG) <cam.comfort@atg.wa.gov>

Sent: Friday, April 16, 2021 4:11 PM

Subject: Updated MSA Payment Information

Dear MSA Contacts:

The Independent Auditor has provided information regarding the April 15/16 distributions under the Master Settlement Agreement and the second distribution, which is now expected to be made on April 22, 2021. Yesterday, Washington received an initial payment of \$112,929,201.00. Washington's share of the amount that will be distributed next Thursday is estimated to be \$12,019,689.10. Assuming that the estimated amount is the amount distributed, the total payment to Washington would be \$124,948,890.10. The final amount calculated to be due to Washington is \$147,413,674.21. This means that the disputed amount withheld from Washington's payment will be approximately \$22,464,784.11 or 15.24 percent.

Please let me know if you have any questions.

Cam

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From: Comfort, Cam (ATG) <cam.comfort@atg.wa.gov>

Sent: Friday, April 16, 2021 9:51 AM

Subject: MSA Payment Update

Dear MSA Contacts:

I have heard that the initial MSA payment distribution amount will be \$5.5 billion. Washington's share of that amount is \$112,929,201 ($\$5,500,000,000 \times .020532582$). Accordingly, the payment to the State should be about \$79,953,874.31 (70.8 percent) and the payment to the Tobacco Settlement Authority should be about \$32,975,326.69 (29.2 percent). Apparently, some states received their initial MSA distributions yesterday while others will receive their distributions today. Finally, a second distribution will be made either next Tuesday (4/20) or next Thursday (4/22).

I will provide further information when I receive it.

Cam

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From: Comfort, Cam (ATG) <cam.comfort@atg.wa.gov>

Sent: Wednesday, March 31, 2021 4:56 PM

Subject: Updated Calculations from the Independent Auditor on April 2021 MSA Payments

Dear MSA Contacts:

Based on updated information and various corrections, the independent auditor (IA) has provided revised calculations of the annual payment amounts that are due to the states in April 2021 under the Master Settlement Agreement. The annual payment due to Washington has been decreased to \$147,413,674.21 (from an initial calculation of \$147,752,837.78). At this point, an initial distribution of approximately \$4.5 billion is expected to be made to the states on April 15 or 16, with a second distribution of approximately \$2.1 to be made sometime the following week.

Pursuant to the revised calculation, the State's share of the amount calculated by the independent auditor to be due is \$104,368,881.34 (70.8%) and the Tobacco Settlement Authority's share is \$43,044,792.87 (29.2%). Based on prior years' experience, however, many participating manufacturers will withhold a portion of the amounts calculated to be due or deposit some portion of the calculated amounts into the disputed payments account related to the claim that the IA should have reduced their payment obligations to account for the non-participating manufacturer (NPM) adjustment. An NPM adjustment, if applied, is based on the percentage shift in cigarette sales away from manufacturers participating in the MSA to non-participating manufacturers multiplied by three. Last year the amounts withheld or deposited into the disputed payments account was approximately 15.5 percent. And recall, my email on March 9, 2021, cautioned that the National Association of Attorneys General expects the amounts that are withheld or placed into the disputed payments account may be higher this year compared to previous years.

Let me know if you have any questions.

Cam

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From: Comfort, Cam (ATG) <cam.comfort@atg.wa.gov>

Sent: Tuesday, March 9, 2021 2:59 PM

Subject: Independent Auditor's Initial Calculation of Payments Due Under the MSA

Dear MSA Contacts:

The independent auditor has provided an initial calculation of the payments under the Master Settlement Agreement (MSA) that are due to the states on or about April 15, 2021. (Because April 15 falls on a Thursday, it is expected that this year's payments won't be wired until early the following week.) Based on its initial calculation, the independent auditor estimates that the annual payment due to Washington next month is \$147,752,873.78. For comparison purposes, the final amount due to Washington in 2020 was \$138,009,429.89. The estimate is based on 2020 calendar year data available to the independent auditor through early March 2021 and is subject to change based on additional information that is received before April 15. Of the amount that will be paid to Washington, the State's share is 70.8 percent and the Tobacco Settlement Authority's share is 29.2 percent.

The MSA payments owed by participating manufacturers depend on a number of factors. The primary factors are:

- the annual base payment under the MSA;
- the upward inflation adjustment;
- the downward volume adjustment (in 2021, the volume adjustment will be based on the total number of cigarettes sold nationwide in 2020 compared to the total number sold in 1996); and
- a potential NPM adjustment that, if it applies, would be based on the percentage shift in sales away from participating manufacturers to non-participating manufacturers multiplied by three.

(a) ANNUAL AND STRATEGIC CONTRIBUTION BASE PAYMENTS

Between 2008 and 2017, states received annual base payments and strategic contribution payments. During that time period, the annual base payment and strategic contribution base payment amounts were \$8,139,000,000,000 and \$861,000,000 respectively.

Beginning in 2018, the strategic contribution base payment amount was added to the annual base payment amount resulting in an increased annual base payment amount of \$9,000,000,000. This increased amount will be the base amount for all future annual payments under the MSA. This change adversely impacted Washington's MSA payments beginning in 2018, compared to 2008-17, because Washington's share of the strategic contribution payment was 5.7647432 percent and its share of the annual payment is 2.0532582 percent.

(b) INFLATION ADJUSTMENT

The cumulative upward inflation adjustment that will be used in calculating 2019 MSA payments will be 1.9561744 (or 95.61744 percent). During 2020, the change in “inflation” as defined under the MSA was 1.35201 percent. Since the annual inflation adjustment under the MSA is the greater of “inflation” as defined or three percent, the independent auditor is using a three percent increase to determine the cumulative inflation adjustment percentage.

(c) VOLUME ADJUSTMENT

Absent a revision, the downward volume adjustment applying in 2020 will be .6150895. This figure indicates that in 2020 the total number of cigarettes sold nationwide was 38.49105 percent of the total number sold in 1996. For comparison purposes, the volume adjustment for last year’s payment was .6149129. This means that the decrease in the number of cigarettes sold in nationwide in 2020 compared to 2019 was nominal.

(d) NON-PARTICIPATING MANUFACTURERS’ ADJUSTMENT

Regardless of the payments that the independent auditor ultimately determines are due, you should not expect full payment to be made by every participating manufacturer in 2021. Among other reasons, the independent auditor’s initial estimate does not include any reduction for a potential non-participating manufacturers’ (NPM) adjustment. Since 2006, many participating manufacturers have withheld some owed amounts to account for a NPM adjustment or have paid such amounts into the disputed payments account. For example, in 2020, Washington’s share of the amounts withheld and placed into the disputed payments account was about 15.5 percent of the amount that the independent auditor calculated was owed to Washington. Participating manufacturers are expected in 2021 to again withhold or place some amounts into the disputed payments account to account for the NPM adjustment. Furthermore, the National Association of Attorneys General has cautioned that it expects the amounts that are withheld or placed into the disputed payments account may be higher this year compared to previous years. Finally, when I receive additional information regarding this April’s MSA payments I will share that information with you. In the meantime, please feel free to contact me if you have any questions. Also, let me know if you should be removed from my MSA Payment contact list or know of someone who should be added.

Thanks, Cam

Cameron G. Comfort

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