

TSA

TOBACCO SETTLEMENT AUTHORITY

**Tobacco Settlement
Authority**

Special Meeting

August 1, 2023

TSA

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 Tuesday, August 1, 2023, in the Board Room at the Authority's offices located at 1000 2nd Ave., Suite 2800, Seattle, WA 98104 to consider the items in the agenda below.

Pursuant to RCW 42.30.030(2), which encourage public agencies to provide for public access to meetings, this meeting can also be viewed via Zoom or joined telephonically.

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

Meeting ID: 897 1804 5029

Passcode: 409518

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, Carla DewBerry*

II. APPROVAL OF THE FEBRUARY 3, 2023 SPECIAL MEETING

MINUTES: *Chair*

1

III. STATUS OF BOND PAYOFF – *Carol Johnson*

IV. ACTION ITEMS:

A. Election of Secretary and Treasurer for one year term – *Carol Johnson*

2

B. Finance Report – *Fenice Taylor*

1. Review and consider adopting the Annual Budget for the period July 1, 2023 –

June 30, 2024

3

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

4

3. Invoice for Services

5

V. INFORMATION ITEMS

A. Trustee Report – *Christine Ok, U.S. Bank*

6

B. Status of Nonparticipating Manufacturer (NPM) Adjustment Arbitration

– *Rene Tomisser, Attorney General’s Office*

VI. ADDITIONAL INFORMATION ITEMS

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

B. Authority Meeting Schedule – *Steve Walker*

1. December 6, 2023

VII. PUBLIC COMMENT: Chair

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

VIII. MISCELLANEOUS BUSINESS AND CORRESPONDENCE

7

IX. EXECUTIVE SESSION *(if necessary)*

X. ADJOURNMENT

PUBLIC ENGAGEMENT AT AUTHORITY MEETINGS

All Board meetings of the Tobacco Settlement Authority are open to the public. Our intention is to welcome all members of the public and to provide a clear and reasonable process through which they can share their thoughts with us.

Different ways to Join the Authority Meetings:

1. Meeting link:
<https://us02web.zoom.us/j/89718045029?pwd=T3YwU2hJQStXR3B6bXFjeDhEOTBZdz09>
2. At www.zoom.us, go to “Join a Meeting,” and enter:
Meeting ID: 897 1804 5029
Passcode: 409518
3. To participate by phone, dial: 1-(888)-788-0099 or 1-(877)-853-5247
4. Members of the public can attend the 1:30 p.m. Special Meeting in-person in the 28th Floor Board Room, located at 1000 Second Avenue, Seattle, WA 98104-3601.

During Meetings: During board meetings, attendees can see and hear all presentations and business taking place. Microphones will be turned off except to receive comment during public hearings and the public comment period.

Public Hearings: Public hearings are generally held separately from Authority board meetings, but there may be exceptions. Please limit comments to those directly related to the public hearing topic.

Public Comment:

- **Purpose of Public Comment** - During this period, the Board members listen to public concerns and comments but do not generally engage in dialogue. Staff will follow up with commenters who request assistance or answers to questions, providing that contact information is shared. Anyone who wishes to speak during the public comment period can take this opportunity.
- **When to Comment** - The public comment period takes place after the executive director’s report. Typically, the public comment period is reached after about an hour but may be sooner or later.
- **Raising Your Hand in Zoom or Through Phone Participation** - To give us a sense of the number of people wishing to speak and help us call on you in an orderly fashion, the meeting Chair will ask you to use the Zoom “raise hand” feature to indicate you would like to speak. People participating on the telephone can press *9 to virtually “raise a hand.” Whether or not you are able to virtually raise a hand, the Chair will provide time and opportunity for all to share their comments before closing the public comment period.
- **Timing of Comments** - We ask that speakers keep their comments brief (2 to 3 minutes). The Chair may ask you to begin bringing your statement to a close after that time, especially if others are waiting to speak. Our intention is not to impose a specific time limit unless it seems necessary to ensure that a sufficient number of speakers have an equal opportunity to express their thoughts.

TAB 1

TOBACCO SETTLEMENT AUTHORITY
Special Meeting

Minutes

February 3, 2023

Board Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:02 p.m.

Board members present on the line were Mr. Wolf Opitz, Mr. Ken Vyhmeister, Mr. James Krejci, and Ms. Elya Prystowsky.

Authority staff on the line were Mr. Steve Walker, Executive Director; Ms. Carol Johnson, Assistant Director; Ms. Fenice Taylor, Senior Finance Director; Mr. Lucas Loranger, Senior Controller; and Ms. Rona Monillas, Program Coordinator.

Also present on the line were Ms. Faith Pettis of Pacifica Law Group; Ms. Christine Ok of U.S. Bank; Mr. Cam Comfort and Mr. Scott Forbes from the Washington Attorney General’s Office; Mr. Kevin Smith and Mr. Chris Matika of Eide Bailly; and Ms. Kym Arnone, Mr. Bill Bloom, and Kate Jovanoska of Jefferies LLC.

**Introduction of
the board
member**

Mr. DewBerry introduced and welcomed the Authority’s new board member, Ms. Elya Prystowsky.

**Approval of the
Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on August 2, 2022. Mr. Opitz made the motion, and it was seconded by Mr. Vyhmeister. The minutes were approved unanimously, 5-0.

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

Ms. Taylor introduced Mr. Kevin Smith and Mr. Chris Matika to present a summary of the Audit Report to the Authority.

Mr. Smith presented the overall results of the audit and highlighted some of the changes in the audit reporting compared to prior years.

Mr. Smith explained the risks identified in the audit. He also pointed out significant accounting policies.

Mr. Smith noted that auditors had no difficulties and no uncorrected or corrected misstatements encountered during the audit.

Mr. Vyhmeister asked why there were no principal redemptions showing for years 2025 to 2027 in Note 5. He further inquired if it is because the Authority is assuming that the bonds will be paid off in 2025. Mr. Loranger responded that this is based on the schedule of maturities and not when the bonds will be paid off.

Ms. DewBerry asked for a motion to accept the final Audit Report. Mr. Krejci made the motion, and it was seconded by Ms. Prystowsky. The motion was accepted unanimously, 5-0.

**Action Item:
Approval of the
Current Financial
Statement**

Ms. Taylor presented the unaudited, current financial statement of the Authority's General Operating Fund. Ms. Taylor stated that the financial statements as of November 30, 2022 show assets of approximately \$295,000 with \$25,000 in liabilities, leaving a net position of approximately \$270,000.

Ms. Taylor stated that the two invoices from the Housing Finance Commission covering April 2022 through September 2022, totaling over \$14,000, have been approved for payment by the Board Treasurer, Mr. Opitz.

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

Trustee Report

Ms. DewBerry introduced Ms. Christine Ok, from U.S. Bank Trust Company, National Association, the Bond Trustee, 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 are outstanding in the amount of \$27,045,000 and Series 2018 bonds are outstanding in the amount of \$33,030,000, totaling \$60,075,000 in total bonds outstanding.

Ms. Ok reported that no Lehman checks were received during the second part of 2022.

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

**Status of
2004 NPM
Adjustment
Arbitration**

Ms. DewBerry introduced Mr. Cam Comfort from the Attorney General's Office to give a report on the status of the 2004 Nonparticipating Manufacturer (NPM) adjustment arbitration.

In response to the adverse arbitration decision regarding the 2004 calendar data, Mr. Comfort stated that they anticipate the independent auditor will make the necessary adjustments. The Authority's portion of this year's anticipated payment is estimated at \$28.6 million. He added that a final determination will be made in March regarding the April distribution.

Mr. Comfort said that the payment last year was \$36.6 million. He added that an \$8 million adjustment will take it down to about \$28 million. He further added that they anticipate that the payout amount will increase a little bit next year due to the impact of inflation.

Mr. Comfort reported that appeals have been filed regarding the 2004 arbitration decision and that the State has moved to vacate that decision. A final brief will be filed on February 27. He said that they expect the argument to be delayed due to an additional motion that was filed.

**Executive
Director's
Report**

Mr. Walker gave a brief discussion on the Authority's potential wind down.

Ms. DewBerry inquired as to whether there will be continuing payment reductions or claw backs because of NPM adjustments after the anticipated wind down. Mr. Comfort said that the participating manufacturers withhold a certain amount each year, and each arbitration is meant to settle that. After wind down, any payments or penalties will go to the State, not the TSA. To expedite the process, the State filed for combined NPM arbitration for the years 2005 through 2007. That arbitration decision will determine whether the State receives additional funds or is subject to further withholding.

Mr. Walker said that the next Authority board meeting will be on June 7, 2023.

**Public
Comment**

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

Adjournment

Ms. DewBerry adjourned the meeting at 1:44 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: July 25, 2023
CC: Steve Walker, Fenice Taylor, 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.

Over the past year, the elected officer positions were held by Ken Vyhmeister as Secretary and Wolfgang Opitz as Treasurer.

Ken Vyhmeister has agreed to continue to serve as Secretary if he is elected. Wolfgang Opitz has agreed to continue to serve as Treasurer if he is 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: Fenice Taylor; Lucas Loranger; Shirleen Noonan

CC: Steve Walker, Carol Johnson

Date: July 25, 2023

Re: Annual Budget for the fiscal year July 1, 2023 – June 30, 2024

BACKGROUND

Tobacco Settlement Authority (“Authority”) staff have prepared the following proposed Program Summary and operating budget for the upcoming July 1, 2023 – June 30, 2024 fiscal year (“FY24”).

Total expenses are budgeted at \$155,582. This is a 3.2% decrease from the current year’s budget, primarily due to lower expected legal and financial advisor fees as the impact of the 2004 arbitration ruling was realized during the current year. This decrease is partially offset by an increase in salaries and benefits and other office expenses.

During fiscal year 2022, we recognized \$254,400 in operating revenues from Tobacco Settlement Revenues (TSR). This amount was higher than normal to assure the Authority had sufficient liquidity on hand to cover expenses should the TSRs be eliminated due to the aforementioned arbitration ruling. As such, we believe the Authority currently has sufficient liquidity to support operations for FY24 and a potential agency winddown and do not anticipate requesting additional funds in April 2024.

PROPOSED ACTION

Management recommends that the Authority Board review, consider, and act on the July 1, 2023 – June 30, 2024 budget.

Washington State Tobacco Settlement Authority, 1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046

tel 206.464.7139 fax 206.587.5113 www.tsa-wa.org

TOBACCO SETTLEMENT AUTHORITY

Program Summary Fiscal Year 2023-2024

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. Facilitate bond payoff with full TSR payments reverting to the State by June 30, 2024.
2. Begin the process of sunseting the agency following payoff of the bonds. The process of sunseting the agency is estimated to be completed by the end of 2025.
3. Complete conversion of all hard copy documents into electronic files for long-term storage by June 30, 2024.

Assumptions:

TSR's received in 2023 are sufficient for bond payoff in 2024, resulting in sunseting of the agency by the end of 2025.

TSA
Budget Summary for the fiscal year ending: June 30, 2024

FINANCIAL AND PROGRAM INFORMATION

	FYE 24 Proposed Budget	FYE 23 Projected Actual	FYE 23 Budget as Adopted
Personnel Resources [FTE's]			
Permanent	0.43	0.21	0.41
Temporary		-	-
Total FTE's	0.43	0.21	0.41
Program Budget			
Interest Income	4,250	8,379	660
Other Income	-	-	-
Total Revenue	4,250	8,379	660
Employee Expenses	75,587	29,862	70,987
Travel Expenses	500	-	500
Professional Fees	58,750	30,617	70,750
Office Expenses	20,745	12,617	18,447
Total Expenses	155,582	73,096	160,684
Total Income/(Loss)	(151,332)	(64,717)	(160,024)

TSA - Budget Report for the fiscal year ending: June 30, 2024

		Proposed Budget	Current Year, Projected Actual	Current Year Budget	Prior Year Actual
<u>Revenues</u>					
4020	Interest Earned	4,250	8,379	660	159
4900	Other Income	-	-	-	254,400
	Total Revenues	4,250	8,379	660	254,559
<u>Expenses</u>					
5010	Salaries & Wages	55,559	22,641	55,725	24,995
5021	Annual Leave	4,374	-	-	-
5031	Payroll Taxes	4,254	1,809	3,869	1,825
5032	Health Insurance	5,908	2,698	5,831	2,406
5033	Retirement	5,170	2,310	5,243	2,457
5041	Commute Trip Reduction	237	404	267	362
5043	Recognition - Employee	86	-	52	-
5120	In State Travel Expenses	500	-	500	38
5210	Accounting Fees	17,750	15,750	17,750	17,500
5220	Legal Fees	40,000	14,867	50,000	36,007
5230	Financial Advisor Fees	1,000	-	3,000	-
5410	Printing (Letterhead, etc)	900	179	600	99
5420	Supplies- Office	2,935	123	1,289	133
5430	Postage	100	127	100	65
5431	Delivery	300	21	300	139
5460	State Services	-	-	-	25
5498	Office Expense - Other	710	240	711	488
5510	Rent- Office Building	2,507	878	2,627	1,366
5600	Telephone	281	66	492	273
5630	Software Maintenance & Support	1,962	1,051	2,027	1,246
5670	Legal Advertising	-	-	-	103
5810	Insurance	10,000	9,931	10,000	9,036
5840	Meeting Expense	1,050	-	300	-
	Total Expenses	155,582	73,096	160,684	98,564
	Revenue over (under) Expense	(151,332)	(64,717)	(160,024)	155,995

TAB 4

TOBACCO SETTLEMENT AUTHORITY

July 13, 2023

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 May 31, 2023, 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: Shirleen Noonan
Shirleen Noonan
General Operations Manager

Approved by: Lucas Loranger
Lucas Loranger
Senior Controller

TOBACCO SETTLEMENT AUTHORITY
GENERAL OPERATING FUND

May 31, 2023
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
May 31, 2023
(See Accountant's Compilation Report)

	Current Year	Prior Year	Variance	
			Amount	%
<i>ASSETS</i>				
Cash and Cash Equivalents:	\$ 266,673	\$ 330,526	\$ (63,853)	(1) -19%
Prepaid Expenses & Other Receivable	825	754	71	9%
<i>Total Assets</i>	\$ 267,498	\$ 331,280	\$ (63,782)	-19%
<i>LIABILITIES</i>				
Accounts Payable and Other Liabilities	\$ 21,564	\$ 21,784	\$ (220)	-1%
<i>Total Liabilities</i>	21,564	21,784	(220)	-1%
<i>NET POSITION</i>				
Unrestricted	245,934	309,496	(63,562)	-21%
Total Net Position	245,934	309,496	(63,562)	-21%
<i>Total Liabilities and Net Position</i>	\$ 267,498	\$ 331,280	\$ (63,782)	-19%

(1) The prior year's balance reflects the receipt of \$254,400 in May 2022 provided from Tobacco Settlement Revenue to support budgeted operating expenditures. No Officer's Certificate funds were obtained in the current fiscal year.

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

Division: All

For The Year To Date Ending: May 31, 2023

(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	\$ 983	\$ 7,667	\$ 17	\$ 7,650	(1) 45000%
Other	-	-	254,400	(254,400)	(2) -100%
<i>Total Unadjusted Revenues</i>	<u>983</u>	<u>7,667</u>	<u>254,417</u>	<u>(246,750)</u>	<u>-97%</u>
<i>Expenses:</i>					
Salaries, Wages, and Employee Benefits	2,597	27,326	29,965	(2,639)	-9%
Professional Fees	-	29,354	53,507	(24,153)	(3) -45%
Office Expense	981	11,546	11,948	(402)	-3%
<i>Total Expenses</i>	<u>3,578</u>	<u>68,226</u>	<u>95,419</u>	<u>(27,193)</u>	<u>-28%</u>
<i>Adjustments</i>					
(Deficit) Excess of Revenues over Expenses	<u>(2,595)</u>	<u>(60,559)</u>	<u>158,998</u>	<u>(219,557)</u>	<u>-138%</u>
<i>Net Position</i>					
Total net position, beginning of period	248,529	306,493	150,498	155,995	104%
Current Increase (Decrease) to Net Position	<u>(2,595)</u>	<u>(60,559)</u>	<u>158,998</u>	<u>(219,557)</u>	<u>-138%</u>
Total net position, end of year	<u>\$ 245,934</u>	<u>\$ 245,934</u>	<u>\$ 309,496</u>	<u>\$ (63,562)</u>	<u>-21%</u>

- (1) The interest income increase is primarily due to a higher investment balance and greater market yield of 4.95% in the current period, compared to the same period in the prior year (with a market yield of .66%).
- (2) Other income in the prior year reflects the receipt of Officer's Certificate funds in May 2022. Funds were not requested in the current year.
- (3) The decrease in professional fees is attributable to greater legal fees in the prior year related to the EMMA notice.

Tobacco Settlement Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All
For The Year To Date Ending: May 31, 2023
(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	45000.0%	\$ 7,650	\$ 17	\$ 7,667	\$ 605	\$ 7,062	1167.3%
Other Income	-100%	(254,400)	254,400	-	-	-	NA
Total Unadjusted Revenues	-97%	(246,750)	254,417	7,667	605	7,062	1167%
Expenses:							
Salaries & Wages - Staff & Temp. Svcs	-11.6%	(2,717)	23,435	20,718	51,081	(30,363)	-59.4%
Employee Benefits - Staff	1.2%	78	6,530	6,608	13,991	(7,383)	-52.8%
Travel in state - Staff	NA	-	-	-	458	(458)	-100.0%
Accounting Fees	-10.0%	(1,750)	17,500	15,750	17,583	(1,833)	-10.4%
Legal Fees	-62.2%	(22,403)	36,007	13,604	45,833	(32,229)	-70.3%
Financial Advisor Fees	NA	-	-	-	2,750	(2,750)	-100.0%
Office Rent/Conf. Room Rentals	-35.7%	(446)	1,250	804	2,408	(1,604)	-66.6%
Advertising	-100.0%	(103)	103	-	-	-	NA
Deliveries	-86.3%	(120)	139	19	275	(256)	-93.1%
Insurance	9.7%	805	8,283	9,088	9,167	(79)	-0.9%
Meeting Expense	NA	-	-	-	275	(275)	-100.0%
Software Maint. Support & Other Info Svcs	-15.9%	(182)	1,144	962	1,858	(896)	-48.2%
Postage	76.9%	50	65	116	92	24	26.1%
Printing	64.6%	64	99	163	550	(387)	-70.4%
State Services	-100.0%	(25)	25	-	-	-	NA
Supplies	-7.4%	(9)	122	113	1,182	(1,069)	-90.4%
Telephone	-77.2%	(203)	263	60	451	(391)	-86.7%
Other Office Expenses	-51.9%	(237)	457	220	652	(432)	-66.3%
Total Expenses	-29%	(27,198)	95,422	68,225	148,606	(80,381)	-54%
Adjustments							
Revenues:							
Gains/(Loss) on Investments-Unrealized	NA	-	-	-	-	-	NA
Total Adjustments	NA	-	-	-	-	-	NA
(Deficit) Excess of Revenues over Expenses	-138.1%	\$ (219,553)	\$ 158,995	\$ (60,558)	\$ (148,001)	\$ 87,443	-59.1%

TAB 5

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period January 2023 - March 2023

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
January	\$ 2,715.51	\$ 295.68	\$ 8.93	\$ 3,020.12
February	2,294.04	308.39	10.80	2,613.23
March	2,183.78	99.77	2.97	2,286.52
Total Per Category	\$ 7,193.33	\$ 703.84	\$ 22.70	\$ 7,919.87
Previous Balance at December 31, 2022				8,278.65
Payments & Credit Memos (through March 31, 2023)				-
Due to WSHFC:				<u>\$ 16,198.52</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

DocuSigned by:

5D56162CCCF5472

Authority Board Member

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period October 2022 - December 2022

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
October	\$ 3,269.20	\$ 208.97	\$ 3.15	\$ 3,481.32
November	2,292.40	190.33	2.74	2,485.47
December	1,957.96	351.17	2.73	2,311.86
Total Per Category	\$ 7,519.56	\$ 750.47	\$ 8.62	\$ 8,278.65
Previous Balance at September 30, 2022				7,886.80
Payments & Credit Memos (through December 31, 2022)				(7,886.80)
Due to WSHFC:				<u>\$ 8,278.65</u>

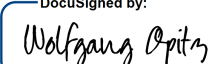
Please make checks payable to:

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

DocuSigned by:

5D56152CCCE5472

Authority Board Member

TAB 6

TOBACCO SETTLEMENT BONDS

Trustee Update July 2023

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
12/1/2021	1,248,018.75	1,090,750.00			
6/1/2022	1,248,018.75	1,090,750.00	14,510,000	10,600,000.00	7,405,000
12/1/2022	690,887.50	825,750.00			
6/1/2023	690,887.50	825,750.00	15,235,000	11,500,000.00	-
	25,980,294.06	10,262,365.28	84,475,000.00	22,100,000.00	111,917,417.19

Total Bonds Outstanding = \$33,340,000

Series 2013: \$11,810,000 and Series 2018: \$21,530,000

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
12/1/2021	-	-	-	3,590
6/1/2022	38,501,302.00	36,664,622.21	1,836,679.79	2,836
12/1/2022	-	-	-	-
6/1/2023	37,780,614.00	24,767,983.90	13,012,630.10	1,840
	237,136,304	201,540,491.67	35,595,812.33	509,934

Compliance:

Report to Rating Agency on Debt Service Dates: Report submitted 6-1-2023

Disclosure Reporting:

EMMA Posting on 6-2-23 of Voluntary Disclosure

Reserve Requirement: \$31,997,719.44

Current Reserve Balance: \$29,737,750.19 (Series 2013 \$21,574,569.39 & Series 2018 \$8,163,180.80)



TAB 7

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

Sent: Tuesday, April 11, 2023 3:47 PM

Subject: Independent Auditor's Second Revised Final Calculation of MSA Payments Due in April 2023

Dear MSA Contacts:

The independent auditor (IA) has provided a second revised final calculation of the annual payment amounts that are due to the states next week under the Master Settlement Agreement. The IA anticipates an initial distribution will be made on April 17 and a second distribution will be made later in the week.

Pursuant to the IA's second revised final calculation, the annual payment due to Washington has been nominally increased to \$118,500,283.81 (compared to the prior revised final calculation of \$118,493,258.37). The State's share of the revised final amount calculated to be due would be \$83,898,200.94 (70.8%) and the Tobacco Settlement Authority's share would be \$34,602,082.87 (29.2%). Like in previous years, however, many participating manufacturers will be withholding a portion of the amounts calculated to be due or deposit some portion of those amounts into the disputed payments account related to the claim that the IA should have reduced their payment obligations to account for an alleged NPM adjustment with respect to calendar year 2020 data.

Please let me know if you have any questions.

Cam

Cameron G. Comfort
Sr. Assistant Attorney General
Revenue and Finance Division
PO Box 40123
Olympia WA 98504-0123
(360) 664-9429

This e-mail may contain attorney work-product and confidential information subject to the attorney-client privilege. Please do not distribute this e-mail without my permission. If it appears from the context or otherwise that you have received this e-mail in error, please notify me immediately by reply e-mail, keep the contents confidential, and immediately delete the message and any attachments from your system.

From: Comfort, Cam (ATG)

Sent: Friday, April 7, 2023 10:38 AM

Subject: FW: Independent Auditor's Final Calculation of MSA Payments Due in April 2023

Dear MSA Contacts:

The independent auditor (IA) has provided a revised final calculation of the annual payment amounts that are *due* to the states in April 2023 under the Master Settlement Agreement. The IA anticipates an initial distribution will be made on April 17 and a second distribution will be made later in the week.

Pursuant to the IA's revised final calculation, the annual payment *due* to Washington has been decreased to \$118,493,258.37 (compared to the prior final calculation of \$121,309,266.83). The decrease largely is due to an increase in the nonparticipating manufacturer (NPM) adjustment to \$24,823,416.31 (compared to the prior NPM adjustment final calculation of \$22,387,471.11) based on the arbitration panel's determination that the State of Washington failed to diligently enforce with respect to calendar year 2004 data.

The State's share of the revised final amount calculated to be *due* would be \$83,893,226.93 (70.8%) and the Tobacco Settlement Authority's share would be \$34,600,031.44 (29.2%). Like in previous years, however, many participating manufacturers will be withholding a portion of the amounts calculated to be due or deposit some portion of those amounts into the disputed payments account related to the claim that the IA should have reduced their payment obligations to account for an alleged NPM adjustment with respect to calendar year 2020 data.

Please let me know if you have any questions.

Cam

Cameron G. Comfort

Sr. Assistant Attorney General

Revenue and Finance Division

PO Box 40123

Olympia WA 98504-0123

(360) 664-9429

This e-mail may contain attorney work-product and confidential information subject to the attorney-client privilege. Please do not distribute this e-mail without my permission. If it appears from the context or otherwise that you have received this e-mail in error, please notify me immediately by reply e-mail, keep the contents confidential, and immediately delete the message and any attachments from your system.

From: Comfort, Cam (ATG)

Sent: Friday, March 31, 2023 2:39 PM

Subject: FW: Independent Auditor's Final Calculation of MSA Payments Due in April 2023

Dear MSA Contacts:

The independent auditor (IA) has provided a final calculation of the annual payment amounts that are *due* to the states in April 2023 under the Master Settlement Agreement (MSA). The IA anticipates that distributions to the states will be made during the week of April 17-21.

Pursuant to the IA's final calculation, the annual payment *due* to Washington has been decreased to \$121,309,266.83 (compared to an initial calculation of \$143,638,933.55). The decrease largely is due to the IA including a nonparticipating manufacturer (NPM) adjustment of \$22,387,471.11 based on the arbitration panel's determination that the State of Washington failed to diligently enforce with respect to calendar year 2004 data.

The State's share of the amount calculated to be *due* would be \$85,886,960.92 (70.8%) and the Tobacco Settlement Authority's share would be \$35,422,305.91 (29.2%). Like in previous years, however, many participating manufacturers will be withholding a portion of the amounts calculated to be due or deposit some portion of those amounts into the disputed payments account related to the claim that the IA should have reduced their payment obligations to account for an alleged NPM adjustment with respect to calendar year 2020 data.

Please let me know if you have any questions.

Cam

Cameron G. Comfort

Sr. Assistant Attorney General
Revenue and Finance Division
PO Box 40123
Olympia WA 98504-0123
(360) 664-9429

This e-mail may contain attorney work-product and confidential information subject to the attorney-client privilege. Please do not distribute this e-mail without my permission. If it appears from the context or otherwise that you have received this e-mail in error, please notify me immediately by reply e-mail, keep the contents confidential, and immediately delete the message and any attachments from your system.

From: Comfort, Cam (ATG)

Sent: Friday, March 17, 2023 3:30 PM

Subject: Independent Auditor's Initial Calculation of MSA Payments Due in April 2023

Dear MSA Contacts:

The independent auditor has prepared an initial calculation of the payments under the Master Settlement Agreement (MSA) that are due to participating states on or about April 17, 2023. Because April 15 falls on a Saturday, this year's payments won't be wired until the week of April 17-21. Based on its initial calculation, the independent auditor estimates that the annual payment *due* to Washington next month is \$143,638,933.55. For comparison purposes, the final amount calculated to be due to Washington in 2022 was \$151,094,973.24. This initial estimate of the amount due next month is based on 2022 calendar year data available to the independent auditor through early March 2023 and is *subject to change* based on additional information that is received before the April payment date. 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 2023, the volume adjustment will be based on the total number of cigarettes sold nationwide in 2022 compared to the total number sold in 1996); and
- a potential NPM adjustment that, if applied, 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, participating 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 2023 MSA payments will be 2.2289621 (or 122.89621 percent). During 2022, the change in “inflation” as defined under the MSA was 6.4554 percent. Since the annual inflation adjustment under the MSA is the greater of “inflation” as defined or three percent, the independent auditor is using the change in “inflation” this year to determine the cumulative inflation adjustment percentage, rather than three percent.

(c) VOLUME ADJUSTMENT

Absent a revision, the downward volume adjustment applying in 2023 will be .6828527. This figure indicates that in 2022 the total number of cigarettes sold nationwide was 31.71473 percent of the total number sold in 1996. For comparison purposes, the volume adjustment for 2022’s payment was .6405512. Thus, the volume adjustment percentage in 2023 compared to 2022 increased by more than four percent. This is the largest increase in the downward volume adjustment since 2009.

(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 2023. Among other reasons, the independent auditor’s initial calculations do not include any reductions for a potential non-participating manufacturers’ (NPM) adjustment with respect to calendar year 2020 data. 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. Each year the withholding has been based on the calendar year data that is three years before the payment year. For example, the withholding in 2022 involved calendar year 2019 data, and Washington’s share of the amounts withheld and placed into the disputed payments account was about 16.5 percent of the amount that the independent auditor calculated was owed to Washington. Participating manufacturers are expected in 2023 to again withhold or place some amounts into the disputed payments account to account for an NPM adjustment (but for calendar year 2020 data).

With respect to the arbitration panel’s decision finding Washington non-diligent with respect to calendar year 2004 data, the independent auditor’s initial calculations do not include a downward adjustment (estimated at \$28.6 million). Participating manufacturers are disputing the independent auditor’s determination to not include that adjustment in its initial calculations. Therefore, at this time, we do not know if Washington’s 2023 April payment will be reduced as a result of the arbitration panel’s non-diligence determination.

With respect to the State's lawsuit to vacate the arbitration panel's finding of non-diligence and its ruling that tribal compact cigarettes qualify as "units sold" under a Washington's statute, I reported last year that the King County Superior Court in February 2022 issued an order denying the State's motion to vacate the arbitration decision, but granted declaratory relief to the State concluding that the arbitration panel's ruling that tribal compact cigarettes are "units sold" within the scope of Washington's statute constituted plain error. Both rulings have been appealed to Division I of the Court of Appeals and the parties are in the process of briefing the issues.

Finally, when we receive additional information regarding this April's MSA payments I we share that information with you. In the meantime, please feel free to contact me if you have any questions. I will be on annual leave, however, on March 22 through March 29. During that period, you should contact Senior Counsel David Hankins at david.hankins@atg.wa.gov. Also, let me know if you should be removed from my MSA Payment contact list or know of someone who should be added.

Cam

Cameron G. Comfort

Sr. Assistant Attorney General
Revenue and Finance Division
PO Box 40123
Olympia WA 98504-0123
(360) 664-9429

This e-mail may contain attorney work-product and confidential information subject to the attorney-client privilege. Please do not distribute this e-mail without my permission. If it appears from the context or otherwise that you have received this e-mail in error, please notify me immediately by reply e-mail, keep the contents confidential, and immediately delete the message and any attachments from your system.