District of Columbia Tobacco Settlement Financing Corporation (TSFC)

Annual Meeting of the Board of Directors

July 30, 2024

Meeting Minutes

Board Members Present

- Carmen Pigler (Office of the Chief Financial Officer, Treasurer and Deputy Chief Financial Officer)
- Betsy Cavendish (Executive Office of the Mayor, General Counsel)
- Jen Budoff (DC Council, Budget Director)

Other Attendees/Invitees:

- Paula Keys (Office of the Chief Financial Officer, Office of Finance and Treasury)
- Corinthian Davis (Office of the Chief Financial Officer, Office of the General Counsel)
- Erin Law (Office of the Chief Financial Officer, Office of the General Counsel)
- Brian Caldwell (Office of the Attorney General)
- Darryl Street (Office of the Chief Financial Officer, Office of Finance and Treasury)

I. Meeting called to order by B. Cavendish

II. Old Business

a. ***Minutes:*** Ms. Cavendish proposed review of September 29, 2023 minutes. Ms. Pigler guided the Board through the minutes. Board members accepted the minutes.

b. ***FY23 Audited Financials:*** Ms. Pigler reported on Watson Rice LLP's FY23 Audited Financials of the Tobacco Settlement Financing Corporation noting the Tobacco Settlement Financing Corporation received a clean audit. Assets totaled $75.5 million comprised of $49.2 million in cash and cash equivalents, $26.1 million in accrued tobacco settlement receivables, $209,665 in interest receivable and $14,000 in pre-paid expenses. $47.5 million of the cash was in a restricted account for the payment of outstanding debt. Ms. Cavendish revisited the expenses paid to Office of the Tax and Revenue (OTR) for the tax compliance officer first discussed at the 2023 Board meeting. Ms. Keys explained that the expenses include payment for several tax compliance team members. The Board requested a meeting with OTR's tax compliance team to provide an overview of their work. Ms. Davis will set up a meeting with OTR.

Mr. Caldwell explained that the non-participating firms may obtain funds held in escrow, 25 years after the funds were placed into escrow (starting July 2025, for the District). The payments received depend on the volume of sales that a particular nonparticipating manufacturer sold in the District. Mr. Caldwell informed the Board that some states have passed legislation that would divert the funds held in escrow for 25 years away from nonparticipating manufacturer to public purposes. Ms. Cavendish inquired if Mr. Caldwell could provide a presentation on how states are managing the reduction in payments.

Mr. Caldwell stated that the Board could also discuss the National Association of Attorney General (NAAG) releases payment projections. Payment projections include a decline resulting from the reduction in the number of cigarettes being shipped to the US.

c. ***<u>Master Settlement Agreement (MSA) Annual Discussion:</u>*** Mr. Caldwell indicated that the MSA does not cover JUUL or other vaping products. NAAG is projecting revenues for April 2025 that range between $26 to $35.2 million. The April 2026 payment is projected to be within a similar range.

III. <u>New Business</u>

a. ***<u>Actual FY23/Projected FY24 Budget</u>*:** Ms. Pigler reported that TSFC expenditures decreased due to a decrease in debt service. The TSFC paid $3.8 million less in debt service on outstanding bonds. Expenses totaled $68,200 for professional services and $160,000 for compliance services provided by the Office of Tax and Revenue (OTR) Tobacco Tax Compliance Team. TSFC ended FY 2023 with $604,000 in revenue. FY 2024 revenue increased to $804,000 with the deposit of $200,000 to the Tobacco Operating Account. FY 2024 expenses are projected to be $398,000.

b. ***<u>Board Vacancy Update:</u>*** Ms. Budoff indicated that Council Chairman Mendelson's staff is reviewing recommendations for the Board's vacancy.

c. ***<u>Board Term Update:</u>*** Ms. Davis reported that the independent Board Member, Ms. Rice's term expires September 19, 2026.

d. <u>Fall Follow-Up meeting:</u> Ms. Davis indicated that she would set up a Board meeting with OTR's Tobacco Tax Compliance team as well as Mr. Caldwell for legislative brainstorming.

IV. <u>Adjournment:</u> Adjourned at 1:38pm.