MINUTES OF THE
43RD MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
AUDIT COMMITTEE
HELD ON TUESDAY, SEPTEMBER 8, 2015 AT 9:25 A.M.
AT ITS OFFICES AT
641 LEXINGTON AVENUE
NEW YORK, NY 10022

MEMBERS AND DESIGNEES

PRESENT:

Kenneth M. Bialo	Member
Andrew A. SanFilippo	Member
Elaine McCann	New York State Division of the Budget, representing Mary Beth Labate, Member (via videoconference)

Mr. Kenneth Bialo presided over the meetings.

Mr. Adam S. Schuman, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Ms. Elaine McCann, representing Budget Director, Ms. Mary Beth Labate participated in the meetings via video conference from the New York State Division of the Budget conference center at the Capital Building, Room 131 in Albany, NY. He also noted that Mr. Andrew SanFilippo attended the meetings from the Agencies' Buffalo Regional Office at Electric Tower, 535 Washington Street, Suite 105 via video conference. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Christopher Curtis, Deputy State Treasurer, Commissioner of Taxation and Finance and the New York State Commissioner of Taxation and Finance, Mr. Jerry Boone, on the HFA/AHC Audit Committees both attended this meeting, as guests, via video conference from the New York State Division of the Budget conference Center at the Capital building, Room 131 in Albany, NY.

Mr. Schuman asked for motions and seconds to call the Audit Committee meetings to order of the New York State Housing Finance Agency (HFA); the New York State Affordable Housing Corporation (AHC); the State of New York Municipal Bond Bank Agency (MBBA) and the Tobacco Settlement Financing Corporation (TSFC). Commissioner Jerry Boone moved to call the HFA and AHC meetings to order; Ms. Elaine McCann seconded the motion. Mr. Anthony Bergamo moved to call the SONYMA meeting to order; Ms. Elaine McCann seconded the motion. Mr. Andrew SanFilippo moved to call the MBBA and TSFC meetings to order; Mr. Kenneth Bialo seconded the motion.

Mr. Schuman stated that as items are presented to each Committee throughout the meetings, these motions and seconds, will be used unless specific items call for a different vote, or unless any Committee member wishes to record his or her vote differently.

Mr. Schuman reported that Commissioner James S. Rubin is the Committee Chairman for the HFA and AHC Audit Committees; that Mr. Kenneth Bialo is the Committee Chairman for MBBA and TSFC Audit Committees and that Mr. Anthony Bergamo is the Committee Chairman for SONYMA Audit Committee.

The meetings of the Audit Committees of the affiliated agencies were opened in joint session for the consideration of various matters of shared importance. These minutes reflect only those items being considered by the Tobacco Settlement Financing Corporation (TSFC). A record of items considered by the Audit Committee of the other affiliated agencies is contained in the minutes of each Committee respectively.

Mr. Schuman stated that for purposes of convenience and to make sure the meetings of the respective agencies go smoothly, items shared by one or more of the Agencies will be presented by MBBA/TSFC Committee Chairman Bialo.

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The first item on the agenda was the adoption of the minutes of the 42nd TSFC Audit Committee meeting held on June 9, 2015. Absent comments or corrections from the Members, the minutes were deemed approved.

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The next item on the agenda was a resolution recommending the approval of the Administrative Budget Request and Financial Plans for FY 2016. Ms. Sheila Robinson, Chief Financial Officer (accompanied by Mr. Darryl Johnson, Deputy CFO and Mr. Gary Weinstock, Vice President and Comptroller) stated that Management seeks approval of the Agencies' Fiscal Year 2016 Administrative Budget (2017 for AHC) and the individual Financial Plans for the Agencies along with the Preliminary Cash/Program Budgets (sent under separate cover). She said the FY2016 Administrative Budget (for the period November 1, 2015 to October 31, 2016) totals $57.9 million which represents a $1.127 million, or 1.98% increase from the FY2015 budget. She noted that the increase includes an increase to accommodate the restructuring of Senior Staff, to add additional legal and accounting staff; and to account for succession planning. She explained that staffing numbers have increased from 192 to 210, noting that the range of budgeted employees (221-230) gives Management some hiring flexibility. She closed by stating that the hiring projections make up the bulk of the increase in budget.

Ms. Robinson said the increase in Personal Services includes salaries, health, dental and insurance costs. She said also included is an overhaul of the Agency's entire Information Technology (IT) system. Ms. Robinson thanked her staff for their help in this challenging work.

Considering the first and second motions previously entered, the motions were carried, and the following resolution was unanimously adopted:

A RESOLUTION OF THE AUDIT COMMITTEES OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION ADOPTING AN ADMINISTRATIVE BUDGET FOR FISCAL YEAR NOVEMBER 1, 2015 TO OCTOBER 31, 2016 AND FINANCIAL PLANS FOR FISCAL YEAR 2016, 2017, 2018 AND 2019 WITH RESPECT TO THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORAITON AND THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION'S FINANCIAL PLAN FOR FISCLA YEARS 2017, 2018, 2019 AND 2020, AND PRELIMINARY CASH BUDGETS FOR THE NEW YORK STATE HOUSING FINANCE AGENCY AND THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY FOR FISCAL YEAR 2016AND RECOMMENDING THE APPROVAL THEREOF TO THE MEMBERS AND DIRECTORS OF THE RESPECTIVE AGENCIES

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The next item on the agenda was a Resolution approving TSFC Internal Audit's Report. Mr. Chopey reported that Management seeks approval of the Internal Audit's report of the Tobacco Settlement Financing Corporation dated August 6, 2015. He reminded the Board that the TSFC was created to authorize the issuance of bonds, etc. He reported that as of the audit date, approximately $7.1 billion in bonds have been issued of which only $1.7 billion is outstanding. He noted that the Agency called approximately $1.3 billion of its Series 2003A-1C and Series 2003B-1C bonds and issued $1.2 billion in new lower-interest rate bonds in 2013.

Mr. Chopey also said that in 2014, the Corporation received approximately $50 million as a result of the settlement of a lawsuit for the sale of tobacco which went into the Treasury (2003-2012). He noted that TSFC continues to receive strategic contribution payments in the amount of $860 million annually until 2017.

Mr. Chopey concluded by stating that the audit included a review of refunding, debt service, cost of issuance, regulatory compliance and controls.

Mr. Bialo stated that the Agency should be applauded and should be recognized for its accomplishments; value should be placed on the savings to the Agency which was referred to as "huge."

Considering the first and second motions previously entered, the motions were carried, and the following resolution was unanimously adopted:

A RESOLUTION OF THE TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEE REVIEWING AND APPROVING INTERNAL AUDIT'S AUDIT OF TOBACCO SETTLEMENT FINANCING CORPORATION

The next item on the agenda was the Independent Independent Auditor's – (Ernst & Young Presentation) – Audit Plan. Mr. Gary Weinstock, Vice President/Comptroller introduced Mr. Louis Roberts, Partner, and Ms. Amy Wong, Assurance Senior Manager from Ernst & Young, the Agency's Independent Auditor. They provided a summary of the services they intend to provide and the items covered included:

a. Client Service Team
b. Audit Plan and Scope
c. Reports to be issued
d. Key dates and timetable

Mr. Roberts referred to Page 3 of the Report which itemized the services and deliverables and other audit and audit-related services for the year ending October 31, 2015 and ending October 31, 2016; page 4 of the Report included an Executive Summary and page 5 of the Report included their audit plan and timetable. He referred to Pages 6-8 which highlighted the areas of audit emphasis. Ms. Wong noted, in particular, and highlighted Page 7, the summary of planned audit procedures and reviewed the significant processes that Ernst & Young will undergo in order to confirm balances, check risk disclosures, etc.

MBBA/TSFC Committee Chairman Mr. Bialo asked about forecasting and the State's input. Mr. Roberts noted that Ernst & Young reviews forecast projections made by New York State for reasonableness but said overall, the forecast projected by New York State is usually in alignment with that of the Agencies.

He said a noteworthy addition was the added $98.9 million savings which was included in the paragraph that discussed refunding. He said the rest of the Report was described as informational in nature.

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The next item on the Agenda was the Report of Administrative Budget Expenditures for the nine months period ending July 31, 2015 and the six months ending April 30, 2015, and updated Financials Plans. This was an information item and it was noted that information

regarding this item was contained in the materials provided to the Members in advance of the meeting, which materials are incorporated herein by reference.

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The next item on the Agenda was the Financial Statement update for the 2nd and 3rd quarter Fiscal 2015 and 1st Quarter Fiscal 2016 for AHC. This was an information item and it was noted that information regarding this item was contained in the materials provided to the Members in advance of the meeting, which materials are incorporated herein by reference.

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There being no unfinished business, Mr. SanFilippo moved to adjourn, Ms. McCann seconded the motion and the meeting was adjourned at 10:00 a.m.

Adam H. Schuman, Secretary