

**MINUTES OF THE 47th MEMBERS' MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
HELD ON SEPTEMBER 15, 2011 AT 10:03 A.M.
AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

MEMBERS AND DESIGNEES

PRESENT

Kenneth m. Bialo	Vice Chairman
Naomi Bayer	Members
Andrew A. SanFilippo	Member
Meghan Anderson	Division of the Budget, representing Robert Megna, Member (via video conference)
Susan L. Watson	Department of State, representing Cesar A. Perales, Member

Vice Chairperson, of HFA, AHC, and SONYMA, Karen Phillips opened the meetings of the Affiliated Agencies in joint session for consideration of matters of shared importance. Kenneth M. Bialo, Vice Chairman chaired the meeting in the absence of a Chairman, These minutes reflect only those items being considered by the Members of the Tobacco Settlement Financing Corporation. Alejandro J. Valella, Vice President and Deputy Counsel, acted as Secretary. A record of items considered by other Agencies is contained in the minutes of each Agency respectively.

The next item on the agenda was the report of the Audit Committees for the Affiliated Agencies. Karen Phillips, Vice Chairperson of HFA, AHC, and SONYMA, reported that the following actions were taken:

- All five Committees adopted Minutes;
- AHC adopted a resolution approving an Internal Audit Report together with Management's response;
- HFA adopted a resolution approving an Internal Audit Report together with Management's response;
- All five agencies reviewed Financial Statement Update 3rd Quarter Fiscal Year 2011 (First Quarter Fiscal Year 2012);
- All five agencies reviewed Auditor's (Ernst & Young) Presentation.

The first item on the agenda was the President's Report. Commissioner Towns stated he wanted to hold his remarks because the meeting was beginning behind schedule since previous meetings took longer than expected.

The next item on the agenda was the approval of the minutes of 46th Members' meeting for the Tobacco Settlement Financing Corporation on June 14, 2011, which minutes were deemed approved, absent corrections from Directors.

The next item on the agenda was a resolution approving the Fiscal Year 2012 Administrative Budget and Financial Plans. Joanne Hounsell, Senior Vice President and Interim Chief Financial Officer, presented the Budget Plan. She first discussed that approval of the Budget Plan was required by statute, regulations, and various Agency resolutions.

Next, Ms. Hounsell summarized some of the key figures in the Budget Plan. She emphasized that the Budget Plan considered the uniqueness of each Agency. She then detailed the \$52.4 million Budget Plan, which represents a 3% budget decrease relative to fiscal year 2011. Her presentation detailed the following:

- The Agencies' largest expense is \$17.3 million for salaries. However, this allocation is the same as fiscal year 2011. Ms. Hounsell noted that the Agencies are budgeted for 221 positions and that 36 of these positions are currently vacant.
- The largest increase in this Budget Plan is the \$890,000 expense for the Early Retirement Incentive. This lump-sum expense was assessed as a result of 15 employees electing to participate in this program.
- The second largest increase relates to hiring consultants to help convert the Agencies' Database Management System. The Agencies need to convert the Database Management System because its current system, FoxPro, is no longer sold or supported by Microsoft. The Database Management System is used for the general ledger, mortgage billing, expenditure control, budgeting, investment, debt service and tax and insurance escrow functions.
- The third largest increase is an increase of \$420,000 in annual pension contributions. This increase is due to lower investment returns in the pension funds.
- Lastly, an additional increase is health insurance premiums, which the Agencies have budgeted an additional \$389,000 for.

Ms. Bayer, asked about the impact of eliminating the workshop and training expense allocated in fiscal year 2011. Ms. Hounsell noted that the decrease related to the termination of the Agency's contract with NeighborWorks. Ms. Marian Zucker, President of the Office of Finance and Development, commented that the Agencies had been satisfied with the initial benefits from the contract, but that the benefits of the contract decreased over time.

Meghan Anderson then asked what was included in the \$17 million expense for salaries. Ms. Hounsell outlined that this figure included the expenses for budgeted positions and the lump-sum expense for the Early Retirement Incentive. Meghan Anderson then asked whether any portion of employee health insurance premiums were paid by the employees. Ms. Hounsell confirmed that the Agencies pay 100% of employee health insurance premiums.

Lastly, Don Lebowitz, a SONYMA Director, asked how the Early Retirement Incentive was affecting the Agencies. Ms. Hounsell said that the senior management is currently evaluating the effect.

Andrew Sanfilippo moved to adopt the resolution; Vice Chairman Bialo seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, THE TOBACCO SETTLEMENT FINANCING CORPORATION AND THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION ADOPTING AN ADMINISTRATIVE BUDGET FOR FISCAL YEAR NOVEMBER 1, 2011 TO OCTOBER 31, 2012 AND

FINANCIAL PLANS FOR FISCAL YEARS 2012, 2013, 2014 AND 2015 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 THE TOBACCO SETTLEMENT FINANCING CORPORATION 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 2012.

The next item on the agenda was a resolution approving the quarterly bond sale report for the periods ending April 30 and July 31, 2011. Vice Chairman Bialo, complimented Marian Zucker and the staff that worked on the successful tobacco bond refunding. It was stated that this refunding resulted in a net present value savings of approximately \$18 million to New York State.

Andrew Sanfilippo moved to adopt the resolution; Vice Chairman Bialo seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING THE AGENCIES' BOND SALE REPORTS.

The next items on the agenda were presented for informational purposes. Information with respect to each of these items was provided to the Directors in advance of the meeting, which information is incorporated herein by reference:

- **Review of the Agencies' Quarterly Investment Reports**
- **Report of the Administrative Budget as of July 31, 2011**
- **Financial Statement Update 3rd Quarter Fiscal Year 2011.**
- **Third Quarterly Procurement Contract Report for the period ending July 31, 2011.**
- **Financial Printer contract with ImageMaster, Inc.**

The next item on the agenda was a resolution appointing **Forrest R. Taylor as Senior Vice President and President of the Office of Professional Services.** It was clarified that this resolution was necessary because neither the MBBA nor TSFC had appointed Mr. Taylor to this position yet. Vice Chairman Bialo sought clarification on whether the Office of Professional Services was newly created. Alejandro Valella described the responsibilities of this office and noted that it had been created in the Fall of 2010 as part of the changes made when the Agencies integrated with DHCR. At the time the position was created, the position was held by the Agencies' Counsel, although the position is not required to be held by the Counsel, or by an Attorney. The position of Counsel is currently vacant. Commissioner Towns then responded to Vice Chairman Bialo's follow up question on the status of appointing a Counsel, noting that appointments to a number of positions were still being considered.

Mr. SanFilippo moved to adopt the resolution; Ms. Watson seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION APPOINTING FORREST R. TAYLOR AS SENIOR VICE PRESIDENT WITH THE TITLE OF PRESIDENT, OFFICE OF PROFESSIONAL SERVICES, NYS HOMES AND COMMUNITY RENEWAL.

There being no unfinished business, Vice Chairman Bialo moved to adjourn the meeting; Mr. SanFilippo seconded the motion; and the TSFC Members' meeting was adjourned at 3:38 p.m.



Secretary