

**Meeting of the Suffolk Tobacco Asset Securitization Corporation  
(STASC)  
August 9, 2012**

**Minutes**

**Attendees:** Jim Morgo, Chairman and President, STASC; Terrence Pearsall, Treasurer & Secretary, STASC; Robert Fonti, Independent Director, STASC; Dennis Brown, Bureau Chief, Municipal Law; Colleen Capece, County Accountant; and Brian Petersen, AVZ Accountants.

**Absent:** Connie Corso, ex-officio STASC Member and County Budget Director.

**Discussion regarding status of the settlement of disputed payments:** It was noted that C. Corso had raised several concerns at the March 2, 2012 meeting regarding settlement of the disputed payments and whether a letter should be sent to the NYS Attorney General urging a settlement. Receipt of the disputed payments would serve to mitigate the County's deficit. B. Peterson noted that even if a collective settlement were reached, the industry could continue to dispute settlement with an individual state. It is possible that NY could be left out of the settlement since cigarettes continue to be sold tax free on Native American reservations located in the state. After much discussion, it was determined that any such letter should be sent jointly by the Suffolk County Executive and Legislature, not STASC. All agreed that the letter should be drafted by Suffolk County's newly appointed bond counsel. D. Brown to speak with Todd Miles of Harris Beach.

**Discussion regarding annual report:** Discussion was led by B. Peterson. He noted that the \$40,000 projected shortfall did not occur and, in fact, a turbo payment of \$95,000 was made. The projected shortfall did not occur because the amount withheld for disputed payments was lower than estimated. B. Peterson noted that STASC utilizes a full accrual accounting method and it is important to note that any "deficit" is not on a cash basis. Any shortfall would be covered by the use of the reserve account (presently around \$18 million). Any deficit would be a default and would hurt the bondholders. B. Peterson projects that the first deficit will occur in 2048. J. Morgo and R. Fonti expressed concern that STASC provide transparency and that the legislators be aware of its status. It was pointed out that STASC maintains a website that provides annual reports, minutes, etc.

**Minutes Approved:** The minutes from the March 2, 2012 meeting were approved. T. Pearsall made the motion, J. Morgo seconded. Minutes approved.

**Motion to accept 2011 Audited Financial Statements and Statement of Investments:** B. Peterson had reviewed the draft financial statements in great detail at the March 2, 2012 meeting. B. Peterson noted that there were no differences between those draft statements and the final statements and he provided a brief recap. Items pointed out included: (1) STASC's bond ratings will decrease as cigarette consumption decreases; (2) since STASC utilizes the full accrual method, long-term debt is included on the financial statements now although revenue to pay those debts will be received in the future; (3) only current activity is included in the "Statement of Revenues, Expenditures and Changes in Fund Balances"; (4) \$200,000 was transferred to the General Fund for operating expenses and the actual amount of such expenses in 2011 was \$100,733; (5) the note on page 28 states the minimum debt service requirements due and indicates that excess funds were used in 2008 to turbo redeem bonds, reducing future interest costs; (6) the note on page 28 further indicates a "jump up" in interest costs in 2013 since 75% of the TSR will now be applied to interest; and (7) the "Schedule of Investments" is a new report included due to PAAA reporting requirements.

A motion to accept the 2011 Audited Financial Statements and Statement of Investments was then made. R. Fonti made the motion, T. Pearsall seconded. Motion approved.

**Motion to authorize AVZ to submit and certify PARIS report:** B. Peterson reviewed the report to be submitted and discussed the items which need to be included on the website. He noted that the organizational chart has been updated, but the measurement report and the mission statement have not changed. A code of ethics needs to be added to the website however, a reference to the Article 30 of the Administrative Code will suffice. D. Brown noted that the codification for the Procurement Policy has changed. D. Brown will send an email to all elected officials to apprise them of the fact that the annual report is included on the STASC website.

A motion to authorize AVZ to submit and certify PARIS report was then made. T. Pearsall made the motion, J. Morgo seconded. Motion approved.

**Motion to accept J. Morgo's resignation as chairman:** A discussion was had regarding J. Morgo's resignation as chairman. J. Morgo stated that he has sent a letter of resignation to the County Executive. D. Brown will draft a memo for J. Morgo to be sent to the County Executive requesting that his resignation be accepted pending the appointment of a successor.

A motion to accept J. Morgo's resignation as chairman pending the appointment of a successor was then made. R. Fonti made the motion, T. Pearsall seconded. Motion approved.

**Adjourn:** Motion to adjourn was made by R. Fonti, seconded by T. Pearsall. Motion approved.