

**NASSAU COUNTY TOBACCO SETTLEMENT  
CORPORATION**

**2023 BUDGET**

# **NASSAU COUNTY TOBACCO SETTLEMENT CORPORATION**

## **BUDGET FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2023**

### **Introduction**

The Nassau County Tobacco Settlement Corporation (the “Corporation”) herein presents the budget of the Corporation for the fiscal year beginning January 1, 2023 (the “2023 Budget”) in accordance with New York State (the “State”) Public Authorities Law §2801(2).

On November 23, 1999, the Corporation, a local development corporation organized under the Not-For-Profit Corporation Law of the State, issued \$294,500,000 of its Tobacco Settlement Asset-Backed Bonds, Series A (the “1999 Tobacco Bonds”) to finance its purchase pursuant to a Purchase and Sale Agreement (the “Sale Agreement”) of all of the County of Nassau’s (the “County”) future right, title and interest under the master settlement agreement (the “MSA”) entered into by participating cigarette manufacturers (the “PMs”), the State, forty-five other states, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa and the Northern Marianas Islands (the “Settling States”) in November 1998 in settlement of certain smoking-related litigation, and the Consent Decree and Final Judgment entered in State Supreme Court for New York County (the “Consent Decree”), including the right to receive certain initial and annual payments (the “tobacco settlement revenues” or “TSRs”) to be made by the PMs under the MSA. The 1999 Tobacco Bonds were not a debt or liability of the County and were secured primarily by the TSRs to be received by the Corporation by virtue of the Sale Agreement.

Pursuant to the Sale Agreement, the County received \$247,500,000 from the Corporation on November 23, 1999 (the “1999 Sale Proceeds”), as partial consideration of the sale of its interests under the MSA and the Consent Decree, the balance of such consideration being received in the form of a 100% beneficial interest in a residual trust (the “Residual Trust”) in the TSRs that were not required to pay various expenses, debt service or required reserves for the 1999 Tobacco Bonds or subsequent Corporation bonds.

On April 5, 2006, the Corporation issued \$431,034,245.85 of its Tobacco Settlement Asset-Backed Bonds, Series 2006 (the “2006 Tobacco Bonds”) a portion of the proceeds of which were used to defease the 1999 Tobacco Bonds and to generate approximately \$119.9 million in proceeds for the County from its beneficial interest in the Residual Trust. TSRs received by the County from April 5, 2006 through March 31, 2008 were not pledged to the holders of the 2006 Tobacco Bonds. The County appropriated such 2006 Tobacco Bonds proceeds to finance various capital projects or designated operating expenses of the County or NHCC. The 2006 Tobacco Bonds are not a debt or liability of the County and are secured primarily by the TSRs pledged to and to be received by the Corporation.

The Corporation has no employees and has not issued debt subsequent to the 2006 Tobacco Bonds. Consequently, it is expected to have limited activity during 2023, consisting primarily of receiving TSRs and making debt service and related payments as required in connection with the 2006 Tobacco Bonds. Other expenditures include rating agency fees, trustee fees, administrative fees, D&O insurance, reporting services and auditing and bookkeeping fees.

## Overview of the 2023 Budget

### **Revenue (Estimated Receipts)**

The Corporation typically has two sources of revenue in its budget: annual TSR payments and investment income, which together are projected to total \$20,520,330 in 2023.

#### **TSR Payments**

The Corporation's primary source of revenue is the annual TSR payments, which are budgeted to be \$20,400,330 in 2023. This reflects a 5.0% decrease from the projected 2022 amount of \$21,474,032 due primarily to a decrease in consumption.

#### **Interest Income**

The Corporation earns investment income on the Senior Liquidity Reserve Account, which is invested in shares of an investment fund which invests in short-term U.S. Treasury securities and in repurchase agreements backed by U.S. Treasury securities. The 2023 budget for investment income is \$120,000, an increase over the projected 2022 amount as interest rates continue to rise.

### **Expenditures**

The Corporation has budgeted \$20,517,456 for total expenses in 2023, consisting of contractual expenses, and principal and interest expense.

#### **Contractual Expenses**

The Corporation has budgeted \$140,000 for contractual expenses in 2023, which covers rating agency fees, trustee fees, administrative fees, D&O insurance, reporting services and auditing and bookkeeping fees.

#### **Interest Expense**

The Corporation projects that its interest expense in 2023 will be \$17,379,992.

#### **Principal Payments**

The Corporation projects that its principal payments in 2023 will be \$2,997,464 reflecting a portion of a required sinking fund payment.

**Actual Revenues (Receipts) and Expenditures for the Corporation’s Last-Completed Fiscal Year (2021), and Estimated Revenues (Receipts) and Expenditures for the Corporation’s Current (2022) and Next (2023) Fiscal Year**

<b>NASSAU COUNTY TOBACCO SETTLEMENT CORPORATION</b>				
<b>EXPENSE</b>	<b>OBJECT</b>	<b>2021 Actual</b>	<b>2022 Projected</b>	<b>2023 Budget</b>
DD	CONTRACTUAL SERVICES	\$120,277	\$122,400	\$140,000
FF	INTEREST	17,534,536	17,698,466	17,379,992
GG	PRINCIPAL	10,857,021	3,642,811	2,997,464
OO	OTHER EXPENSE			
<b>EXPENSE TOTAL</b>		<b>\$28,511,834</b>	<b>\$21,463,677</b>	<b>\$20,517,456</b>
<b>REVENUE</b>				
RO	TOBACCO SETTLEMENT REVENUES	\$20,937,293	\$21,474,032	\$20,400,330
BE	INVESTMENT INCOME	2,679	100,477	120,000
R0801	MISCELLANEOUS INCOME			
<b>REVENUE TOTAL</b>		<b>\$20,939,972</b>	<b>\$21,574,509</b>	<b>\$20,520,330</b>
<b>NET CHANGE IN FUND BALANCE</b>		<b>(\$7,571,862)</b>	<b>\$110,832</b>	<b>\$2,874</b>