

Minutes
Full Commission Meeting
January 8, 2001
Bank of America Building

Members Present by Roll Call

Mr. Anderson
Mr. Arthur
Delegate Bennett
Mr. Bryant
Delegate Byron
Delegate Clement
Mr. Courter
Delegate Dudley
Mr. Lief
Mr. Fields*
Mr. Forbes
Mr. Grinstead*
Mr. Hopkins
Mr. Hurley
Mr. Johnson
Delegate Kilgore
Mr. Montgomery*
Mr. Osborne*
Senator Puckett
Senator Ruff
Mr. Stallard*
Ms. Thomas
Mr. Walker
Senator Wampler
Mr. West
Mr. Williams
Senator Hawkins

* Arrived late

Senator Hawkins welcomed all to meeting.

The Southwest Members of the Commission were late to the meeting due to weather and Senator Hawkins rearranged the agenda.

Martha Moore from the Virginia Farm Bureau requested a change in the agreement between The Commission and Tobio in that the \$1.5 million of matching funds to be raised by Tobio be delayed until March 1, 2001. If matching funds are not raised by this date, the loan would be in default.

Delegate Bennett made a motion to allow Tobio to delay raising matching funds until March 1, 2001.

*Seconded
All in favor by aye vote
None opposed
Motion adopted*

Delegate Bennett made a motion that if there were any technical changes to be made regarding the Tobio contract that the Attorney General's office and the Executive Director approve those changes.

*Motion seconded
All in favor by aye vote
None opposed
Motion adopted*

Clark Lewis of Mays and Valentine spoke to the Commission and announced that Mays had merged with another law firm. Mays & Valentine is now Troutman Sanders Mays & Valentine. This will not change or effect anything regarding doing business with them. Mays is in the process of getting ready for the 2001 payments. They have sent out the 1099 statements for the Phase I 2000 payments and are prepared to answer any questions by calling their toll free number. The latest figure on record for Phase I payments is \$60,400,374. Mays is no longer accepting applications for 2000 payments. Unless there is further direction from the Commission Mays has closed the books on 2000 payments.

They are now beginning the process for 2001 payments. Checks for these payments are anticipated to go out by May 15.

Committee Reports

Economic Development Committee SS

Senator Ruff made a motion to "fast track" Virginia Heartlands' application and advance the funds so that Virginia Heartland's could meet a deadline for matching funds.

Seconded

All in favor by aye vote

None opposed

Motion adopted

Senator Ruff continued with the Committee Report and reported that the Committee recommended that Franklin County be allowed to amend their original request for funds and

made a motion to allow them to do so.

Senator Hawkins suggested that the Commission have a policy on approving modifications to applications that came in by the application deadline.

Senator Ruff withdrew the motion.

Delegate Kilgore made a motion to allow the submitted applications be modified as long as they are approved by the Executive Director and are in the confines of the same money amounts and meet all of the criteria of the original application and the criteria of monies allocated in the formularies.

Seconded

All in favor by aye vote

Motion adopted

*** At this point in the meeting the Southside Commissioners arrived.**

Mr. Lief reminded the Commission that at the November meeting in South Boston the Chairman appointed a special committee to address the issue of "set aside/deal closing" funds. Those appointed were Wampler, Clement, and Lief. Mr. Lief further stated, in the

Closed Session of the SS Economic Committee meeting, it was discussed that there are two counties that will be handicapped absent of deal closing funds. After discussions with Wampler and Clement and with the recommendation of the SS Economic Committee, Mr. Lief

made a motion to temporarily adopt the Guidelines for the Tobacco Region Opportunity Fund until the next meeting and set aside \$800,000 for the deal closing fund to get the deal off the ground so that we don't lose the opportunity.

Seconded

*Discussion- It was reiterated to Delegate Bennett that the Guidelines were just a Draft for the interim until the next meeting (February). **It was further explained to Senator Wampler that this money was coming from the flue cured side.***

*All in favor by aye vote
Motion adopted*

There was a motion to approve the minutes from the November 3, 2000 Full Commission meeting.

Call for an Amendment- Page 4- Changed first year of Mays and Valentine contract to read \$370,000, second year \$355,000 and third year \$355,000.

*Motion to approve minutes as with amendments
Seconded
All in Favor by aye vote
Motion adopted*

Report from the Executive Director

Report attached

Senator Hawkins spoke to the Commission regarding securitization.

Senator Hawkins apologized to the Commission for patroning a bill regarding securitization without authorization of the Commission first, however, this was done because of time constraint in that the Commission was not scheduled to meet until after deadlines for introducing this legislation. Although he personally supports securitization, he assured the Commission that voting on this may be the most important vote we make as a Commission. Regardless of my personal feelings "the feelings of this Commission will be

reflected in the presentation before the money committee." The obligation of this Commission is to best represent those communities that we are appointed to represent. We have no obligation but this. Securitization gives us the opportunity to set aside a known amount of money that would give us a cash flow into areas that need an infusion of cash for economic improvements. To me this is the only opportunity we have for new monies coming into our communities that we can plan to build on. Without securitization there is always the possibility that the monies will not be there when you need them. Securitization gives us the flexibility to make long term planning with a known source of revenue that can be carried on year after year for the next 20 years. There is a misunderstanding that presentations have been made by some parts of the public pertaining to securitization and what takes place with the car tax." Senator Hawkins then explained the Master Settlement Agreement splits in the Commonwealth. The securitization bill does not affect the splits or this Commission charge. When this Commission votes today, we need to vote with the decision that we feel the most comfortable with.

Some key points in the discussion:

Delegate Bennett is very much in favor of securitizing the Commission's piece, however, would like to keep the the health care piece separate.

Delegate Clement commented that there was bonded indebtedness at the higher end.

Senator Hawkins clarified that there are no bonds related to his bill whatsoever.

Mr. Forbes stated that there are a lot of overarching issues that are very important to the economic development issues.

The legislation Securitizes all 3 splits of the Tobacco Settlement monies; the Tobacco Commission (40%), the Tobacco Settlement Foundation (10%) and the General Fund 40%.

Senator Wampler stated that he would rather tackle it one piece at a time and not sure he can "wash all of it down as a whole" on all three pieces. He would prefer to take them up separately.

Mr. Forbes stated that these monies may not be here forever and we need to make some decisions on how we are going to be using them or they may just go away.

Senator Hawkins further stated that he hoped the securitization issue does not get confused with the political fate of the car tax.

Mr. Forbes spoke to the Commission regarding potential risks without securitization. "The general idea of securitization is to take out the living from paycheck to paycheck." Essentially what the Commission has is a lifetime IOU from the Tobacco industry. The industry is prone to catastrophic litigation. The largest risk of all is the political risk in

keeping this Commission funded. Securitization would take these monies out of harm's way. This would earmark the money. Trust funds are essentially the only way to protect these moneys from future Governors and future risks.

Mr. Forbes also defined the necessity of securitizing all 3 splits of the Tobacco Settlement monies in one piece of legislation.

"We have had some of the best minds on Wall Street look at this. We have also had bond counsel people look at it to insure that all the I's were dotted and the T's were crossed. There is no financial downfall to this."

After comments from Senator Hawkins Mr. Forbes introduced Mary Morris, Treasurer of Virginia. Ms. Morris disbursed handouts (handouts available from staff) *Investing in the Commonwealths' Future: Governor Gilmore's Tobacco Settlement Financing Initiative*. Ms. Morris briefed the Commission through the handout.

