

KENTUCKY ASSET/LIABILITY COMMISSION
MINUTES
FEBRUARY 14, 2014

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Friday, February 14, 2014 at 10:00 a.m. ET in Room 182 of the Capitol Annex by Lori Flanery, Secretary, Finance and Administration Cabinet and Chairperson to the Commission. Other members present were Mary Lassiter, proxy for Governor Steven Beshear, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, John Hicks, proxy for Jane Driskell, State Budget Director, Todd Hollenbach, State Treasurer, and Corey Bellamy, proxy for Attorney General, Jack Conway.

The Office of Financial Management (“OFM”) Staff Members Present: Mr. Ryan Barrow, Executive Director of OFM and Secretary to the Commission, Sandy Williams, Deputy Executive Director, Robin Brewer, Tom Midkiff, Steve Starkweather, and Marcia Adams.

Other Guests Present: Angie Offerman and Zach Ireland from the Legislative Research Commission (“LRC”), and David Talley from the Transportation Cabinet.

Secretary Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

A motion was made by Treasurer Todd Hollenbach and seconded by Mr. Ed Ross to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the June 18, 2013 meeting were approved.

Secretary Flanery introduced Ms. Robin Brewer for her introduction of **Resolution 2014-01**:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE AND DELIVERY OF PROJECT NOTES, 2014 FEDERAL HIGHWAY TRUST FUND FIRST SERIES OF THE KENTUCKY ASSET/LIABILITY COMMISSION, IN ONE OR MORE SERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$225,000,000 FOR THE PURPOSE OF PROVIDING FINANCING FOR AUTHORIZED PROJECTS AND ADVANCE REFUNDING CERTAIN FEDERAL HIGHWAY TRUST FUND FIRST SERIES NOTES PREVIOUSLY ISSUED BY THE KENTUCKY ASSET/LIABILITY COMMISSION; AND AUTHORIZING A 2014 SERIES TRUST INDENTURE, FOURTH SUPPLEMENT TO FINANCING/LEASE AGREEMENT, NOTE PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, ESCROW AGREEMENT AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO SUCH NOTES.

Ms. Brewer stated that Resolution 2014-01 is a Resolution of the Kentucky Asset/Liability Commission approving the issuance of Kentucky Asset/Liability Commission Project Notes, 2014 Federal Highway Trust Fund First Series A and 2014 Federal Highway Trust Fund First Refunding Series B (GARVEEs) in an amount not to exceed \$225,000,000. This financing will provide permanent financing for \$150 million of the \$330 million of authorized but unissued bonds authorized by House Bill 3 of the 2010 Extraordinary Session of the General Assembly for the purpose of financing expenditures for the US-68/KY-80 Lake Barkley and Kentucky Lake Bridges Project. The transaction will also advance refund certain outstanding Project Notes, 2005 Federal Highway Trust Fund First Series of the Kentucky Asset/Liability Commission for economic savings and will pay for costs of issuing the Notes. Approval is expected at the State Property and Buildings

February 14, 2014

Commission after this meeting and will be presented to the Capital Projects and Bond Oversight Committee on February 18, 2014. Underwriter is Goldman Sachs; Bond Counsel is Kutak Rock LLP; Underwriter's Counsel is Peck Shaffer & Williams LLP; and the trustee is The Bank of New York Mellon.

The proposed date of sale is March 5, 2014 with a closing of March 19, 2014. The All-In True Interest Cost is estimated to be 3.31%; final maturity of the Notes will be September 1, 2026 with an estimated net present value savings of \$2,132,778. Ms. Brewer then commented on the transaction's estimated debt service schedule and explained its unique structure. The first three maturities at the top of the schedule consist of the refunding part of the transaction and are structured as such to keep the refunded notes within the life of the original note issue. The bottom portion of maturities in the schedule relates to the new money portion of the transaction. This structure will wrap the new debt service around the existing debt service for the current portfolio and will level out the debt service of the overall portfolio. GARVEEs are typically issued on a 12-year basis which restricts future capacity, but leveling out the debt service will help maintain the Commonwealth's strong coverage levels which is important to the rating agencies and will preserve capacity for the next GARVEE issuance anticipated in the fall of 2015. Staff recommends approval.

Mr. John Hicks asked to confirm the total par amount of the 2005 Project Notes being refunded in the transaction. Ms. Brewer replied that approximately \$41.8 million of the 2005 Notes would be refunded. In addition, the September 1, 2014 maturity of the 2005 Notes will be all that is left outstanding under the original Note issuance and will then be paid off after September 1.

Secretary Flanery asked if there were any questions. A motion was made by Mr. John Hicks and seconded by Mr. Corey Bellamy to approve Resolution 2014-01. Motion **CARRIED** and Resolution **2014-01** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



Ryan Barrow
Secretary