

## Kentucky Asset/Liability Commission

Minutes

February 14, 2002

The Kentucky Asset/Liability Commission ("ALCo") meeting was called to order by Chairman T. Kevin Flanery in Room 264 of the Capitol Annex Building, Frankfort, Kentucky, on Thursday, February 14, 2002, at 10:45 a.m.

Members present included: T. Kevin Flanery, Secretary, Finance and Administration Cabinet; Allen Holt, proxy for James R. Ramsey, State Budget Director; Cindy James, proxy for Ben Chandler, Attorney General; Brook Parker, proxy for State Treasurer Jonathan Miller; and Alex Rose, proxy for Dana Mayton, Secretary, Revenue Cabinet. Kevin Mason, Legislative Research Commission, was also present at the meeting.

Secretary Flanery called for a motion to approve the minutes of the October 16, 2001. A motion to approve the minutes of the October 16, 2001 meeting was made by Mr. Holt and seconded by Mr. Rose. **Motion CARRIED.**

Secretary Flanery introduced Resolution 2002-01:

**A RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A FINANCIAL (SWAP) AGREEMENT IN CONNECTION WITH THE SALE OF ROAD FUND REVENUE REFUNDING BONDS, PROJECT NO 73 (SECOND SERIES) OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY; AUTHORIZING THE OFFICE OF FINANCIAL MANAGEMENT TO TAKE ALL NECESSARY ACTIONS; AND TAKING OTHER RELATED ACTION.**

Mr. Mullis, Executive Director of the Office of Financial Management, informed the Commission that Resolution 2002-01 would authorize the Commission to initiate an interest rate swap which would provide a guaranteed level of savings on previously approved State Property and Buildings Commission Project 73 refunding bonds. This swap transaction would allow an estimated present value savings of 3.5 percent on the bonds.

Mr. Tom Howard, Deputy Executive Director of the Office of Financial Management informed the Commission that similar transactions were used in the SPBC Project 40 (Second Series) refunding and SPBC Project 76, and in both instances the hedges performed better than projected. He continued that by entering into the hedge transaction, a savings on the refunding may be preserved. Mr. Howard indicated that the structure for the proposed swap was different from the SPBC Project 40 (Second Series) and SPBC Project 76 transactions in that the settlement will be made on a cash basis from bond proceeds. The swap structure will coincide with the amortization of the bonds.

Secretary Flanery asked if there were any questions from the Commission members regarding adoption of Resolution 2002-01. There were no questions. A motion was made by Mr. Holt and seconded by Mr. Rose to adopt Resolution 2002-01. Resolution was **ADOPTED.**

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Secretary Flanery continued with a discussion of Attachment B, a status report for the 2001 TRAN.

Jason Hamilton, Financial Analyst, Office of Financial Management, indicated that page one of Attachment B was a summary sheet which compared Series A (Fixed Rate) and Series B (Index Rate) of the 2001 General Fund Tax and Revenue Anticipation Notes. Mr. Hamilton continued that Attachment B also included a chart showing the monthly average of the General Fund including the Budget Reserve Trust Fund but excluding the Tax and Revenue Anticipation Notes. Mr. Hamilton further explained that the next four pages of Attachment B show the FY2002 daily cash balance of the General Fund. Mr. Hamilton pointed out that the FY02 General Fund Daily Cash table indicates that the expenditure test was met on September 4, 2001. Mr. Hamilton also explained that the last three charts in Attachment B compares the performance of the TRANS from FY1998 through FY 2002.

Mr. Mullis informed the Commission that staff was working on the Semi-Annual Report for the period ending December 31, 2001. The report should be available to members by the statutory date of March 31, 2002.

Secretary Flanery asked if there was any further business to be brought before the Commission. With no new business before the Commission, the meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Gordon L. Mullis  
Secretary