

KENTUCKY ASSET/LIABILITY COMMISSION
MINUTES
MARCH 13, 2025
11:30 AM

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Thursday, March 13, 2025, at 11:30 AM ET via ZOOM video teleconference, by Geri Grigsby, permanent proxy for Holly M. Johnson, Secretary, Finance and Administration Cabinet (“FAC”), presiding. Other members present were John T. Hicks, State Budget Director, Office of the State Budget Director (“OSBD”); Joe McDaniel, State Controller, Office of the Controller; Robert Gullette, State Treasurer’s Office proxy for Mark H. Metcalf, State Treasurer; and Wil Schroder, Office of the Kentucky Attorney General proxy for Russell Coleman, Attorney General (“AG”).

The Office of Financial Management (“OFM”) Staff Members Present: Chelsey Couch, Executive Director of OFM; Steven Starkweather, Deputy Executive Director of OFM; Billy Aldridge; Bethany Padgett; Melissa Perry; Kaitlin Craigmyle; Marcia Hutcherson; and Aubry McDonald.

Other Guests Present: Barbara Dickens, FAC General Counsel; Katie Smith and Kylee Palmer, Cabinet for Economic Development (“CED”); Laura Theilmann, Frost Brown Todd; David Carlsen, Kentucky Higher Education Student Loan Corporation (“KHESLC”); Randall Royer, Office of Policy and Audit (“OPA”); Robert Slavin, Bond Buyer; Stacy Woodrum, AG; Pam Howarah, Office of the Controller; Tom Midkiff, Susan Cottingham and Tracy Thurston, Kentucky Housing Corporation (“KHC”); Savannah Wiley and Payton Milles, Legislative Research Commission (“LRC”); Susan Rieber, Lieutenant Governor’s Office; and Carla Wright and Kara Smothermon, OSBD.

Deputy Grigsby verified with staff a quorum was present, and the press had been notified of the meeting.

Deputy Grigsby introduced the first item for business, which was the approval of the minutes from the April 29, 2024, meeting. A motion to accept was made by Director Hicks and seconded by Mr. McDaniel to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the April 29, 2024 meeting were **APPROVED**.

Deputy Grigsby recognized Steve Starkweather to present an informational item to the Commission. Mr. Starkweather presented a short description of the 2024 Federal Highway Trust Fund First Refunding Series A. OFM issued \$107,040,000 to refund the ALCo 2014 Series A GARVEE notes which generated over \$2,358,000 in net present value savings or 2.177%. He stated additional information regarding the transaction was available in the packet. No action was needed.

Deputy Grigsby recognized Steve Starkweather to present **Resolution 2025-01**:

**RESOLUTION OF THE KENTUCKY ASSET/LIABILITY COMMISSION AUTHORIZING AND
DIRECTING THE PLEDGE OF ROAD FUND REVENUES AS ADDITIONAL SECURITY FOR
THE PAYMENT OF FUTURE FEDERAL HIGHWAY TRUST FUND NOTES ISSUED BY THE
COMMISSION.**

Mr. Starkweather presented Resolution 2025-01 and directed the Commission’s attention to Attachment B of the PDF where he gave some background on the project. Currently, when Kentucky issues debt to fund Federal Highway Road Projects backed through the Kentucky GARVEE program, Federal Funds are the sole pledged security within the bond documents for repayment. Federal Highway Funds have an 80/20 federal/state split and up until the last couple of years, Kentucky used toll credits to offset the state match

portion. When debt service is due for these projects, the Road Fund advances the required debt service and it is reimbursed with Federal Funds received later. Mr. Starkweather stated, over the years, it has been recognized that there could be timing issues between receipt of Federal Funds and when debt service is due. Kentucky's intent is always to pay debt service when due. Looking to the future, when the Kentucky GARVEE program issues new debt, the intent of this Resolution is to direct staff to modify bond documents to securitize Federal Highway Funds and available Road Funds. This mechanism is commonly referred to as a "double barrel" GARVEE and is employed in the municipal market to strengthen the GARVEE credit profile and achieve an upgrade in ratings over solely federally backed programs. He stated the goal here is to lower the cost of capital. If looking at a major bridge project, this action could quietly produce \$10s of millions of savings for Kentucky taxpayers. The enhanced GARVEE credit pledging the Road Fund will be subordinate to existing Road Fund backed debt until such time as the existing Road Fund debt is refunded or matures. He stated the goal is to prioritize existing holders of Road Fund backed debt. OFM has coordinated with Bond Counsel, OSBD, KYTC, and multiple agencies General Counsels on this project. Staff recommends approval.

Deputy Grigsby called for a motion to approve Resolution **2025-01**. Director Hicks made a motion and was seconded by Mr. Gullette. The motion **CARRIED** and Resolution **2025-01** was **ADOPTED**.

Deputy Grigsby recognized Steve Starkweather to present **Resolution 2025-02**:

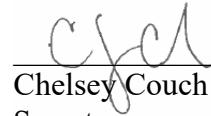
RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE, AND DELIVERY OF PROJECT NOTES, 2025 FEDERAL HIGHWAY TRUST FUND FIRST REFUNDING SERIES A (THE "SERIES 2025A NOTES") OF THE KENTUCKY ASSET/LIABILITY COMMISSION, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35,000,000 FOR THE PURPOSE OF CURRENTLY REFUNDING CERTAIN FEDERAL HIGHWAY TRUST FUND FIRST SERIES NOTES PREVIOUSLY ISSUED BY THE KENTUCKY ASSET/LIABILITY COMMISSION; AND AUTHORIZING A SERIES TRUST INDENTURE - 2025 FIRST REFUNDING SERIES A, AN NINTH SUPPLEMENT TO FINANCING/LEASE AGREEMENT, A NOTE PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT, AN ESCROW AGREEMENT, AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO THE SERIES 2025A NOTES.

Mr. Starkweather presented Resolution 2025-02 and directed the Commission's attention to Attachment C of the PDF. The Resolution provides for the refunding of the ALCo GARVEE 2015 Series A Notes for economic savings and to pay associated costs of issuance. With a not to exceed par of \$35,000,000 and a May 14th sale date the issuance is preliminarily expected to produce \$400,000 in net present value savings or 1.229%. The method of sale is competitive, with Baird serving as Financial Advisor and Bond Counsel is Dinsmore and Shohl. He stated additional information about the transaction was available in the packet. Staff recommends approval.

Deputy Grigsby called for a motion to approve Resolution **2025-02**. Mr. McDaniel made a motion and was seconded by Director Hicks. The motion **CARRIED** and Resolution **2025-02** was **ADOPTED**.

With no further business before the Commission, Deputy Grigsby asked for a motion to adjourn. Director Hicks made a motion and was seconded by all members. Motion **CARRIED** and the meeting adjourned at 11:40 AM.

Respectfully submitted,



Chelsey Couch
Secretary

