

KENTUCKY ASSET/LIABILITY COMMISSION
MINUTES
APRIL 29, 2024
9:00 AM

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Monday, April 29, 2024, at 9:00 AM ET via ZOOM video teleconference, by John T. Hicks, State Budget Director, Office of the State Budget Director (“OSBD”), presiding. Other members present were Geri Grigsby, permanent proxy for Holly M. Johnson, Secretary, Finance and Administration Cabinet (“FAC”); Joe McDaniel, State Controller, Office of the Controller; Robert Gullette, State Treasurers Office proxy for Mark H. Metcalf, State Treasurer and Stacy Woodrum, Office of the Kentucky Attorney General proxy for Russell Coleman, Attorney General.

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

Other Guests Present: Savannah Wiley and Payton Milles, Legislative Research Commission (“LRC”); Robin Brewer, Office of Budget and Fiscal Management; and Carla Wright, OSBD.

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

Director Hicks introduced the first item for business, which was the approval of the minutes from the March 14, 2024, meeting. A motion to accept was made by Mr. McDaniel and seconded by Ms. Grigsby to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the March 14, 2024 meeting were **APPROVED**.

Director Hicks recognized Steve Starkweather to present an informational item to the Commission. He directed the Commission’s attention to his shared screen for a short presentation on an Additional Bond or Notes Test (“ANT”) for the ALCo GARVEEs. He explained that GARVEE Notes are how the state securitizes the federal reimbursement of debt service and financing cost related to Federal Highway Funds known as Title 23. When issuing Additional Notes, the rules surrounding that are found in the Master Indenture and other legal bond or note documents. These are for Future issuance by meeting conditions designed to ensure future revenues are sufficient to pay Debt Service. The current ANT for ALCo GARVEEs in the Master Indenture is 400% of Maximum Annual Debt Service or MADS. This limit was set in 2005 when GARVEE Notes were new and the timing of federal money received as a revenue was questioned as a result of federal budget negotiations. According to the underwriter of Kentucky GARVEE Notes, Kentucky is the last of its peers in the credit category that uses 400% instead of a 300% MADS ANT. He then directed the Commission to the chart showing the outstanding GARVEE debt of the Commission. The \$42,000,000 of the 2015A and the \$55,000,000 of the 2023A will remain outstanding after the Commission currently refunds the \$108,000,000 of outstanding 2014A that was approved in the Commission meeting on March 14, 2024. He stated in order to move to a 300% MADS ANT the Commission needs written consent of a majority of the holders of the Notes. This consent will be achieved by an amendment to the Master Indenture that basically states that purchasers of the 2024A Notes are consenting and agreeing to amend the ANT to 300% of MADS. He stated there must also be a resolution of the Commission, which will be presented after we conclude this discussion. No action was needed.

Director Hicks recognized Steve Starkweather to present **Resolution 2024-02**:

Minutes - Asset/Liability Commission

Page 2

April 29, 2024

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO MASTER TRUST INDENTURE BY AND BETWEEN THE KENTUCKY ASSET/LIABILITY COMMISSION AND THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE, AMENDING AND SUPPLEMENTING THE MASTER TRUST INDENTURE DATED AS OF MAY 1, 2005, FOR THE PURPOSE OF REDUCING THE DEBT SERVICE COVERAGE REQUIREMENTS FOR THE ISSUANCE OF ADDITIONAL NOTES THEREUNDER.

Mr. Starkweather presented Resolution 2024-02 and directed the Commission's attention to Attachment C, page 8 of the pdf. Resolution for the consideration of the Commission to amend Section 2.06 of the existing Master Indenture to reduce the debt service coverage requirement (or ANT) for the issuance of additional project notes from 400% to 300% by gaining consent of at least 50% of project notes issued and outstanding. Staff recommends approval.

Director Hicks called for a motion to approve Resolution **2024-02**. Ms. Grigsby made a motion and was seconded by Mr. McDaniel. The motion **CARRIED** and Resolution **2024-02** was **ADOPTED**.

With no further business before the Commission, Director Hicks asked for a motion to adjourn. Ms. Woodrum made a motion and was seconded by all members. Motion **CARRIED** and the meeting adjourned at 9:12 AM.

Respectfully submitted,

DocuSigned by:

Ryan Barrow

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Ryan Barrow
Secretary

