

TURNPIKE AUTHORITY OF KENTUCKY  
AUGUST 14, 2013  
1:30 P.M.  
ROOM 182, CAPITOL ANNEX

The Turnpike Authority of Kentucky ("Authority" or "TAK") met on Wednesday, August 14, 2013 at 1:30 p.m. in Room 182 of the Capitol Annex.

Members present were Lori Flanery, Secretary of the Finance and Administration Cabinet, in the Chair; Mary Lassiter, proxy for the Honorable Steven L. Beshear, Governor of the Commonwealth and Chairman of the Authority; Shannon Tivitt, proxy for the Honorable Jerry Abramson, Lt. Governor of the Commonwealth; Hollie Spade, proxy for Larry Hayes, Secretary of the Economic Development Cabinet; David Talley, proxy for Mike Hancock, Secretary of Kentucky Transportation Cabinet; Steve Waddle, Kentucky State Highway Engineer; and Larry Clarke, proxy for Jack Conway, Attorney General of the Commonwealth of Kentucky.

Others present at the meeting were; Ryan Barrow, Executive Director of the Office of Financial Management (OFM); Sandy Williams, Deputy Executive Director, OFM; Jason Hamilton, OFM and Treasurer of the Authority; Robin Brewer, OFM; Tom Midkiff, OFM; Christina Keyes, OFM; Jennifer Kantner, OFM; Marcia Hutcherson, OFM and Authority Staff; John Merchant, of Peck, Shaffer and Williams, LLC; Carla Wright, Office of the State Budget Director; Josh Nacey, Legislature Research Committee Kelly Dudley, Legislature Research Committee.

Chairperson Flanery having verified that a quorum was present and that proper notice of the meeting was properly posted in accordance with KRS 61.800-61.850, called the meeting to order.

The first item on the agenda was approval of the minutes of the October 29, 2012 meeting as written. Mary Lassiter made a motion to approve and Shannon Tivitt seconded. The motion carried unanimously.

The next item was a Resolution and Order of the Board for the appointment of Secretary of the Authority. Chairperson Flanery presented to the board that the retirement of Tom Howard necessitated this resolution and recommended that Ryan Barrow, Executive Director of Office of Financial Management be appointed to this position. Ms. Tivitt made a motion to approve and Hollie Spade seconded. The motion carried unanimously.

The next item on the agenda for consideration and approval was the Economic Development Road Revenue and Revenue Refunding Bonds 2013 Series A. Sandy Williams stated to the board that the amount was not to exceed \$295 million and the resolution also gives authorization to execute documents necessary to complete this transaction. Ms. Williams went on to say that (3) three of the documents are presented as exhibits or attachments with the resolution; Form of the 2013 Series A Bonds, The Fourteenth Supplemental Lease and Fourteenth Supplemental Agreement by and among the Authority and the Kentucky Transportation Cabinet (KYTC). Ms. Williams stated that the resolution also allows for the approval, execution, and distribution of the Preliminary Official Statement (POS) and the Final Official Statement (FOS); the execution and delivery of the Bond Purchase Agreement; the

designation of the Chair, Vice Chair, Secretary and the Treasurer to sign documents related to the trust indenture the Bond Purchase Agreement and other related actions as they may arise.

Ms. Williams went on to further explain that the total not to exceed amount consists of \$200 million of new money which represents the first tranche of the \$400 million authorization from HB3 of the General Assembly in its 2010 Extraordinary Session. The bond proceeds will be used by KYTC to fund the highway projects approved within the (6) six year highway plan. The additional \$95 million represents the par amount of bonds that may be sold to advance refund eligible candidates of the 2005B Series Economic Development Road Revenue Bonds. Ms. Williams also stated that OFM staff is monitoring the market and confirming with the underwriter to determine the most economical mix of maturities to refund if any. Ms. Williams also presented a handout to the board and noted that a change was made per an earlier phone call discussion. Ms. Williams indicated that the proposed date of sale has been changed to September 12, 2013 and the expected date of delivery is now October 2, 2013 and ratings are expected around August 30, 2013. The True Interest Cost (TIC) is anticipated at 3.72%, the average annual debt service would be \$21.3 million, and the Final Maturity Date would be July 1, 2033. Ms. Williams stated that at this time, staff has decided not to proceed with the refunding due to the current market conditions but asked for flexibility to proceed with the refunding in the same amount if the market should move and prove to be advantageous. Ms. Williams recommended approval. Mary Lassiter made a motion to approve and Larry Clarke seconded. The motion carried unanimously.

Chairwoman Flanery asked if there were any questions or discussions. Ms. Lassiter asked Ms. Williams what staff considered being the threshold of target savings to be comfortable in proceeding with the refunding. Ms. Williams replied that to her understanding, the savings compared to the negative arbitrage would have to be more than two times. Chairperson Flanery confirmed that staff would not proceed with a refunding if they could not achieve that level of savings and Ms. Williams concurred. Mr. Barrow went on to further explain that OFM has historically looked at two tests to determine whether to proceed with refunding; one requirement is double savings to negative arbitrage; the other is a sensitivity analysis, which if the rates move 25 basis points or lower in our favor that it wouldn't adjust the savings more than 40%. Mr. Barrow went on to say in addition, given market consideration, OFM looks at a break even analysis. Mr. Barrow informed the Board that a refunding can occur in the future near the call date and essentially the rates would have to move more than 100 basis points to achieve savings. Mr. Barrow stated that it is unlikely that this will happen between now and July 1, 2015 which is the reason OFM has decided to not proceed with the refunding at this time and will revisit the notion next year. Chairperson Flanery asked if there were any further questions or discussion; none was presented.

The next item of business was the consideration for approval of the Administrative Expense Request. Jason Hamilton stated that in the past the Board has seen requests for approximately \$125,000 but after reviewing the Authority's budget and accounts it reflects a small surplus. Mr. Hamilton said the surplus was due to savings in previous year's expenditures and by maximizing efficiencies internally. Mr. Hamilton further stated that the Authority would like to request a \$50,000 transfer, which is a \$75,000 reduction from prior requests. Mr. Hamilton stated that the budget will be approximately \$100,000 we will like to continue to maximize these efficiencies to keep costs down for the KYTC as we move forward. Chairperson Flanery asked for a motion to approve. Shannon Tivitt made a motion and Larry Clarke seconded. The motion carried unanimously. Chairperson Flanery asked if there were any questions or discussion. Mr. Talley stated that the KYTC appreciates the reduction and whole heartedly agreed.

Chairperson Flanery asked if there was any further business that need to be presented to the board; none was presented. Chairperson Flanery called for a motion to adjourn. Larry Clarke made a motion and the meeting was adjourned.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Ryan Barrow', with a stylized flourish at the end.

Ryan Barrow  
Secretary of the Authority