

**KENTUCKY ASSET/LIABILITY COMMISSION**  
**MINUTES**  
**APRIL 13, 2020**  
**1:30 PM**

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Monday, April 13, 2020, at 1:31 PM ET via ZOOM video teleconference, by Geri Grigsby, permanent proxy for Holly M. Johnson, Secretary, Finance and Administration Cabinet (“FAC”) and Chairperson to the Commission. Other members present were Edgar C. Ross, State Controller and Executive Director, Office of the Controller; Allison Ball, State Treasurer; and John T. Hicks, State Budget Director, Office of the State Budget Director (“OSBD”). Other members attending without video and not counted in quorum or voting, Stacy Woodrum, permanent proxy for Attorney General Daniel Cameron.

The Office of Financial Management (“OFM”) Staff Members Present: Ryan Barrow, Executive Director of OFM and Secretary to the Commission; Sandy Williams, Deputy Executive Director; Billy Aldridge, John Brady, Bethany Couch, Steve Starkweather, and Jennifer Yount.

Other Guests Present: Josh Rayborn, Office of the Kentucky State Treasurer; Katherine Halloran, Legislative Research Commission (“LRC”); and Carla Wright, OSBD.

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

Ms. Grigsby introduced the first item for business, which was the approval of the minutes from the May 15, 2019, meeting. A motion to accept was made by Mr. Ross and seconded by Mr. Hicks to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the May 15, 2019 meeting were **APPROVED**.

Ms. Grigsby recognized Steve Starkweather to present **Resolution 2020-01**:

**A RESOLUTION AUTHORIZING THE TERMINATION OF ONE OR MORE FINANCIAL (SWAP) AGREEMENTS; AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$140,000,000 GENERAL FUND PROJECT NOTES, 2020 SERIES A REFUNDING NOTES, OF THE KENTUCKY ASSET/LIABILITY COMMISSION FOR THE PURPOSE OF PROVIDING FINANCING FOR AN AUTHORIZED PROJECT; AND AUTHORIZING A FIRST SUPPLEMENTAL TRUST INDENTURE, FIRST SUPPLEMENT TO FINANCING AGREEMENT, NOTE PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO SUCH NOTES.**

Mr. Starkweather gave a brief overview of the Commission and a brief explanation of the Commission’s role with regard to the debt types associated with the Commission. Mr. Starkweather presented Resolution 2020-01 a request to terminate one or more Financial SWAP agreements and approve the issuance of Kentucky Asset/Liability Commission General Fund Refunding Project Notes, 2020 Series A, in a principal amount not to exceed \$140 million. The proceeds will be used to refund the Kentucky Asset/Liability Commission General Fund Floating Rate Notes 2007 Series A and Series B. Mr. Starkweather stated, in May of 2007, the Commonwealth entered into a \$243 million transaction based upon 67% of 3 months London Inter Bank Offered Rate (LIBOR) known as floating rate notes (FRN) and then entered into an interest rate swap agreement with a counterparty allowing the Commonwealth to receive an economic

benefit. The underlying interest rate for the FRN, which is LIBOR, will cease to exist at the end of Calendar Year 2021. The transaction would unwind the swap agreement prior to the ending of LIBOR. The counterparty is the other risk to look at in these transactions. The counterparty paying the Commonwealth the variable rate of interest is Deutsche Bank, which has been downgraded several times over the last 10-years and is not backed by the credit of the US Government. Approving this issuance would de-risk the transaction. The cost to unwind the swaps will be absorbed into the transaction and will likely have small net present value savings. The proposed date of sale and the proposed closing date are to be determined based on market conditions and will be executed if there is up to a negative \$1,000 net present value savings. The estimated all-in true interest cost is 3.965%. This is a negotiated sale. Bond counsel is Kutak Rock LLP, the underwriter is Morgan Stanley, the underwriter's counsel is Dinsmore & Shohl LLP, and the Swap advisor is Hilltop Securities. This was included in the OFM submittal to Capital Projects and Oversight Committee on April 14, 2020. Staff recommended approval.

Ms. Grigsby called for a motion to approve Resolution **2020-01**. Treasurer Ball made a motion and was seconded by Mr. Ross. The motion **CARRIED** and Resolution **2020-01** was **ADOPTED**.

Ms. Grigsby recognized Steve Starkweather to present **Resolution 2020-02**:

**A RESOLUTION OF THE KENTUCKY ASSET/LIABILITY COMMISSION OF  
THE COMMONWEALTH OF KENTUCKY AUTHORIZING THE ADOPTION  
AND USE OF A CORPORATE SEAL.**

Mr. Starkweather presented Resolution 2020-02, authorizing the adoption and use of a Corporate Seal for the Kentucky Asset/Liability Commission. The seal will be used on all official documents, marketing material, official statements, and investor presentations. He further commented a corporate seal would provide branding and assist in the identification of the Commission, resulting in immediate recognition. Staff recommended approval.

Ms. Grigsby called for a motion to approve Resolution **2020-02**. Mr. Hicks made a motion and was seconded by Mr. Ross. The motion **CARRIED** and Resolution **2020-02** was **ADOPTED**.

With no further business before the Commission, Ms. Grigsby asked for a motion to adjourn. Mr. Ross made a motion and was seconded by Mr. Hicks. Motion **CARRIED** and the meeting adjourned at 1:47 PM.

Respectfully submitted,



Ryan Barrow  
Secretary

