

**KENTUCKY ASSET/LIABILITY COMMISSION  
MINUTES  
MAY 15, 2019**

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Wednesday, May 15, 2019 in Room 182 of the Capitol Annex, at 1:30 p.m. ET by Melinda Hill, proxy for William M. Landrum III, Secretary, Finance and Administration Cabinet and Chairperson to the Commission. Other members present were Holly McCoy-Johnson, proxy for Attorney General Andy Beshear; Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet; Allison Ball, State Treasurer and John E. Chilton, State Budget Director.

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

Other Guests Present: Dennis Paiva, Office of the Kentucky State Treasurer.

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

A motion was made by Treasurer Ball and seconded by Director Chilton to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the May 9, 2018 meeting were **APPROVED**.

Ms. Hill introduced Steve Starkweather for his introduction of **Resolution 2019-01**:

**A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE AND DELIVERY OF GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES, OF THE KENTUCKY ASSET/LIABILITY COMMISSION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$400,000,000 FOR THE PURPOSE OF FUNDING EXPENDITURE DEMANDS ON THE GENERAL FUND OF THE COMMONWEALTH OF KENTUCKY; AUTHORIZING A PLEDGE OF AND LIEN ON REVENUES REQUIRED TO BE DEPOSITED TO THE GENERAL FUND TO SECURE SUCH NOTES; AUTHORIZING A TRUST INDENTURE SECURING SUCH NOTES; AND AUTHORIZING AN EXCHANGE AGREEMENT.**

Mr. Starkweather stated that Resolution 2019-01 was a request to approve the issuance of Kentucky Asset/Liability Commission Tax and Revenue Anticipation Notes (“TRAN”) 2019 Series A in an amount not to exceed \$400,000,000. It is a short term financing of less than one year and is designed to offer municipalities a way to borrow in advance of their revenues. Mr. Starkweather presented to the Commission a handout titled, “What is a TRAN?” He gave a brief explanation and history of how the Commonwealth used this type of borrowing over the course of 11 fiscal years from 1999 to 2009. The General Fund borrows cash from other funds and pays them interest; therefore, using a TRAN allows the Commonwealth to borrow at tax exempt rates and invest at taxable rates thereby creating positive arbitrage. The goal of this transaction is to gain at least \$1,000,000 in positive arbitrage. If the market on the date of sale is not advantageous, the transaction will be canceled.

Director Chilton asked what kind of investments would be used. Mr. Starkweather and Mr. Barrow answered they would mostly be in treasuries and agencies. Mr. Ross asked about the current day spread. Mr. Starkweather answered that it was approximately 50-60 bps when the transaction was initially considered. He noted it has become tighter since then and they would not know the exact spread until the debt is issued.

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Treasurer Ball asked about the benefits of the transaction. Mr. Starkweather used the "1-Year MMD and UST History" Chart that was given to the Commission to explain the benefits. The transaction will be a public market offering that will consist of investors. Director Chilton asked about the cost incurred and Mr. Starkweather stated that, if the transaction were canceled, the cost incurred would only be the rating agencies fees. Other costs incurred, if the transaction goes forward, would be bond counsel and underwriter fees and would be less than 1%. Mr. Barrow added that the \$1 million spread being discussed are net of fees. He further explained that, because of the short duration of this transaction, the fees paid to market the bonds would be a lot less than what is paid on traditional bonds. Mr. Starkweather reported that the approximate sale date is late June 2019 and the approximate closing date is early July 2019.

A motion was made by Treasurer Ball and seconded by Mr. Ross to approve Resolution 2019-01. There being no further discussion, the motion **CARRIED** and Resolution **2019-01** was **ADOPTED**.

With no other business, Ms. Hill declared the meeting adjourned.

Respectfully submitted,



Ryan Barrow  
Secretary