

TURNPIKE AUTHORITY OF KENTUCKY

Meeting Minutes

January 23, 2020

1:00 P.M.

ROOM 182, CAPITOL ANNEX

The Turnpike Authority of Kentucky (“Authority” or “TAK”) met on Thursday, January 23, 2020, at 1:00 p.m. in Room 182 of the Capitol Annex.

Members present were: J. Michael Brown, Secretary, Office of the Governor, in the Chair, proxy for the Honorable Andy Beshear, Governor of the Commonwealth of Kentucky; Susan Rieber, proxy for the Honorable, Jacqueline Coleman, Lt. Governor of the Commonwealth of Kentucky. Geri Grigsby, proxy for Holly M. Johnson, Secretary of the Finance and Administration Cabinet; Andy Barber, State Highway Engineer; Robin Brewer, proxy for Secretary, Jim Gray, Kentucky Transportation Cabinet; and John Horne, proxy for Daniel Cameron, Attorney General of the Commonwealth of Kentucky.

Others present at the meeting were: Ed Ross, Office of the Controller and Executive Director of the Authority; Ryan Barrow, Executive Director, Office of Financial Management (OFM) and Secretary of the Authority; Sandy Williams, Deputy Executive Director, OFM; Steve Starkweather, OFM and Treasurer of the Authority; John Brady, OFM; Bethany Couch, OFM; Billy Aldridge, OFM; John Brady, OFM; John Merchant, Dinsmore & Shohl, LLP; Katherine Halloran, Legislative Research Commission (LRC); Julia Wang, (LRC);Brittany Wise, Office of the Controller; Jennifer Stigers, Office of State Budget Director; and Marcia Hutcherson, OFM, Authority staff.

Marcia Hutcherson conducted Roll Call. Secretary Brown having verified a quorum was present and proper notice of the meeting was posted in accordance with KRS 61.800 – 61.850, called the meeting to order.

Secretary Brown introduced the first item of business, which was approval of the minutes from the June 15, 2017, meeting. A motion was made by Ms. Brewer and seconded by Mr. Barber. There being no further discussion, the motion **CARRIED**.

Secretary Brown recognized Ryan Barrow to review an informational item, which was a Summary of the Turnpike Authority of Kentucky. Mr. Barrow summarized an overview of the relationship with the Kentucky Transportation Cabinet (KYTC); Key Road Fund Security Features; Budget Process and Lease Structure; and Road Fund Revenue Sources.

Secretary Brown recognized Steve Starkweather to present the Economic Development Road Revenue Refunding Bonds (Revitalization Projects), Series 2020 A, and 2020 B, Authorizing Resolution. Mr. Starkweather introduced himself as Treasurer and Lead Analyst for the Authority. Mr. Starkweather also mentioned accountants, bankers, auditors, and attorneys, which are key factors in the process of issuing bonds. Mr. Starkweather also introduced John Merchant, Bond Counsel for the Authority. Mr. Starkweather explained the relationship between the Kentucky

Transportation Cabinet and the Authority that was created by KRS Chapter 175. This Chapter contains the legal structure authorization to issue and refund bonds that provide for the road system. The authorization to issue dollar amount of debt comes from the Legislature. The last time the General Assembly authorized “new money” was the 2010 Extraordinary Session through House Bill 3, \$400 million of debt was authorized. To date, \$350 million has been issued. Currently, \$50 million of “new money” remains. The Kentucky Transportation Cabinet does not currently need project funds, but would like to be in a position to execute that “new money” transaction when needed. The second part of a proposed transaction would involve refunding all or part of the 2011 Series A, 2012 Series A, and the 2013 Series A. Mr. Starkweather stated that the office performs an analysis on cash flows based on current interest rates to determine what the potential savings of refunding bonds would be. The actual savings associated with the refunding of a bond is not finally calculated until bonds are sold.

Mr. Starkweather stated that the actual resolution authorizes an amount not to exceed \$250 million. Issue the \$50 million in “new money” and refund the 2011 Series A, 2012 Series A, and 2013 Series A at about \$143 million, with refunding on a taxable basis and a date of delivery of 4/1/20. Mr. Starkweather explained that this may not be exactly what takes place, but it provides a base case for the resolution to give the Authority an understanding of our options and the dollars involved. If selected refunding candidates for economic savings, current models show we could save \$13.4 million on a net present value or roughly 9.3%. This is based on a 2.76% interest rate for “new money” piece and 3.05% interest rate for the refunding. The refunding rate is slightly higher than the “new money” piece based on the taxable nature of this refunding. Mr. Starkweather also stated there are other ways to accomplish a refunding. Mr. Starkweather states that staff recommends approval. There was some discussion relating to the saving variables within this authorization and implementing the most advantageous savings before issued. Secretary Brown called for a motion to approve. Ms. Grigsby made a motion to approve; Susan Rieber seconded. With no further discussion, the motion **CARRIED**.

Secretary Brown recognized Mr. Starkweather to present the Administrative Expense Request. Mr. Starkweather stated the administrative cost of operating the Turnpike Authority is approximately \$100,000 a year. Mr. Starkweather explained this funding pays the salary and fringe benefits of one employee, the cost of arbitrage and audit contracts, and other general administrative needs. Mr. Starkweather added the funding comes from the Kentucky Transportation Cabinet and provided an expenditure report handout. Mr. Starkweather stated, he is asking the board to consider and approve the Administrative Expense Request for operating costs for the period of January 1, 2020 through December 31, 2020. Mr. Barber asked if this funding came from the Road Fund, Ms. Brewer stated yes. Secretary Brown asked if this was based on a calendar year or a fiscal year; Mr. Starkweather stated calendar year. With no further discussion, Secretary Brown asked for a motion to approve. Mr. Barber made a motion and Ms. Grigsby seconded. The motion **CARRIED**.

Secretary Brown recognized Mr. Starkweather for the approval of the FY19 Audit of Financial Statements. Mr. Starkweather stated that the Authority had a clean audit in all material aspects. Mr. Starkweather explained that the Management Representations Letter stated an “unadjusted misstatement” of \$1.8 million which resulted from the difference between estimates that the auditor prepared and the actual experience. It is not a loss or a cost, it is just the difference between

estimated and actual. Mr. Starkweather stated that he and Brittany Wise have discussed how to solve this from happening in future audits of the Authority, but there will likely always be a difference between an estimate and experience. Secretary Brown asked for a motion to approve. Ms. Brewer made a motion to approve and Ms. Grigsby seconded. The motion **CARRIED**.

Secretary Brown recognized Mr. Barrow for the approval of the Turnpike Authority Corporate Seal. Mr. Barrow stated that Kentucky State Bond Issuers have never had an emblem, color, or seal to distinguish them from others. Mr. Barrow stated some talent was found within the Revenue Department in which they put together some designs and graphics to be used on various documents and covers and a visual of the emblem selected was included in meeting material. Secretary Brown commented that it is a no-brainer to distinguish ourselves from others. Secretary Brown asked for a motion to approve. Mr. Barber made a motion to approve and Ms. Rieber seconded. The motion **CARRIED**.

With no further business being brought before the board, Secretary Brown asked for a motion to adjourn. Gerri Grigsby made a motion and was seconded by all remaining members and the meeting adjourned.

Respectfully Submitted,



Ryan Barrow
Secretary of the Authority