

TURNPIKE AUTHORITY OF KENTUCKY

Meeting Minutes

May 10, 2024

10:00 A.M.

Via Zoom

Meeting ID: 717 7619 1945

Passcode: 9wWVjh

The Turnpike Authority of Kentucky (“Authority” or “TAK”) met on Friday, May 10, 2024, at 10:00 a.m. via Zoom.

Members present were: John Hicks, Secretary, Governor’s Executive Cabinet, in the Chair, proxy for the Honorable Andy Beshear, Governor of the Commonwealth of Kentucky; Susan Rieber, proxy for Jacqueline Coleman, Lt. Governor of the Commonwealth of Kentucky; Gerri Grigsby, proxy for Holly M. Johnson, Secretary of the Finance and Administration Cabinet; James E. Ballinger, State Highway Engineer; Robin Brewer, proxy for Secretary, Jim Gray, Kentucky Transportation Cabinet; John Horne, proxy for Russell Coleman, Attorney General of the Commonwealth of Kentucky and Katie Smith, proxy for Secretary, Jeff Noel, Economic Development Cabinet.

Others present at the meeting were: Ryan Barrow, Executive Director, Office of Financial Management (OFM) and Secretary of the Authority; Steve Starkweather, OFM, Deputy Executive Director and Treasurer of the Authority; Aubry McDonald, OFM; Bethany Padgett, OFM; Billy Aldridge, OFM; Melissa Perry, OFM; Kaitlin Craigmyle, OFM; Marcia Hutcherson, OFM and Authority staff; John Merchant, Dinsmore & Shohl, LLP; Kara Smotherman, Office of State Budget Director; Joe McDaniel, Office of the Controller; Robert Long, Finance and Administration, General Counsel; Katherine Halloran, Legislative Research Commission, (LRC); Sara Young, Office of Administrative Services and, Harold Barnett, Arizent/Bond Buyer.

Marcia Hutcherson conducted Roll Call. Secretary Hicks, 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 Hicks introduced the first item of business, which was approval of the minutes from the February 13, 2024, meeting. A motion was made by Ms. Rieber and seconded by Mr. Ballinger. There being no further discussion, the motion **CARRIED**.

Secretary Hicks recognized Steve Starkweather to present for approval the Economic Development Road Revenue Refunding Bonds (Revitalization Projects) 2024 Series A. Mr. Starkweather presented a short slide show to present some background for this transaction. Build America Bonds (BABs) were authorized as part of the American Recovery and Reinvestment Act or “ARRA” as part of stimulus efforts in response to the 2008 Financial Crisis. These bonds had a direct pay subsidy to the issuer of 35% of interest paid.

The Turnpike Authority currently has almost \$131 million of outstanding BABs bonds remaining with a final maturity date of July 1, 2030. Three years after the Authority issued these bonds, the Department of Treasury began sequestration of the subsidy to meet requirements implemented within the budget control act of 2011. Sequestration has since ranged from 5.7% to 8.7% with nearly a \$2.3 million impact on the Authority. Mr. Starkweather also presented the sequestration rates over the time span.

Mr. Starkweather stated that the PAYGO ACT of 2010 was a federal trigger to curb additional unfunded spending resulting from the American Rescue Plan Act. Through a series of congressional actions, we find ourselves to the point of a December 31, 2024, requirement for Congress to adopt budget legislation to address sequestration or the BABs subsidy could be entirely eliminated.

Mr. Starkweather also outlined the legal actions by other entities that have sought to restore the full 35% subsidy, without success; however, the court did conclude that there was material change because of sequestration that impacted issuers. The bond documents contain provisions which outline circumstances for an Extraordinary Redemption Provision (ERP), which is important.

In the next slide Mr. Starkweather showed where numerous issuers, including Kentucky State Property and Buildings Commission have refunded BABs bonds utilizing the ERP which represents nearly \$7.9 Billion.

Mr. Starkweather stated we have a resolution to refund the Turnpike Authority's (TAK) 2010, Series B, BABs which will remove the risk of additional or complete elimination of the BABs subsidy. It will also remove the administrative burden associated with the BABs, and possibly generate some economic savings.

Mr. Starkweather asked if anyone had any questions; none were presented.

Mr. Starkweather presented the authorizing resolution for the Economic Development Road Revenue Refunding Bonds (Revitalization Projects) 2024 Series A, in the amount not to exceed \$133 million. This resolution will refund the TAK 2010 Series B bonds or "BABs." The resolution also outlines the impact sequestration has had on the Authority, the future risks, and the Authority's desire to refund these bonds utilizing the Extraordinary Redemption Provision.

Mr. Starkweather also provided a Preliminary New Bond Issue Report. It contemplates a June 6, 2024, sale and June 27, 2024, close date with approximately \$128 million of bonds with an expected all-in-true interest cost of 3.216% and a small amount of savings. Upon the Authority's approval this transaction will be presented to CPBO as an informational item later this month. Mr. Starkweather asked for the Authority's approval.


Secretary Hicks asked for a motion to approve the 2024 Series A Resolution. Gerri Grigsby made a motion to approve, and Robin Brewer seconded. There being no further discussion, the motion **CARRIED.**

The last item of business is a resolution appointing Secretary and Treasurer for the Authority. Mr. Starkweather stated that Ryan Barrow will be resigning his position as Secretary of the Authority,

and Mr. Starkweather will resign his position as Treasurer both as of May 10, 2024. Mr. Starkweather will be appointed Secretary, and Billy Aldridge will be appointed Treasurer, both upon approval of the Authority on May 10, 2024. Mr. Hicks recognized Mr. Barrow for his dedication and years of service and wishes him well in his new position with Kentucky Public Pension Authority (KPPA). Mr. Hicks asked for a motion to approve; Mr. Ballinger made a motion to approve, and Katie Smith seconded. There being no further discussion, the motion **CARRIED**.

With no further business being brought before the board, Secretary Hicks asked for a motion to adjourn. Ms. Rieber made a motion to adjourn, and the meeting adjourned at 10:07 a.m.

Respectfully Submitted,

  
1F5F722731704E1...

Steven A. Starkweather  
Secretary of the Authority