

*Picture of the Week...*



**FAC Spotlight:**  
**Ryan Barrow with the Office of Financial Management Reflects on Deal of the Year Award**  
*Great recognition for Kentucky and the OFM team*

Last month Kentucky won The Bond Buyer’s Deal of the Year (DOTY) award for an innovative \$232 million tax-exempt bond transaction for a major infrastructure project. Kentucky beat out seven other semifinalists in what *The Bond Buyer* editors said was an extremely competitive field.



For Ryan Barrow, executive director of the Office of Financial Management (OFM) and financing lead for the bond transaction, this award was a first for him personally and a first for OFM.

According to Barrow, the commonwealth won the Southeast Deal of the Year in 2007 for the “shared responsibility” financing for the Kentucky Teacher Retirement healthcare benefit refinancing.

He said he’d always thought it would be nice to at least win a regional award and he never really thought about the possibility of winning the overall DOTY.

In fact he thought the \$727 million bond deal he worked on in 2013 for funding part of the commonwealth’s portion of the \$1.3 billion Ohio River bridges project would win a regional award.

It did not. That goes to show the major competition for regional awards, which are the deals that are then considered for the DOTY award.

But big isn’t always better. In fact criteria for DOTY really focuses on innovation, the ability to



Governor Matt Bevin came out to thank the Landscape Branch employees for working to clear sidewalks and parking lots so that visitors and employees to state facilities won’t have to “slip and slide” in.

Above: Governor posing with Cameron Jewett.

pull complex transactions together under challenging conditions, the ability to serve as a model for other financings and the public purpose for which a deal’s proceeds were used.

“Winning DOTY was a tremendous honor for me, the OFM team and the commonwealth,” said Barrow. “While it’s an industry specific award—and one I probably won’t discuss at a family party—it is definitely one that our peers, financial advisor, trustees, bond rating agencies and others will point to as an example of exceptional financings. Everyone in OFM is honored to have been a part of this financing and being recognized as DOTY.”

Check out page two for more Q and A with Ryan.

**Were you a part of the team that architected the tax exempt bond deal?**

Yes, it was something I strongly encouraged and pushed for with the deal team. Tax exempt financing is the traditional route for public financing and one with which I was very comfortable. But it is not the norm for P3 financings. After a period of time the deal team eventually embraced the idea of a tax exempt conduit structure issued through KEDFA (Kentucky Economic Development Finance Authority) and we were able to pave new ground in the P3 arena with this structure.

**What was the impetus for going the tax exempt route?**

OFM's goal when issuing debt to finance major projects is to achieve the lowest debt service costs consistent with sound financial principles. The tax exempt structure saves millions of dollars in interest costs and gives the Commonwealth the ability to restructure or refund the transaction in the future mitigating part of the long-term contract risk.

**What was your most frustrating/challenging moment in working on the project?**

The economics of the business deal were somewhat challenging given a tight timeline and limited budget.

**Did you have an "ah ha" moment? If so, when/what was it?**

Yes, during the tax analysis. The "ah ha" came when we figured out the structure and how it would be possible to make the deal fit within the tax code. However, I'm sure no one would want me to go over the details of the tax code...

**Do you think Kentucky would have been recognized as DOTY if the project had been structured differently?**

Based on structure Kentucky probably wouldn't have won DOTY because the Bond Buyer looks for unique, new or innovative ways to both deliver and finance a project. This financing met that criteria. This deal paved the way by being the first P3 project to use a nonprofit corporation borrower for tax-exempt financing for a non-transportation related project, and the underwriting was executed in less than 100 days from "start to finish."

**This was a P3 (public-private-partnership). Do you think we'll see more P3 projects for Kentucky?**

The public-private partnership has been an ever increasing model for infrastructure. While I don't anticipate it replacing our normal procurement and financing process for "typical" public projects it can be a great model for unique projects or those with risks we elect to transfer to the public sector.

**Anything else you'd like to add?**

This was a group effort and I want to thank everyone in OFM. I do want give a special shout out to Liz Columbia. She worked closely with me on the deal the entire way through.

I had the opportunity to talk to the editor of The Bond Buyer and was able to find out a bit about this year's selection process. Basically it boiled down to three amazing projects with advocates of each on the selection committee and, according to them, this year was one of the most competitive years. The final vote came down to just a few points separating the top three financings and one individual who allocated all their points to this project pushed us over the top.

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## **Deadline quickly approaching for KYTC engineering scholarship applications**

*Submissions due February 1*

If you have high schoolers who are interested in pursuing a career in civil engineering or civil engineering technology you are encouraged to complete a KYTC Engineering Scholarship Program scholarship application by Feb. 1.

The KYTC Engineering Scholarship Program includes the opportunity for paid summer employment and placement with KYTC in a full-time job upon graduation. Students agree to work one year for KYTC for each year of scholarship assistance. Students can use their award at any of the state's engineering schools including the University of Kentucky, University of Louisville, Western Kentucky University or Kentucky State University.

In addition, KYTC and the Kentucky Community and Technical College System (KCTCS) teamed to develop an associate degree program in civil engineering technology at two campuses – Bluegrass Community and Technical College in Lexington and Big Sandy Community and Technical College in Prestonsburg.

As with the civil engineering scholarship program, students who receive civil engineering technology scholarships agree to one year of work with KYTC for each year of school.

Complete information on the scholarship programs is available at <http://transportation.ky.gov/Education/Pages/default.aspx>.

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