



louisville arena authority

[WWW.ARENAAUTHORITY.COM](http://WWW.ARENAAUTHORITY.COM)

**Board of Directors Meeting**

**April 12, 2011**

**9:00 a.m. EST**

**KFC YUM! Center**

**Louisville, KY**

**Directors in Attendance:** Mr. Larry Bisig, Mr. Todd Blue, Mr. Junior Bridgman, Mr. Ron Carmicle (Ex Officio), Mr. Tim Corrigan, Mr. Eric Gunderson, Ms. Alice Houston, Metro Council President Jim King (Ex Officio), Ms. Cissy Musselman, Mr. Jim Patterson, Ms. Lindy Street (via phone), Mr. William Summers V, Ms. Maura Temes, Mr. Dan Ulmer, Mr. Bob Woolery (via phone), Chairman Jim Host

**Directors Absent:** Vice Chairman Larry Hayes

**Consultants and Staff of Arena Authority:** Mr. Harold Workman, Executive Director; Mr. Dennis Conniff, General Counsel; Mr. Ted Nicholson, KFC YUM! Center General Manager; Ms. Lynn Saltzman, LASEP

**Welcome: Chairman Host**

Chairman Host declared a quorum and convened the meeting. He welcomed new board member Maura Temes.

**DISCUSSION ITEM: Goldman Sachs Advertising Campaign – Chairman Host**

Chairman Host discussed the new Goldman Sachs advertising campaign highlighting their work in communities across the country. The campaign features the arena project. Chairman Host displayed the print ads that have been placed in local and national publications, including *The Wall Street Journal*, *USA Today*, *The Courier-Journal* and *Sports Business Journal*, among others. He then showed the three videos (15-seconds, 30-seconds and 4-minutes) included in the campaign. Goldman Sachs has advised Chairman Host that they have received positive feedback about the campaign and will soon begin broadcasting it on various cable networks. Chairman Host stressed that the campaign was produced at no cost to the Arena Authority.

**DISCUSSION ITEM: Sponsorship Update – Chairman Host**

Chairman Host introduced Ms. Lynn Saltzman, General Manager of LASEP, who announced an additional \$250,000 in new sponsorship sales. Ms. Saltzman reported that Land Rover Louisville will receive signage in the arena elevators and have the opportunity to display a Land Rover vehicle on the Norton Healthcare Plaza during designated events. The Kentucky Air National Guard will receive signage in the arena and be provided



P. O. Box 21179, LOUISVILLE, KENTUCKY 40221-0179  
221 SOUTH FOURTH STREET, LOUISVILLE, KENTUCKY 40202  
(502) 815-6963 PHONE / (502) 815-6962 FAX

recruitment opportunities. Sully's Saloon will be featured on signage in the concourse, and Superior Maintenance Company will receive interior signage. She advised that LASEP will continue to seek new partners for the KFC YUM! Center.

Chairman Host thanked Ms. Saltzman for her continued efforts to secure sponsorships.

**DISCUSSION ITEM: Acceptance of the Minutes of December 13, 2010 Board Meeting – Chairman Host**

Ms. Musselman moved to accept the Minutes of the December 13, 2010 Arena Authority meeting. The motion was seconded by Mr. Gunderson, and the motion passed unanimously with no abstentions.

**DISCUSSION ITEM: Presentation of 2010 Audit – Chairman Host**

Chairman Host advised that a Finance Committee meeting was held on Friday, April 8, led by Committee Chair Larry Hayes. During the meeting, the Committee approved the 2010 Arena Authority audit prepared by Crowe Horwath. Chairman Host introduced Mr. Anthony Brutscher from Crowe Horwath, who presented the audit. Mr. Brutscher advised that the Authority members had been provided a copy of the financial statements, a letter from Crowe Horwath containing the required communications, and a comment letter. Mr. Brutscher thanked the Kentucky State Fair Board accounting staff and Mr. Randy Davis of Mountjoy Chilton Medley for their assistance with the financial statements. He noted that 2010 was a transitional year, as the arena transitioned from construction-related activity to operations. He also recognized the difference between governmental and private accounting standards.

Mr. Brutscher advised that the Arena Authority is responsible for the fair representation of the financial statements, and Crowe Horwath is responsible for rendering an opinion regarding the statements. He reported that the audit is a clean unqualified opinion that the financial statements are fairly stated. Mr. Brutscher advised that the management letter addressed five areas in which internal controls could be improved. He noted one significant deficiency in which the Fair Board appeared to approve invoices to itself. He advised that processes have been put into place to change this practice.

Ms. Musselman asked if separate banking accounts had been established for the Arena Authority, and Chairman Host responded that separate accounts had been established. Mr. Brutscher advised that some Ticketmaster funds are deposited first into the Fair Board account and then transferred to the Arena Authority account; however, this is being changed, and in the future, the funds will be deposited directly into an Arena Authority account.

Mr. Summers moved to approve the 2010 audit as recommended by the Finance Committee. The motion was seconded by Mr. Bridgeman, and the motion passed unanimously. Chairman Host advised that the Arena Authority's fiscal year will continue to be a calendar year, as the Finance Committee determined that it was important to have a full year of operations before considering a change to a June 30 fiscal year.

In response to a question from Council President King, Chairman Host advised that during the first 10 months of 2010, the Kentucky State Fair Board invoices were approved by him and/or Mr. Ulmer as they were included in requisition requests to the bond trustee. In the future, all invoices generated by the Fair Board will be approved by at least two authorized members of the Arena Authority Finance Committee.

**DISCUSSION ITEM: Presentation of Financial Statements –Chairman Host**

Chairman Host introduced Mr. Jerry Frantz, Director of Administrative Services for the Kentucky State Fair Board, who presented the December 31, 2010 financial report. Mr. Frantz reviewed the direct event income generated from events at the arena. The entries include concessions, facility fees, Ticketmaster revenue share, etc. He also reviewed other operating income not directly related to events such as revenue from the team store and the value of contributed services. The total income presented was \$3.8 million. Mr. Frantz reviewed the operating expenses from events, such as Fair Board labor, hired labor, production costs; and the expenses not related to specific events, such as general administrative and indirect maintenance expenses. The total expenses were \$2.1 million, resulting in a year-end income amount of \$130,000.

At the conclusion of Mr. Frantz' presentation, Mr. Bisig asked what the projected year-end net income had been, and Chairman Host responded that the projection was \$1,000,000. Ms. Musselman asked if there had been any large, unanticipated expenses. Mr. Frantz responded that several free public tours were offered when the KFC YUM! Center opened, which required extensive staffing and training. Chairman Host added that approximately \$105,000 had been paid to Metro Government for police staffing related to traffic control. Mr. Workman discussed the parking/traffic plan, which included using on-duty officers to control traffic at all men's basketball games and full-house concerts. He remarked that the police presence may be reduced in the future.

**DISCUSSION ITEM: Excess Cash Calculation – Chairman Host**

Chairman Host introduced Mr. Randy Davis from Mountjoy Chilton Medley, the Arena Authority's financial advisor. Mr. Davis reviewed the arena's excess cash calculations. The calculations included "Type A" revenues, which are obligated for payment of the arena's debt service and include revenue generated from premium seating, advertising and sponsorships, naming rights and TIF. The total "Type A" revenues are \$10,061,901. "Type B" revenues, which are generated from the arena's operations, equal \$130,741, resulting in total funds available of \$10,192,642. The current period debt service (\$0 for 2010) and \$3,000,000 renovation and replacement reserve funds are deducted, resulting in net excess funds of \$7,192,642. Of that amount, 45% of the net excess funds (\$3,236,689) are then deducted and refunded to Louisville Metro government. This results in a net reserve fund at the end of December 31, 2010 of \$6,955,953.

Mr. Davis then reviewed the excess cash calculations for the year ending December 31, 2011. He advised that the "Type A" revenue projection is \$13,238,204; the "Type B" estimate is \$1,202,847, resulting in total funds available of \$14,441,051. The 2011 debt service payment of \$12,400,558 is then deducted, as well as the \$750,000 Freedom Hall reimbursement, leaving net funds available of \$1,290,493. That amount is then moved into the renovation and replacement fund and added to the \$6,955,953 balance from 2010, resulting in a net reserve fund at December 31, 2011 of \$8,246,446.

At the conclusion of Mr. Davis' remarks, Chairman Host advised that approximately \$442,000 in sales tax had been collected from Centerplate's and the Kentucky State Fair Board's operations at the arena site between its opening and December 31, 2010. Additionally, the state recently announced that state sales tax receipts had increased 7% in March 2011. Chairman Host thanked Mr. Davis for his outstanding service to the Arena Authority.

**DISCUSSION ITEM: Financial Advisor Presentation – Chairman Host**

Chairman Host advised that an RFP had been issued for a financial advisor to replace Mountjoy Chilton Medley. He reported that the Finance Committee had recently met and recommended Strothman & Company

to serve as financial advisor to the Arena Authority. He introduced Mr. Bill Meyer and Ms. Jennifer Archie from Strothman & Company and Ms. Toni Levy, who will work with them. Mr. Meyer advised that Strothman has extensive experience with both governmental and non-profit organizations. He stated that they will assist in the proper application of accounting principles and ensure that all contracts are accounted for, among other services. They will schedule an initial meeting with the Kentucky State Fair Board staff, Mr. Randy Davis and representatives from Crowe Horwath to discuss existing practices. Mr. Meyer stated that they will prepare flash reports of events held at the KFC YUM! Center and will assist in preparing a monthly closing checklist. Additionally, they will work with the auditors to ensure that financial statements are prepared properly. They will charge an hourly rate of \$125, with a maximum fee of \$60,000 per year, unless prior approval is obtained to exceed that amount. Mr. Meyer advised that 80% of the work will be performed by Strothman & Company, and at least 20% will be performed by Ms. Levy.

Mr. Ulmer made a motion to engage Strothman & Company to serve as financial advisor to the Arena Authority. The motion was seconded by Ms. Houston and passed unanimously.

**DISCUSSION ITEM: Concert Summary – Chairman Host**

Chairman Host compared the concert attendance numbers at the KFC YUM! Center to other venues. He advised that Justin Bieber sold 16,199 tickets at the KFC YUM! Center, compared to 13,671 at American Airlines Arena in Dallas; Brad Paisley sold 12,719 tickets at the YUM! Center, compared to 8,300 at the Fed Ex Forum; and Kid Rock sold 16,022 at the YUM! Center, compared to 13,626 at the Sprint Center. He advised that 20,137 tickets had been sold for the Elton John concert. Council President King asked about the process used to collect city occupational taxes from acts that perform at the arena. Chairman Host and Mr. Workman responded that they would research the issue.

**DISCUSSION ITEM: Management Update – Ted Nicholson**

Mr. Ted Nicholson, General Manager of the KFC YUM! Center, provided an update on recent activities at the Center. He advised that the arena has hosted 43 basketball games, 15 concerts, and several other events, including family shows, the circus, WWE and ultimate fighting. He complimented AEG on securing numerous popular acts and advised that future concerts include Taylor Swift, Michael Bubl  and Cirque de Soleil. He stated that every concert and event is different and provides a learning opportunity for the arena staff. Ms. Temes complimented the arena staff on its professionalism and friendliness.

**DISCUSSION ITEM: General Counsel Update – Chairman Host**

Chairman Host introduced Mr. Dennis Conniff, representing Frost Brown Todd. Mr. Conniff reported that part of the arena site management plan included addressing contaminated soils on the site. He discussed the need for an Environmental Covenant, which contains certain deed restrictions related to the residential use of the facility (which will not occur). He advised that the Covenant does not restrict the intended use of the facility. Additionally, a Maintenance Plan is needed that would allow the arena staff to perform general maintenance on the site without prior approval from the state. Mr. Corrigan made a motion to approve execution of the Environmental Covenant and Maintenance Plan. The motion was seconded by Mr. Gunderson and passed unanimously.

**DISCUSSION ITEM: Arena news articles/press – Larry Bisig**

Mr. Bisig advised that recent news articles were included in the Arena board books.

**DISCUSSION ITEM:        Other Business – Chairman Host**

Chairman Host advised that the next Arena Authority meeting will be held on June 13, 2011.

No other business to come before the Authority, the meeting was adjourned at approximately 10:10 a.m.

Respectfully submitted,  
Laura Chandler