



louisville arena authority

WWW.ARENAAUTHORITY.COM

**Board of Directors Meeting
August 28, 2008
9:00 a.m. EST
Kentucky International Convention Center
Louisville, KY**

Directors in Attendance: Mr. Larry Bisig, Mr. Todd Blue, Mr. Junior Bridgeman, Ms. Reba Doutrick, Mr. Eric Gunderson, Vice Chairman Larry Hayes, Ms. Alice Houston, Ms. Cissy Musselman, Metro Council President Jim King (Ex Officio), Mr. James Patterson, Ms. Lindy Street, Mr. William Summers V, Mr. Dan Ulmer, Mr. Robert Woolery, and Chairman Jim Host

Directors Absent: Mr. Tim Corrigan, Mr. Lanny Greer (Ex Officio)

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Mark Sommer, General Counsel; Mr. John Hilkene, PC Sports; Mr. Mike Clay, HOK; Mr. John Wood, Mortenson Construction; Mr. Anthony Mathis, Mathis & Sons

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the Minutes of July 31, 2008 Board Meeting – Chairman Host

Ms. Houston moved to accept the Minutes of the July 31, 2008 Arena Authority meeting. The Motion was seconded by Mr. Patterson, and the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: PC Sports Update – Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. John Hilkene, who provided an update from PC Sports. Mr. Hilkene advised that demolition of the LG&E facility is proceeding on schedule. He reported that LG&E is completely off the site, with the exception of an underground transmission line that will be de-activated in October. Mr. Hilkene advised that construction can proceed around the transmission line.



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

DISCUSSION ITEM: Mortenson Update – Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. John Wood, Senior Vice President of Mortenson Construction. Mr. Wood announced that the final Guaranteed Maximum Price (“GMP”) for construction of the Arena is \$227,250,000. This amount, together with the Arena Authority’s furniture, fixture and equipment (“FF&E”) allowance of \$4,750,000 and the owner’s contingency of \$6,000,000 comprises the total construction cost of \$238,000,000.

Mr. Wood explained that in February 2008, the Design Development GMP was \$249 million and that in September 2007, the Initial GMP was \$254 million. He explained that the Design Development GMP included a construction manager contingency of 6% and, in accordance with the Mortenson contract, the final GMP includes a 2.5% construction manager contingency. The cost reduction was achieved primarily through competitive bidding. He stated that there has been considerable subcontractor interest in the Arena project, from both the local and national market. Additionally, PC Sports and the design and construction team found ways to create additional economies on the project.

Committee Chairman Ulmer commended Mortenson and explained that their efforts were instrumental in securing the current financing plan. Chairman Host thanked Mortenson, PC Sports and HOK for working together to reduce the Arena’s construction cost without sacrificing any element of the design. Chairman Host then noted that on December 8, 2005, a presentation was made to the Louisville Arena Task Force during which the construction cost was estimated at \$252,481,000. He also advised that the \$6 million owner’s contingency is sufficient if changes must be made.

Mr. Patterson moved to accept the GMP presented by Mortenson. The Motion was seconded by Mr. Bridgeman and passed unanimously.

DISCUSSION ITEM: HOK Update– Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. Mike Clay, who provided an update from HOK. Mr. Clay reported that HOK has spent a great deal of time working with Mortenson on the GMP. He also advised that HOK is working on its FF&E package, which will be presented to the Construction Committee on September 10.

DISCUSSION ITEM: Bond Issuance Update – Chairman Host

Chairman Host stated that after the previous financing plan failed to close, he and Vice Chairman Hayes discussed the need for updated tax incremental financing (“TIF”) numbers. He explained that if the TIF numbers were lower than projections, the bonds could be suspect.

Chairman Host introduced Mr. Richard Dobson, Executive Director of the Office of Sales and Excise Taxes; and Mr. Greg Harkenrider, Deputy Executive Director of the Governor’s Office for Economic Research. Mr. Harkenrider reported that in 2006, the state tax growth above the benchmark set in 2005 was 4.3%, and the growth in the Arena TIF district was 5.7%. In 2007, the sales tax growth in the Arena TIF district was 10.6%, as compared to 2.3% growth in the state. He commented that this is exceedingly good news and explained that with a 1.9% baseline, even if there is low growth in the TIF district, there is still an approximate \$4 million “cushion.” Mr. Harkenrider also reported that between 2006 and 2007, the property tax growth in the Arena TIF district was 8.7%. He explained that the

numbers are conservative and do not include income tax on workers on the Arena site. He also advised that the TIF will be activated at the end of 2009.

Vice Chairman Hayes thanked Mr. Dobson and Mr. Harkenrider for their efforts, especially in completing the TIF projections so quickly. He commented that the state has been an important partner to the Arena project. Additionally, he remarked that the Arena TIF exemplifies a TIF program, as the state and city are growing an investment through a community facility.

Metro Council President King thanked Chairman Host and Vice Chairman Hayes for keeping him informed as it allows him to advise the Metro Council of the project's status.

Chairman Host offered a resolution allowing the Executive Committee to enter into a bond purchase agreement with Goldman Sachs by executing and delivering all appropriate documents, agreements, etc. necessary for issuance of the bonds. President King made a Motion to adopt the resolution. The Motion was seconded by Mr. Woolery and passed unanimously.

Chairman Host announced that a special meeting would be held on Wednesday, September 3 at 3:00, during which the final financing plan would be announced.

DISCUSSION ITEM: Contracts Update – Mark Sommer

Mr. Sommer reported that focus has been on closing the Arena's financing.

DISCUSSION ITEM: Affirmative Action and Labor Committee – William Summers V

Committee Chairman Summers introduced Mr. Anthony Mathis, who provided an update of the Arena project's MWBE efforts. Mr. Mathis reported that PC Sports is currently tracking MWBE hiring by O'Rourke Wrecking Company and HOK. He advised that to date, HOK has paid approximately \$1,039,000 to MWBE firms, and O'Rourke has paid \$393,000. Additionally, seven employees from the Construction Pipeline Project have been placed in jobs on the Arena project. Mr. Mathis commented that the Louisville Urban League, Justice Resource Center and the local Unions have been working together for the benefit of the community, and he thanked the Arena Authority and the Affirmative Action and Labor Committee for leading this effort. Committee Chairman Summers commented on the importance of all entities working together. He thanked Chairman Host for his commitment to minority participation on the project and he relayed his belief that the project will become a model for the community and the state.

DISCUSSION ITEM: Recognition of Mr. Bruce Traughber – Chairman Host

Chairman Host thanked Mr. Traughber for his assistance with the Arena project. He stated that Mr. Traughber has been instrumental in helping with the TIF district, as well as with necessary construction permits and numerous other areas of the project. Council President King added his appreciation of Mr. Traughber, as did Mr. Blue.

DISCUSSION ITEM: Arena news articles/press – Larry Bisig

Mr. Bisig directed the Authority members to the news articles included in the Arena board book.

DISCUSSION ITEM: Old Business

None

DISCUSSION ITEM: New Business

None

No other business to come before the Authority, the meeting was adjourned at approximately 9:50 a.m.

Respectfully submitted,
Laura Chandler