



louisville arena authority

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**Board of Directors Meeting
February 25, 2008
9:00 a.m. EST
Kentucky International Convention Center
Louisville, KY**

DRAFT

Directors in Attendance: Mr. Larry Bisig, Mr. Neville Blakemore, Mr. Todd Blue, Mr. Junior Bridgeman, Mr. Zev Buffman, Ms. Reba Doutrick, Vice Chairman Larry Hayes, Metro Council President Jim King (Ex Officio), Ms. Cissy Musselman, Mr. James Patterson, Ms. Lindy Street, Mr. Dan Ulmer, Mr. Robert Woolery (via telephone), and Chairman Jim Host

Directors Absent: Mr. Lanny Greer (Ex Officio), Ms. Alice Houston, Mr. William Summers
V

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Mark Sommer, General Counsel; Mr. Mike Clay, HOK; Mr. John Hilken, PC Sports; Ms. Helen Thompson, Assistant General Counsel; Mr. John Wood, Mortenson

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting.

**DISCUSSION ITEM: Acceptance of the Minutes of January 28, 2008 Board Meeting
– Chairman Host**

Ms. Street moved to accept the Minutes of the January 28, 2008 Arena Authority meeting. The Motion was seconded by Mr. Bisig, and the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Larry Hayes

Finance Committee Chairman Hayes introduced Mr. Jerry Frantz, Director of Administrative Services for the Kentucky State Fair Board, who provided an overview of the draft financial statements for January 2008. Mr. Frantz explained that the prior year expenses remain unaudited, although the Arena Authority's auditors are currently conducting the 2007 audit. Mr. Frantz noted that expenses associated with construction in progress increased by approximately



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\$5 million. He also advised that the Authority continues to earn interest income on the investment account.

At the conclusion of Mr. Frantz's report, Chairman Host noted that approximately \$27 million remains in the investment account, which continues to earn interest. Further, the \$2.5 million interest income earned is an unbudgeted item.

DISCUSSION ITEM: Financial Advisor Presentation – Larry Hayes

Finance Committee Chairman Hayes introduced Mr. Mike Mountjoy, who discussed the financial services Mountjoy & Bressler will provide to the Arena Authority. Mr. Mountjoy explained that accounting standards require nonprofit organizations such as the Arena Authority to prepare financial statements in accordance with generally-accepted accounting principals. Mountjoy & Bressler will oversee the Kentucky State Fair Board's preparation of the Authority's financial statements to ensure that they comply with accounting standards. They will assist the Authority by reviewing the financial statements and disclosures before they are presented to the Authority's auditors.

Chairman Host noted that Mountjoy & Bressler participated in a competitive RFP process and was the low bidder. He advised that the engagement amount is \$1500 a month; and although it could increase to \$3000 depending upon the amount of work required, it cannot exceed \$3000.

Finance Committee Chairman Hayes moved that the Authority approve the contract with Mountjoy & Bressler. The motion was seconded by Ms. Musselman and passed unanimously with no abstentions.

DISCUSSION ITEM: Bond Issuance Update – Chairman Host

Chairman Host advised the Authority that he recently received a commitment from one of the major bond insurers for the amount needed to provide insurance for the bonds and an assurance they will provide a surety on the debt service reserve for one half of the debt service reserve. He explained that this is important because it impacts the amount of bonds that will be issued. Additionally, Chairman Host reported that he received preliminary approval of the underlying investment grade rating from Standard & Poor's and Moody's, subject to all final contracts and documents.

Chairman Host advised that Finance Committee Chairman Hayes will likely call a Finance Committee meeting within the next 10 days to two weeks to review the bond insurer's proposal and obtain Goldman Sachs' recommendation regarding how to proceed. He advised that the final bond structure will likely be presented to KEDFA in March and to the full Authority at the March 31 meeting. He stated that if everything goes as planned, then the bonds will be priced and sold in April.

DISCUSSION ITEM: PC Sports Update – Dan Ulmer

Construction Committee Chairman Ulmer asked Mr. John Hilkene to provide an update from PC Sports. Mr. Hilkene reported that PC Sports continues to meet with LG&E once a month to review their progress on the relocation project, which remains under budget and ahead of schedule. Mr. Hilkene stated that initial demolition will begin in March 2008, and major demolition on LG&E properties would likely begin in July 2008. O'Rourke Wrecking will begin its work in the Humana building by removing all "organic material" such as drywall and carpet, essentially leaving only steel and concrete. O'Rourke will also begin work in the vacant LG&E property. This work will continue for several months until the Humana building is imploded and O'Rourke begins demolishing the LG&E buildings.

Mr. Hilkene reported that PC Sports has met with Mortenson regarding the design development guaranteed maximum price. They have also participated in numerous meetings with Mortenson and O'Rourke regarding how to coordinate the demolition and start of construction on the Arena.

DISCUSSION ITEM: HOK Update – Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. Mike Clay, who provided an update from HOK. Mr. Clay advised that HOK recently produced the 100% design development documents for the parking garage, which have been distributed to Mortenson for pricing. HOK and its consultants have participated in numerous meetings with Mortenson regarding the GMP. They have held meetings regarding food service, audio/visual and other issues within the Arena.

Mr. Clay advised that HOK is on schedule to provide its 100% construction documents with three packages by the end of March. The three packages include an underground utility package, foundation package, and mass excavation package. The packages will include the garage portion of the work. Therefore, the progress of the drawings and construction documents for the garage has nearly caught up to the Arena.

DISCUSSION ITEM: Mortenson Update – Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. John Wood, who provided an update from Mortenson. Mr. Wood advised the Authority that according to their contract, Mortenson was required to provide an initial guaranteed maximum price for the Arena's construction costs. Submitted in October 2007, the initial GMP was \$254.1 million. The contract requires Mortenson to refine the guaranteed maximum price twice more: once upon completion of the design development phase and again upon completion of the 100% design documents, which will occur in summer 2008. Mr. Wood advised that the revised guaranteed maximum price is \$241.2 million for construction, plus a \$7.8 million allowance for FF&E (furnishings, fixtures and equipment) and an additional owner's contingency, for a total of \$249 million. He stated that Mortenson is comfortably within the initial guaranteed maximum price they provided in October, and he advised that they will continue to refine construction costs as they proceed with the balance of the design process. A final GMP will be submitted in mid-summer 2008.

Chairman Host commented that the Governor's Arena Task Force had advised that the cost of construction would not exceed \$252 million. Additionally, he stated that the \$249 million

contains a 6% contingency, and the Authority will continue to work with Mortenson to determine if additional reductions can be made without impairing the quality of the facility.

Mr. Patterson asked if the Arena would contain terrazzo floors, and Mr. Ulmer responded that terrazzo floors will be installed in the main lobby.

DISCUSSION ITEM: University of Louisville Update – Chairman Host

Chairman Host commented that an article in the February 18 – 24 edition of *Sports Business Journal* listed the University of Louisville as the highest revenue producing men’s basketball program for 2006 – 2007 based on finance reports of the U.S. Department of Education. The University’s revenues were listed at \$23.22 million. Chairman Host advised that was a key factor in the rating agency’s evaluation of the Arena project as it addresses their question of whether the community would support the facility. He stated that similar information is sent to the rating agencies, bond insurer and Goldman Sachs continually to ensure that they are comfortable with the underlying investment grade rating of the bonds.

DISCUSSION ITEM: Affirmative Action and Labor Committee – Chairman Host

Chairman Host introduced Mr. Michael Gritton, Executive Director of KentuckianaWorks, who provided an update on the Construction Pipeline Project. Mr. Gritton reported that two classes have completed the pipeline project through the skills training portion. Seventeen people participated in the first class: 12 men and five women, 16 African Americans and one Caucasian. Seven men have completed the second class, five African Americans and two Caucasians. Of those completing the class, four have been placed with union apprenticeship jobs. Mr. Gritton advised that Mr. Joe Wise and his colleagues in the building trades and union apprenticeship programs have done a good job with their outreach efforts. He added that they are now trying to build the same kind of pipeline with the Associated Builders and Contractors, which is the lead organizing group for the non-union contractors. Joe Reagan at GLI has offered to convene a meeting of lead contractors to explain the project and the opportunities to hire those who have completed the program, whether they choose the union track or the non-union track. Mr. Gritton concluded by advising that another class of approximately 30 people is expected to begin in early March.

DISCUSSION ITEM: Media and Public Relations Committee Update – Lindy Street

Media and Public Relations Committee Chair Street advised that a Communications Committee meeting had been scheduled. The Committee is also compiling a list of frequently asked questions to be used by Authority members when responding to questions from the public. Ms. Street thanked Mr. Bisig and Mr. Hilken for their work on the sign that will be posted at the Arena construction site.

DISCUSSION ITEM: Arena news articles/press – Larry Bisig

Mr. Bisig directed Authority members to recent news items provided in the Authority binders.

DISCUSSION ITEM: Contracts Update – Mark Sommer

Mr. Sommer reported that a protest had been filed regarding the demolition RFP. He stated his expectation that Finance and Administration Cabinet would issue its ruling very soon. He reported that the board binders contained a copy of the draft agreement with Chilton & Medley for services connected with the 2007 audit. Additionally, he advised that the Kentucky Department of Insurance approved the negotiated contract between the Arena Authority and Marsh. The board binder also contained a copy of the draft Third Amended and Restated TIF Grant Contract and a copy of the agreement with the Authority’s financial advisor, Mountjoy & Bressler.

Mr. Sommer advised that the Team Services Agreement and the Learfield Communications Guaranty Agreement are almost complete. Finally, he provided an update on the IRS Private Letter Ruling. He stated that the IRS has requested a legal briefing regarding the Centerplate revenue stream, which will be forwarded to the IRS on February 26. He stated that ample authority exists that provides that necessary amenities for an Arena facility or a stadium facility run by a tax exempt organization do not qualify as taxable unrelated business income.

DISCUSSION ITEM: Old Business

None

DISCUSSION ITEM: New Business

None

No other business to come before the Authority, the meeting was adjourned at approximately 9:35 a.m.

Respectfully submitted,
Laura Chandler