



louisville arena authority

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Board of Directors Meeting
June 22, 2009
9:00 a.m. EST
Kentucky International Convention Center
Louisville, KY

Directors in Attendance: Mr. Larry Bisig, Mr. Todd Blue, Mr. Junior Bridgeman, Mr. Tim Corrigan (via telephone), Ms. Reba Doutrick, Mr. Lanny Greer (Ex Officio; via telephone), Mr. Eric Gunderson, Vice Chairman Larry Hayes, Ms. Alice Houston, Ms. Cissy Musselman, Mr. James Patterson, Ms. Lindy Street, Mr. William Summers V, Metro Council President David Tandy (Ex Officio), Mr. Dan Ulmer, Chairman Jim Host

Directors Absent: Mr. Robert Woolery

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Ed Glasscock, General Counsel; Mr. Mike Clay, Populous; Mr. Allen Troshinsky, Mr. Bill Hedge and Ms. Lynn Littlejohn, Mortenson Construction; Ms. Paula Yancey, PC Sports

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the Minutes of May 18, 2009 Board Meeting – Chairman Host

Ms. Musselman moved to accept the Minutes of the May 18, 2009 Arena Authority meeting. The Motion was seconded by Mr. Gunderson, and the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Vice Chairman Hayes

Finance Committee Chairman Hayes introduced Mr. Jerry Frantz, Director of Administrative Services for the Kentucky State Fair Board. Mr. Frantz reviewed the May 2009 financial statements, advising that the state grant and bond proceeds remain unchanged, while interest and other income continue to grow modestly. He advised that the 2009 administrative expenses grew slightly in May. The financial statements reflected net resources of \$276,184,859. Mr. Frantz also reviewed the budget breakdown of expenditures to date, tracking the arena design and construction, construction administration, and construction and land acquisition costs, concluding that expenditures remain within budget.



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DISCUSSION ITEM: Hilliard Lyons Bond Update – Vice Chairman Hayes

Finance Committee Chairman Hayes introduced Mr. Jim Allen, Chairman and CEO of Hilliard Lyons, to provide an update on the Arena bonds. Mr. Allen advised that the longer-dated, tax free Arena bonds are trading at a modest premium. He then introduced Ms. Lu Ann Vargo, Senior Vice President and Municipal Trader/Underwriter, to provide a detailed report on the Arena bonds.

Ms. Vargo compared the Arena bonds to Treasury bonds, advising that when the Arena bonds were priced in late August 2008, 30-year Treasury bonds' yield to maturity was 4.39, whereas the Arena bonds' 30-year yield to maturity was 6.12. In January 2009, 30-year Treasury bonds' yield to maturity was 3.14, while the Arena bonds' yield to maturity was 5.75. Ms. Vargo reported the 30-year Treasury bonds' yield is currently 4.48%, while the Arena bonds' yield is 5.75%. She reported that there continues to be a great deal of interest in the Arena bonds. The bonds are still trading at a modest premium, and there is a limited supply of Arena bonds in the marketplace. Ms. Vargo advised that the Arena bonds have a very recognizable name in the marketplace.

DISSUSSION ITEM: Parking & Transportation Committee Update – Eric Gunderson

Parking and Transportation Committee Chairman Gunderson introduced Mr. David Reed, Senior Vice President of Qk4, to discuss the traffic management plan that Qk4 will develop for the Arena. Mr. Reed advised that Qk4 provides architectural, engineering and planning services, and has been working with Populous on the design of the Arena plaza. Mr. Reed stated that Qk4 has begun collecting data for the traffic management plan, and on July 9, 2009, they will host an initial meeting with stakeholders to discuss the plan. Stakeholders include the Arena Authority, University of Louisville, Kentucky Transportation Cabinet, Metro Works, Metro Safe, the local police and fire departments, EMS, PARC, and TRI MARC, among others. The traffic management plan will be completed by November 1, 2009. Mr. Reed advised that Qk4 will continue to work with the DDC and its traffic consultants.

Chairman Host advised that the process will include public involvement. Vice Chairman Hayes stressed the importance of involving the police department in the process, specifically the commander in charge of the Arena area.

DISCUSSION ITEM: PC Sports, Populous and Mortenson Updates – Dan Ulmer

Construction Committee Chairman Ulmer introduced Ms. Paula Yancey, who provided an update from PC Sports. Ms. Yancey advised that PC Sports continues to provide general oversight of the Arena's construction and design activities. Additionally, the Arena Authority, PC Sports and Mortenson recently led a media tour of the project site.

Ms. Yancey introduced Mr. Mike Clay, who reported that Populous continues to process a great deal of paperwork in the form of submittals. The structural engineer has processed approximately 1/3 of the roof steel, 75% of the exterior steel has been processed and they are now starting on the exterior metal panels. Populous is also working with Centerplate on the food service equipment. Mr. Clay advised that one of the first submittals was for kitchen hoods. He reported that they are working to ensure that they procure a hood with the highest ENERGY STAR rating.

Mr. Clay reported that Populous continues to respond to requests for information (“RFI”). He advised that excluding the 300 RFIs associated with increased foundation depths, there have been approximately 800 RFIs, which is below average.

Ms. Yancey introduced Mr. Bill Hedge, who provided an update from Mortenson Construction. Mr. Hedge commended Populous on their efforts in responding to RFIs and submittals. Mr. Hedge reported that new subcontractors on the Arena site include Ready Electric, Hillsdale Fabricators, and Schiller Hardware. He advised that approximately 3,500 yards of concrete were placed in the Arena in the last month, bringing the total amount of concrete placed to date to 20,500. More than 50% of the main concourse level deck and raker beams have been cast, Area B of the suite level deck has been cast, and the plaza level elevated deck work has been cast. Mr. Hedge advised that the amount of concrete that has been cast is equivalent to a four-inch thick, four foot wide sidewalk from Louisville to Cincinnati.

He reported that 1,300 yards of concrete were placed in the garage in the last month for a total of 11,000 yards. He advised that the concrete decks were “topped out” (completed) on schedule in the first week of June 2009. The perimeter garage walls and backfill continues and will be completed in July.

Mr. Hedge advised that there have been 35 first aid cases to date, 238 hazard recognitions and 62 near misses. He advised that the recordable incident rate on the project is now 4.37, which is still below the national average of 5.7. Mr. Hedge then showed a series of photos of the construction progress.

Mr. Ulmer thanked PC Sports and Mortenson for leading the media tour of the project site.

DISCUSSION ITEM: AEG Presentation – Harold Workman

Mr. Workman explained that in accordance with its agreement with the Arena Authority, the Kentucky State Fair Board will handle the daily operations of the Arena, including sales and marketing, which will be led by Ms. Linda Edwards and Ms. Michelle Mangeot. Mr. Workman advised that the Fair Board has contracted with AEG to assist in booking talent, family shows and other events in the Arena. Mr. Workman introduced Mr. Sims Hinds, Senior Vice President of AEG, to provide an overview of AEG.

Mr. Hinds advised that AEG’s mission is to fully support the Fair Board’s booking efforts to maximize event activity at the Arena and Freedom Hall. AEG, a privately-held company, is the world’s largest sports and entertainment company and is the world’s largest promoter of arena events. He stated that AEG successfully programmed and opened seven major venues in the past two years, five of which were nominated for “Best New Venue” by Pollstar Magazine. Mr. Hinds advised that AEG Live, the concert division, promoted more than 5,000 concerts in 2008 and will promote 6,000 concerts in 2009. AEG Events and Media focuses on developing events that tour AEG-affiliated venues on an annual basis. AEG Sports division owns 12 professional sports teams and hosted 53 NCAA basketball tournament events in 2009. AEG’s facilities group is a network of partnerships with 92 sports and entertainment venues. Mr. Hinds advised that AEG opened the Sprint Center in 2007, which attracted 140 events and 1.3 million visitors in its first year. He concluded by stating that AEG will use all of the resources of the company to support the Fair Board’s efforts to maximize event programming for the Arena.

Mr. Bisig asked about the future of Freedom Hall. Chairman Host responded that according to the Arena Authority's agreement with the Fair Board, the Authority will reimburse the Fair Board for the net negative impact of events going to the Arena rather than Freedom Hall. The amount is estimated at \$750,000 a year for the first three years. Mr. Workman added that during the basketball window, there will be an opportunity to bring events to Freedom Hall that was not previously available. Chairman Host asked Mr. Hinds to provide an estimate of how many events could be booked at the Arena in addition to the 40 UofL basketball events. Mr. Hinds estimated between 150 and 175 events. Chairman Host commented that if that occurred, it would far exceed the projections in the Leib Report.

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

Affirmative Action and Labor Committee Chairman Summers asked Ms. Yancey to provide an update of the Arena project's MWBE efforts. Ms. Yancey reported that through May 2009, approximately \$226 million in goods and services have been procured by Populous, Mortenson, O'Rourke Wrecking, and Patriot Engineering. Of \$226 million, \$48.6 million (21.5%) has been committed to MBE firms and \$14 million (6.2%) has been committed to WBE firms.

Ms. Yancey advised that more than 322,000 work hours have been spent on the Arena project, with 63,900 hours (20%) attributed to minority workers and 16,900 hours (5%) attributed to female workers. She commented that the numbers will continue to increase as more workers are activated on the project.

Ms. Yancey reported that 361 (54%) Louisville SMSA (standard metropolitan statistical area) residents and 588 (88%) Kentucky/Indiana residents have worked on the Arena project. She noted that the number of SMSA residents increased from the previous month from 51% to 54%.

Ms. Yancey introduced Ms. Lynn Littlejohn, who provided an update on Mortenson's MWBE efforts. Ms. Littlejohn reported that \$208 million in goods and services have been procured by Mortenson, of which 28% has been committed to MWBE firms. Additionally, 41% has been committed to local firms. Ms. Littlejohn noted that the Arena binders included a spreadsheet identifying local firms that have been awarded a portion of the Arena work. Ms. Littlejohn reported that Mortenson's local participation results are 53% Louisville SMSA residents and 90% Kentucky/Indiana residents. She stated that the number of SMSA residents has increased since March, and she assured the Authority that the local hiring goals will be achieved as new subcontractors and trades join the project. Ms. Littlejohn reported that the amount of occupational taxes withheld from workers on the project is \$93,700, and the amount of state income taxes withheld is \$192,500. Ms. Littlejohn advised that ten graduates of the Construction Pipeline project have been placed on the Arena job. She concluded that Mortenson continues its diligence to ensure community involvement in the project.

DISSUSSION ITEM: General Counsel Update – Ed Glasscock

Mr. Glasscock reported that Frost Brown Todd has been working on the RAM, Schnell and Grayhawk matters. He advised that a hearing was recently held regarding Schnell's motion to intervene in the RAM lawsuit. A hearing was also held regarding a motion to dismiss Schnell's lawsuit. Mr. Glasscock reported that Grayhawk recently filed a lawsuit against the Kentucky Finance Cabinet, Mortenson and the Arena Authority asserting claims similar to those filed by RAM.

Chairman Host explained that the basis of all three lawsuits pertains to the construction manager at risk contract with Mortenson and whether all subcontracts must be awarded according to the state model procurement rules.

DISCUSSION ITEM: Arena news articles/press – Chairman Host

Mr. Bisig thanked Mr. Ulmer and Chairman Host for leading the recent media tour of the Arena project site, and he advised the Authority members that recent news articles were 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 10:05 a.m.

Respectfully submitted,
Laura Chandler