



louisville arena authority

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**Board of Directors Meeting
October 15, 2007
9:00 a.m. EST
Kentucky International Convention Center
Louisville, KY**

DRAFT

Directors in Attendance: Mr. Larry Bisig, Metro Council President Rick Blackwell (Ex Officio), Mr. Neville Blakemore, Mr. Junior Bridgeman, Ms. Reba Doutrick, Vice Chairman Larry Hayes, Ms. Alice Houston, Ms. Cissy Musselman, Mr. James Patterson, Mr. Tom Schifano (Ex Officio), Ms. Lindy Street, Mr. William E. Summers V, Mr. Dan Ulmer, Mr. Robert Woolery, and Chairman Jim Host

Directors Absent: Mr. Todd Blue, Mr. Zev Buffman

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Mark Sommer, General Counsel; Mr. E.J. Narcise, Learfield/Team Services; Mr. John Hilken, PC Sports; Ms. Helen Thompson, Assistant General Counsel; Mr. Tom Bond, Mortenson Company

Opening Remarks and Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the Minutes of September 17, 2007 Board Meeting – Chairman Host

Mr. Bisig moved to accept the Minutes of the September 17, 2007 Arena Authority meeting. The Motion was seconded by Ms. Houston, and the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Vice Chairman Larry Hayes

Vice Chairman Hayes advised that the Finance and Budget Committee recently held a meeting during which it reviewed the Arena Authority's financial statements through August 2007. Vice Chairman Hayes introduced Mr. Jerry Frantz, Director of



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Administrative Services for the Kentucky State Fair Board, which is responsible for the accounting and financial reporting for the Arena Authority. Mr. Frantz provided an overview of the draft financial statements for January through August 2007. Mr. Frantz used the \$75 million grant from the Commonwealth of Kentucky as the starting point. He then explained that the audited amount for 2006 was \$153,741; the 2007 expenses through August 2007 were \$262,316; the amount of prepaid insurance was \$28,612; and the construction-in-progress was \$21,474,538. By deducting \$355,679 in in-kind revenue, the subtotal of assets released from restriction was \$21,563,528, resulting in a balance of state grant and temporarily restricted assets of \$53,436,472. Mr. Frantz stated that the investment interest income earned was \$1,715,968; the operating interest income earned was \$3,639; and the accounts payable was \$1,046,517. Deducting the interest income in transit and the operating account balance resulted in a subtotal of \$2,490,641, which was added to the balance of the state grant and temporarily restricted assets and resulted in cash on hand in the investment account of \$55,927,113.

Vice Chairman Hayes explained that the Finance and Budget Committee will meet with the Arena Authority auditors and the KSFB auditors to review accounting procedures and will report to the full Authority at a future meeting. Vice Chairman Hayes moved to approve the financial statements through August 2007. The motion was seconded by Mr. Summers and passed unanimously.

DISCUSSION ITEM: PC Sports Update – Dan Ulmer

Construction Committee Chairman Ulmer asked Mr. John Hilkene to provide an update from PC Sports and HOK. Mr. Hilkene acknowledged Paula Yancey of PC Sports and Allen Troshinsky of Mortenson, who were part of the team that recently opened the new Sprint arena in Kansas City. Mr. Hilkene reported that the LG&E work continues, and approximately \$22 million has been spent to date on the relocation project.

Mr. Hilkene advised that HOK continues to hold design meetings with UofL regarding programming the team store, locker rooms and suites. HOK's design development documents are due on December 17, 2007, after which Mortenson will provide another estimate and update its initial guaranteed maximum price. Additionally, HOK has held an initial meeting with PARC regarding the parking garage design, and a set of schematic designs for the parking garage is expected within six weeks. Mortenson will then provide a construction estimate on the garage.

Mr. Hilkene advised that the demolition RFI/RFP will likely be issued within one week to 10 days of October 15.

DISCUSSION ITEM: Mortenson Company Update – Dan Ulmer

Construction Committee Chair Ulmer introduced Mr. Tom Bond, who provided an update from the Mortenson Company. Mr. Bond advised that Mortenson has been shadowing HOK's design process and has met with HOK regarding the design status. Mr. Bond introduced Mr. Allen Troshinsky, who discussed the opening ceremonies of the Sprint Center in Kansas City. Chairman Host explained that Mr. Troshinsky will be on-

site and in charge of the Louisville Arena construction process. He advised that Mr. Troshinsky and Ms. Paula Yancey from PC Sports will be very important to the success of the Arena project.

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

Committee Chairman Summers introduced Michael Gritton, Executive Director of KentuckianaWorks, who reported that KentuckianaWorks has signed contracts with the Louisville Urban League, the Justice Resource Center and the Kentuckiana Plan for delivery of services under the Construction Pipeline Project. Mr. Gritton reviewed the five functions of the project: establish a one-stop career center focused on construction; recruiting; orientation; assessment (drug tests and adult basic education); and job readiness training. With the service contracts now signed, recruiting can begin immediately. Mr. Gritton stated that the project's goal is to start with approximately 1200 people and place at least 10 people each month in construction jobs. Mr. Gritton explained that with construction jobs, much of the training workers receive is on-the-job training, either through a union or non-union apprenticeship program.

Mr. Gritton explained that KentuckianaWorks will work with the construction community to understand their needs. Toward that end, a meeting will be scheduled with the key general contractors in the area. Additionally, KentuckianaWorks will work with the Annie E. Casey Foundation, which helped fund a similar program in Hartford, Connecticut approximately 6 years ago that has been very successful and has placed more than 600 workers.

Chairman Host expressed the Authority's appreciation of Committee Chairman Summers, Alice Houston and Junior Bridgeman for their leadership of this effort. He then acknowledged Dr. Joe Wise of the Greater Louisville Construction Trades Council, who was in attendance, Ben Richmond of the Louisville Urban League, and Rev. Louis Coleman.

DISCUSSION ITEM: RFP Updates – Mark Sommer

Mr. Sommer explained that all Arena Authority definitive agreements must be coordinated in order to facilitate the bond financing. As part of that process, Ambac, the bond insurer, has reviewed every agreement, slowing the RFP process somewhat. As part of its review, Ambac engaged an insurance consultant to examine the totality of the project and fill-in any insurance needs. Once Ambac's insurance consultant completes its review, the Construction Insurance RFP will be considered again.

Mr. Sommer advised that the amount of title insurance coverage required by Ambac remains an issue. Once this issue is resolved with Ambac, the Title Insurance RFP will move forward. Mr. Sommer explained that the Bidding Agent and Financial Printer RFPs are relatively small, and by agreement with the Authority's Executive Committee, Goldman Sachs will advise the Authority on these RFPs.

Mr. Sommer concluded by stating that there will be many agreements to review at the November Authority meeting.

Chairman Host explained the importance of the bond insurer. He advised that an investment-grade rating is a “Triple B minus.” Involving a bond insurer should result in a “Double A” rating, and will ensure that the bonds have the best rating, best interest rate and best sale rate. Chairman Host reiterated that Ambac is in the process of reviewing every contract. He stated that Ambac is accustomed to dealing with professional teams and did not understand the Arena Authority’s unique agreement and partnership with the University of Louisville. Chairman Host offered his appreciation to Pete Cautilli, Kevin Miller and the University’s attorneys for their responsiveness and accommodation to Ambac and Goldman Sachs.

DISCUSSION ITEM: TIF Survey/Audit Update – Chairman Host

Chairman Host introduced Mr. Jerry Hurt, who provided an update of DMLO’s audit of the Arena TIF district. Mr. Hurt advised that the Kentucky Finance Cabinet and the Department of Revenue have completed its work on the TIF zone. DMLO has reviewed the state’s calculations and found them to be consistent with their calculations. Mr. Hurt reported that there are 695 sales tax-paying entities within the TIF zone. The 2005 sales tax benchmark is approximately \$28 million, and the 2006 numbers are \$29,800,000, resulting in a 5.7% increase. The TIF grant agreements include a 2.4% inflation factor, which results in 3.3% accruing to the Arena Authority’s benefit, of which the Authority will receive 80% (approximately \$750,000 for 2006).

Mr. Hurt explained that there was a 7.8% change in property tax between 2005 and 2006. After deducting 2.4% inflation factor, 5.4% will accrue to the Arena Authority, of which the Authority will receive 80% (approximately \$97,760). The funds accrued in 2006 – 2009 will be paid in 2010. Chairman Host advised that the Authority expects to receive approximately \$4.2 million in 2010, which will go directly to debt service. The Finance Cabinet estimates that \$265 million will be generated over the 20-year life of the TIF. It is anticipated that the TIF will be paid off in 15 years.

DISCUSSION ITEM: Arena news articles/press – Larry Bisig

Mr. Bisig directed Authority members to recent news items provided in the Authority binders, including articles on minority job skills and sustainability initiatives.

DISCUSSION ITEM: Learfield/Team Services Update – Lindy Street

Media and Public Relations Committee Chair Street introduced Mr. E.J. Narcise, who provided an update from Learfield/Team Services. Mr. Narcise announced that Learfield/Team Services has selected Lynn Abramson-Saltzman as General Sales Manager for its Louisville office. Ms. Saltzman is a resident of Louisville and an industry veteran, and her resume includes work for the San Diego Chargers, Miami Dolphins Stadium Project, and the University of Connecticut.

Mr. Narcise reported that Learfield/Team Services is deeply involved in its sales process. They have plotted strategy and begun meeting with local, regional and national companies regarding naming rights. He explained that the arena sales (auto, soft drinks, etc.) is a more lengthy process, but is also underway. On all items, the response has been overwhelming. Additionally, they are working closely with HOK, Mortenson and the University of Louisville on the Arena designs.

DISCUSSION ITEM: IRS Documents – Chairman Host

Mr. Sommer advised that a Private Letter Ruling request was made to the IRS regarding the tax exempt nature of certain Arena revenue streams, particularly sponsorship revenue. The request for expedited handling was initially denied by the IRS, denied again, and finally approved after the third request. Mr. Sommer stated that the Private Letter Ruling is a condition to closing on the bonds; however, he does not believe that any material issues exist.

Chairman Host expressed the Arena Authority’s gratitude to Senator Jim Bunning for interceding on behalf of the Authority.

Chairman Host recognized Metro Council President Rick Blackwell, and stated that Ambac was very complimentary of the Arena Authority’s partnership with the city.

DISCUSSION ITEM: Contract/Vendor Matters – Chairman Host

None

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