



## louisville arena authority

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**Board of Directors Meeting  
September 17, 2007  
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. Zev Buffman, Ms. Reba Doutrick, Vice Chairman Larry Hayes, Ms. Alice Houston, 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:** Metro Council President Rick Blackwell (Ex Officio), Mr. Junior Bridgeman, Ms. Cissy Musselman

**Consultants and Staff of Arena Authority:** Mr. Harold Workman, Executive Director; Mr. Mark Sommer, General Counsel; Mr. Bob Agramonte, Learfield/Team Services; Mr. John Hilkene, PC Sports; Ms. Helen Thompson, Assistant General Counsel; Mr. John Wood, Mortenson Company

**Opening Remarks and Welcome: Chairman Host**

Chairman Host declared a quorum and convened the meeting.

**DISCUSSION ITEM: Acceptance of the Minutes of August 20, 2007 Board Meeting – Chairman Host**

Ms. Lindy Street moved to accept the Minutes of the August 20, 2007 Board of Directors meeting. The Motion was seconded by Mr. Zev Buffman, and the Motion passed unanimously with no abstentions.

**DISCUSSION ITEM: Presentation of 2006 Financial Audit – Vice Chairman Hayes**

Vice Chairman Hayes explained the Authority's need to review and approve the financial audit in preparation of the bond issue. Vice Chairman Hayes introduced Becky Phillips, CPA with Chilton & Medley. Ms. Phillips provided an overview of Chilton & Medley's



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audit of the Louisville Arena Authority's financial statements from January 12, 2006 (the date of the Authority's inception) through December 31, 2006.

Ms. Phillips explained that the *Statement of Financial Position* (as of December 31, 2006) indicates that the vast majority of the Arena Authority's assets were included in construction in progress. Additionally, the expenditures made or liabilities incurred were related to construction in progress. Similarly, the statement includes significant accounts payable representing liabilities related to construction. Ms. Phillips reported that as of December 31, 2006, \$485,000 had been drawn on the line of credit, and unrestricted net assets were \$5,143,304.

Ms. Phillips explained that the *Statement of Activities and Changes in Net Assets* illustrates that the vast majority of Arena Authority revenues were "temporarily restricted" and originated from the grant from the Commonwealth. Further, since the Arena Authority is a non-profit organization, the statement includes in-kind contributions of \$411,929. Chairman Host explained that in-kind contributions include items such as the Arena Authority logo donated by Mr. Bisig. Ms. Phillips stated that the Authority's expenses were minimal, and most expenses were related to construction in progress.

Ms. Phillips explained that until the Arena is operational, the cash flow from operations will be minimal. However, the cash flow related to investments and financing activities were significant. The cash flow from investing activities reflects payments expended related to the Arena, and cash flow from financing activities reflects inflows such as the proceeds from the line of credit and grant. Ms. Phillips reported that the cash on hand at the end of 2006 was \$37,199. Ms. Phillips directed the Authority members to the *Notes to Financial Statements*, which explain the significant accounting policies, the commitments made by the Arena Authority, and the financing sources expected in the future.

Vice Chairman Hayes moved to adopt the financial audit report issued by Chilton & Medley. The motion was seconded by Mr. Dan Ulmer and passed unanimously.

Authority Chairman Host asked Ms. Phillips if there were any items not disclosed by Chilton & Medley. Ms. Phillips responded that the information included in the *Notes to Financial Statement* reflect required disclosures in accordance with generally-accepted accounting principles. She advised that the *Control Deficiencies Letter* provided to the Arena Authority members contains information and recommendations regarding future accounting procedures. Ms. Phillips explained that as part of the audit, Chilton & Medley was required to review the Arena Authority's internal controls over financial reporting. She noted that the letter includes two items that Chilton & Medley considered to be weaknesses in the control structure.

Ms. Phillips reported that Chilton & Medley recommended that the Arena Authority designate an individual to serve as a financial expert to provide oversight over financial reporting. As the organization responsible for the Arena Authority's financial reporting, the Kentucky State Fair Board responded that the ultimate responsibility for financial

procedures must always remain with the Arena Authority; however, it may be appropriate to designate an outside financial expert if the need arose in the future.

Ms. Phillips explained that the Arena Authority is a non profit organization, and most of the accounting and financial functions performed by the Kentucky State Fair Board are government related. She advised that Chilton & Medley has recommended that the Arena Authority develop an accounting procedures manual to define its accounting procedures, especially regarding items peculiar to non profit organizations such as restricted grants, donated goods and services, and procedures related to construction services.

Vice Chairman Hayes stated, and Ms. Phillips agreed, that the management letter did not suggest that the Kentucky State Fair Board was not diligent in its financial responsibility. Rather, Chilton & Medley's recommendations reflect the difference in government accounting and private sector non profit accounting methods. Vice Chairman Hayes offered a resolution to authorize the Arena Authority Finance Committee to evaluate all options related to the management letter, including issuing an RFP for a financial consultant to assist the Arena Authority in all financial matters if necessary. The Finance Committee will present its report at the October Arena Authority meeting. The motion was seconded by Ms. Alice Houston 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. Mr. Hilkene reported that the LG&E relocation project remains on budget and on schedule.

Mr. Hilkene reported that the HOK contract has been signed. On August 31, HOK issued its 100% schematic design documents, the basis of the initial guaranteed maximum price from Mortenson. He advised that PC Sports has participated in meetings in Frankfort to review the requirements for obtaining building permits and has met with the Kentucky Transportation Cabinet regarding relocation of LG&E's transmission lines.

**DISCUSSION ITEM: Mortenson Company Update – Dan Ulmer**

Construction Committee Chair Ulmer introduced Mr. Wood, who provided an update from the Mortenson Company. Mr. Wood reported that the Mortenson contract has been executed.

Mr. Wood advised that Mortenson's cost estimate based on HOK's schematic design is complete and is \$234,700,000. A detailed document has been presented to Arena Authority Chairman Host and Construction Committee Chairman Ulmer. The estimate includes a 6% (or approximately \$12.4 million) contingency. Mr. Wood stated that to support the sale of bonds to finance the project, Mortenson provided (according to their contract) an initial guaranteed maximum price. Mr. Wood stated that it is unusually early to provide a guaranteed price for a project the size of the Arena. According to Mortenson's contract, in order to accommodate the early price, Mortenson's contingency

was increased an additional 9% to 15%. Mr. Wood advised that including the additional contingency, the maximum guaranteed price is \$254,100,000.

Mr. Wood stated that Mortenson will now begin work to refine the guaranteed maximum price based on design development documents, which should be complete in January 2008. At that time, the contingency will be reduced back to the original 6%. Mr. Wood advised that Mortenson will continue to work with PC Sports and HOK to reduce the construction costs.

Committee Chairman Ulmer emphasized that by January 2008, the designs must be refined in order to further reduce the project's cost. Mr. Todd Blue asked if the project will bond at the \$254 million level, to which Mr. Ulmer replied in the affirmative.

**DISCUSSION ITEM:       Learfield/Team Services Update – Lindy Street**

Media and Public Relations Committee Chair Street introduced Mr. Bob Agramonte, who provided an update from Learfield/Team Services. Mr. Agramonte reported that Learfield/Team Services is fully engaged in its naming rights and sponsorship efforts. He stated that its research and presentation materials are nearly complete. Learfield/Team Services is finalizing timelines regarding design inventories inside the Arena as it relates to potential revenue sources. They have had meetings with representatives from all major categories, including finance, auto, health and others, and have created a secondary list for founding partners and other levels of sponsorships. However, Mr. Agramonte cautioned that they cannot move too quickly until naming rights has been established. Finally, Mr. Agramonte reported that Learfield/Team Services had scheduled final interviews for the local general manager position for the afternoon of September 17. Ms. Houston asked if any of their candidates are from the local community, and Mr. Agramonte responded in the affirmative.

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

Committee Chairman Summers reported that Michael Gritton, Executive Director of KentuckianaWorks, has held two meetings with representatives from the Louisville Urban League and the Kentuckiana Plan regarding the Construction Pipeline Project. The organizations have agreed upon the scope of work each entity will provide and are working on an agreement regarding how the funds will be divided. Mr. Gritton has advised that he is extremely pleased with the cooperation of the two organizations. Chairman Host expressed the Authority's gratitude to Committee Chairman Summers and the Affirmative Action and Labor Committee for their efforts.

**DISCUSSION ITEM:       Resolution requesting the Kentucky Economic Development Finance Authority to issue the principal amount of the Louisville Arena Authority revenue bonds – Mark Sommer**

Mr. Sommer reported that the resolution requesting the Kentucky Economic Development Finance Authority ("KEDFA") to issue the principal amount of the revenue

bonds will allow the Arena Authority to move forward on the project's financing. He advised that KEDFA will be the conduit issuer of the bonds, and at present, the resolution requests KEDFA to issue up to \$360 million in gross bonds. He stated that a series of required documents is addressed in the resolution, including a Loan Agreement; a Bond Indenture Agreement; a purchase contract between KEDFA and Goldman Sachs; an acceptance of commitment for the bond insurance policy; an Official Statement; a Tax Regulatory Agreement and Certificate and a Project Certificate; a Continuing Disclosure Statement; a Mortgage and Security Agreement between the Arena Authority and the Bond Trustee; and any other documents deemed appropriate.

Mr. Bob Woolery made a motion to place the resolution before the Authority. Mr. Buffman seconded the motion. There were no questions, and the motion to approve the resolution carried.

Chairman Host advised that the resolution allows the Authority to move the bond issue forward. There will likely be a hearing before KEDFA in September, and if everything progresses as scheduled, the bonds may be issued by late October or November 2007.

**DISCUSSION ITEM: Construction Insurance and Title Insurance RFP Updates – Mark Sommer**

Mr. Sommer reported that efforts to finalize the various agreements, such as the HOK and Mortenson contracts, required the Authority to delay consideration of the Construction Insurance and Title Insurance RFP responses. Mr. Sommer advised that the bond insurer, Ambac, is currently reviewing all agreements and performing its due diligence. Once Ambac issues its insurance demands, including whether the title insurance must be issued in the full amount of the bonds or the construction cost, both matters can proceed. Mr. Sommer stated that when he receives Ambac's response, he will distribute the RFP information to the Insurance Committee for action.

**DISCUSSION ITEM: Bidding Agent RFP and Financial Printer RFP – Mark Sommer**

Mr. Sommer reported that these items are small purchases of services that are process driven. He stated that Goldman Sachs has been asked to make recommendations regarding these agreements, which should be available for presentation at the October Authority meeting.

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

Mr. Bisig directed Authority members to recent news items provided in the Authority binders, including an article on the Authority's General Counsel, Mark Sommer.

Mr. Bisig also directed Authority members to a *Courier-Journal* article regarding expansion of the Fourth Street Live project on the Water Company site. Mr. Bisig commented that the article illustrates the merit of the decision to locate the Arena on the riverfront, as the community will benefit from two projects.

**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 9:45 a.m.

Respectfully submitted,  
Laura Chandler