



louisville arena authority

Board of Directors Meeting

July 16, 2018

9:00 a.m. EST

KFC Yum! Center

MINUTES

Directors in Attendance: Mr. Jack Dulworth, Ms. Leslie Geoghegan, Mr. Rick Guillaume, Mr. Michael Houlihan, Ms. Alice Houston, Ms. Deborah King, Mr. Darrin McCauley, Mr. Stuart Ray, Mr. Joe Reeves, Mr. Steve Rowland, Mr. Jeff Spalding, Ms. Lindy Street, Chairman Scott Cox

Directors Absent: Mr. Larry Bond, Metro Council President David James (ex-officio), Vice Chairman William Summers V

Consultants and Staff: Mr. C. Edward Glasscock, General Counsel

Welcome: Chairman Cox

Chairman Cox declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the May 21, 2018 Board Meeting Minutes – Chairman Cox

Mr. Jack Dulworth moved to accept the minutes of the May 21, 2018 Louisville Arena Authority meeting. The motion was seconded by Mr. Stuart Ray and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: Finance Report – Chairman Cox

Chairman Cox introduced Ms. Kelly Mrsic of Hilliard Lyons who provided the finance report.

Ms. Mrsic informed the board of the investment policy presented at Friday's Finance Committee meeting and noted the policy's highest priority is to preserve the Arena Authority's principal. Various comments from the Finance Committee will be incorporated and an updated policy will be presented to the Finance Committee, likely at a special meeting. Following the Finance Committee's approval, the policy will be presented to the full board at a future meeting.

Ms. Mrsic reported that the Authority paid its first debt service payment for the 2017 bond issue on June 1, 2018. Mr. Dulworth asked for the dollar amount of the debt service payment. Ms. Mrsic informed the board the first payment was roughly \$7.5 million and interest only. Chairman Cox asked if the December payment would include principal and interest, and Ms. Mrsic responded that the December payment would also be interest only.

DISCUSSION ITEM: AEG Management Update

Mr. Justin Jokovich, Senior Director of Finance, provided the AEG Financial update for the months of April and May 2018. In April, the facility hosted 14 events including Festival of Laughs, Jeff Dunham, Kevin Hart, WWE Smackdown, Jose Sulaiman Boxing Invitational and Disney on Ice. The income statement for the period ending April 30, 2018 resulted in a net operating profit of \$398,467, which was \$172,623 better than budget for the month. This was largely in part due to the performance of the aforementioned events.

For the month of May, the facility hosted 7 events including Willie Nelson, UL Spring Commencement, Taste of Derby, Jack Daniel's Art Exhibit and 2 meetings/banquets. The income statement for the period ending May 31, 2018 resulted in a net operating loss of \$339,636, which was \$286,715 below budget for the month. Mr. Jokovich noted the negative variance was due to budgeting for two concerts in the month of May and only hosting one.

Year-to-date the arena is operating at a net operating profit of \$2.52 million, which is \$195,200 above budget for the 11-month period. According to the Rolling Forecast for the 2017-18 fiscal year (as of the period ending May 31, 2018) AEG is projecting a net operating profit of \$1.783 million, which is \$104,764 above budget.

Mr. Jokovich informed the board that the Procurement Committee met on Friday to approve RFPs for a stage and core router. StageRight was selected for a new stage at a cost of \$130,000, and Data Strategy was selected for a new core router at a cost of \$128,000. Both projects combined came in at roughly \$13,000 under budget from the previously approved capital expenditures. Chairman Cox asked for the balance of the capital account, and Mr. Jokovich responded the balance was \$13 million. Chairman Cox also inquired what AEG budgeted to spend out of the account over the next few years. Mr. Jokovich estimated about \$1 million per year would be spent. Mr. Rowland pointed out that the two aforementioned projects would come out of the operating budget and not the capital account.

Ms. Sandra Moran, Director of Marketing, provided a recap for the 2017/18 fiscal year and updated the board on upcoming events.

Ms. Moran reported that the arena hosted 117 total events during the 2017/18 fiscal year, including 10 sold out concerts. Attendance for the fiscal year was 983,499, which was up from the previous fiscal year. Gross ticket sales, which do not include University of Louisville events, were \$32.47 million.

Ms. Moran reviewed the concerts and comedy shows hosted during the fiscal year, and noted the Bryson Tiller, Thomas Rhett and Pink concerts held at KFC Yum! Center were the highest grossing shows for the respective tours. Ms. Moran recapped family shows hosted during the fiscal year which included WWE Live, Harlem Globetrotters, Disney on Ice and WWE Smackdown. Ms. Moran noted that Harlem Globetrotters hosted two games for the first time since 2014, and the attendance for Disney on Ice was the second highest since the building opened. Ms. Moran recapped sporting events hosted during the fiscal year including 26 University of Louisville Men's Basketball games, 19 University of Louisville Women's Basketball games, 2 NCAA Women's Basketball games, 3 NIT Tournament games, and the Jose Sulaiman Boxing Invitational.

Ms. Moran informed the board of various community events KFC Yum! Center staff participated in during the fiscal year including Wayside Christian Mission and ReTree Shively tree planting. Ms. Moran also discussed a new partnership between KFC Yum! Center and Southern High School which will allow students to learn more about the venue and the sports & entertainment industry.

Ms. Moran reviewed the top 10 markets for ticket sales during the fiscal year and noted that 48% of ticket sales came from the Louisville market, and 52% of ticket sales came from outside markets. Ms. Alice Houston asked if there was any data correlating hotel spend with concerts. Ms. Moran responded that this data was starting to be collected through post-event surveys, but not enough data has been collected to report a real representation. Ms. Moran noted that based on data received thus far, 98% of guests spend money outside of their ticket spend.

Ms. Moran provided a ticket sales comparison between the KFC Yum! Center and other regional venues including Rupp Arena, Ford Center, Bankers Life Fieldhouse, Scottrade Center, US Bank Arena and United Center. Ms. Moran informed the board that KFC Yum! Center sold more tickets than any of the aforementioned venues in 2017 and noted the figures did not include sporting events.

Ms. Moran concluded her report with a review of upcoming shows.

DISSUSSION ITEM: General Counsel Update – C. Edward Glasscock

Mr. Glasscock informed the board there was nothing new to report.

DISCUSSION ITEM: New Business/Old Business – Chairman Cox

Chairman Cox mentioned the Economic Impact Study done in 2014 and advised the board that the study should be updated, noting the growth of the TIF district, additional hotel rooms and the opening of the convention center.

Chairman Cox discussed the recently published Courier-Journal article and thanked the media for regularly attending meetings and informing the public of the arena's plans and performance. He stated that in considering how to exemplify what the arena means to the city, he thought of the growth on Main Street and the synergy between the arena, convention center, and business community.

No other business to come before the Authority, the meeting was adjourned at approximately 9:28 a.m.

Respectfully submitted,
Lauren Annan