

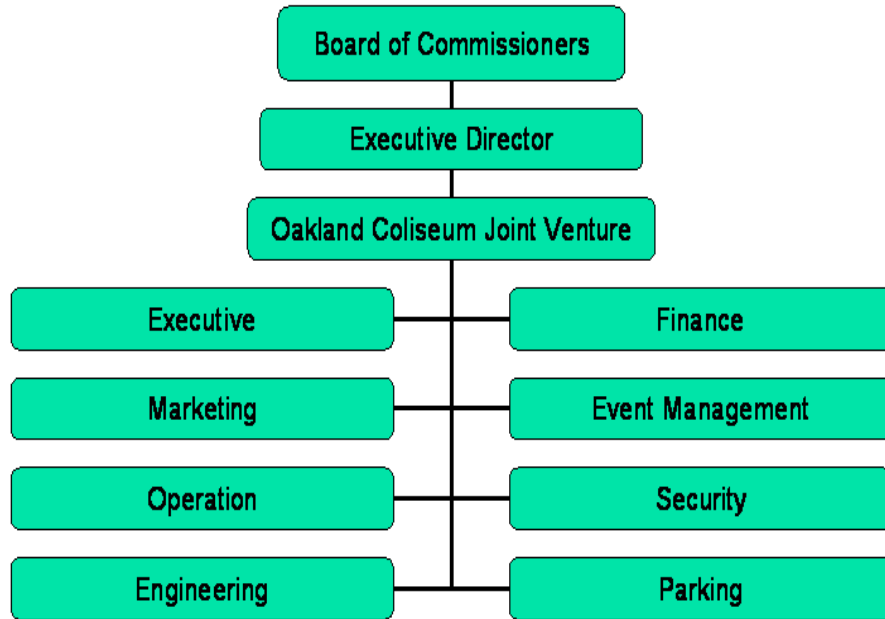
Honorable Board of Commissioners
Oakland-Alameda County Coliseum Authority

This report analyzes the financial statements of the Oracle Arena for the year ending June 30, 2007. The report includes financial highlights for the ten-month period ending April 30, 2007 of the 2007 fiscal year, the proposed budget for the 2008 fiscal year, and the specific proposals and justifications for those proposals in the 2008 fiscal year. It details both the revenue, which includes rent, parking, and concessions, and expenses, including security, operations, and maintenance.

One highlight of the 2007 fiscal year includes a higher budgeted income than for the 2006 fiscal year. In addition, actual attendance for the 2007 fiscal year will most likely surpass estimated attendance figures. It is estimated that the actual revenue, expenses, and net income for fiscal year 2007 will surpass budgeted revenue, expenses, and net income.

For fiscal year 2008, the Oakland Arena is expected to see a minimum 10 percent increase in the number of events, which will result in a rise in both revenues and expenses. In addition, after analysis, the net income for fiscal year 2008 will be significantly greater than the fiscal year 2007 net income.

Organizational Chart



Overview of Jurisdiction

The City of Oakland and the County of Alameda formed the Oakland-Alameda County Coliseum Authority to manage and finance the rehabilitation of two sports facilities, the Oracle Arena and McAfee Coliseum. In addition, both government entities appointed an 8-person Board of Commissioners to oversee the operations of both facilities. The board also appoints a general manager who has direct oversight over the management of the facilities. The current manager is named Ann Haley. In addition, the Authority oversees the Oakland Coliseum Joint Venture (OCJV), which manages the daily activities of both facilities. Another responsibility of the OCJV board is to stimulate the economy in the county of Alameda. A minimum percentage of all capital project contracts must be awarded to companies having a place of business within the county.

The Authority rents out both facilities to any organization, either for an agreed fixed fee or based on a formula calculated fee. The biggest tenant for the arena facility is the Golden State Warriors. The Oakland Raiders and Oakland A's are primary tenants for McAfee Coliseum. Both facilities also attract a number of other events, such as concerts, other sporting events, family shows, conventions, and other private events.

Working with OCJV, the Authority is committed to making both the Oracle Arena and McAfee Coliseum an enjoyable place for organizations to conduct events and for customers. Such upgrades to the facilities and the experience include an attention to customer service, maintaining and monitoring a high quality of provided service, higher quality of foods offered, and providing high-standard amenities to customers, such as ATM machines and special areas which enhance the experience at the Arena and Coliseum.

Table 1

<u>REVENUE:</u>	<u>2005 (Actual)</u>	<u>2006 (Actual)</u>	<u>2007 (Budgeted)</u>
<i>Rent income</i>	2,760,800.00	3,260,800.00	3,361,700.00
<i>Services billed</i>	5,169,900.00	5,797,400.00	6,707,800.00
<i>Event related services expenses</i>	<u>(7,130,300.00)</u>	<u>(7,707,500.00)</u>	<u>(8,653,000.00)</u>
Direct event income	\$800,400.00	\$1,350,700.00	\$1,416,500.00
<i>Food & Beverage & Catering commissions</i>	1,573,100.00	1,635,700.00	1,700,500.00
<i>Novelty Commission</i>	73,600.00	72,800.00	70,200.00
<i>Parking Lot Revenue</i>	<u>1,501,800.00</u>	<u>1,585,700.00</u>	<u>1,804,300.00</u>
Ancillary income	\$3,148,500.00	\$3,294,200.00	\$3,575,000.00
<i>Interest on bank deposits</i>	109,500.00	134,700.00	162,400.00
<i>Ticket rebates</i>	202,700.00	205,600.00	225,100.00
<i>Upgrades and club dues</i>	100,800.00	103,500.00	121,000.00
<i>Miscellaneous</i>	<u>37,600.00</u>	<u>45,700.00</u>	<u>63,800.00</u>
Other Income	\$450,600.00	\$489,500.00	\$572,300.00
TOTAL EVENT REVENUE	\$4,399,500.00	\$5,134,400.00	\$5,563,800.00
<u>EXPENSES:</u>			

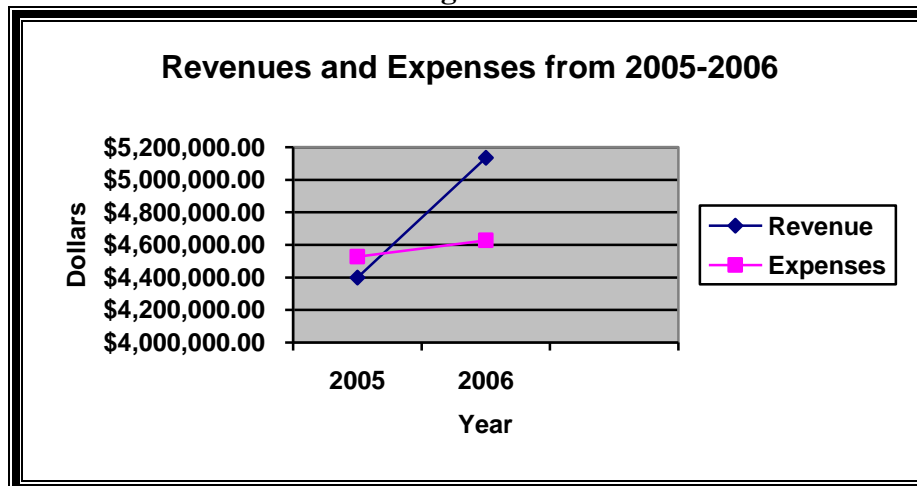
	<u>2005 (Actual)</u>	<u>2006 (Actual)</u>	<u>2007 (Budgeted)</u>
<i>Executive</i>	\$704,500.00	\$738,100.00	\$783,400.00
<i>Finance</i>	536,200.00	554,600.00	616,200.00
<i>Marketing</i>	350,800.00	367,200.00	394,700.00
<i>Operations</i>	291,400.00	290,600.00	302,100.00
<i>Engineers</i>	256,900.00	253,100.00	266,700.00
<i>Stagehands</i>	390,400.00	402,700.00	419,200.00
<i>Security</i>	252,700.00	255,900.00	254,300.00
<i>Event Management</i>	404,100.00	401,800.00	426,500.00
<i>Box Office</i>	228,600.00	235,900.00	243,900.00
<i>Parking</i>	438,400.00	443,700.00	473,800.00
<i>Maintenance</i>	277,300.00	280,300.00	291,000.00
<i>Overhead</i>	396,800.00	404,200.00	450,400.00
TOTAL EXPENSES	\$4,528,100.00	\$4,628,100.00	\$4,922,200.00

Budget Highlights

According to Table 1, in fiscal year 2005, the Authority ran a deficit of \$128,600. The highest source of revenue was from services billed. For expenses, the greatest expense was executive expenses.

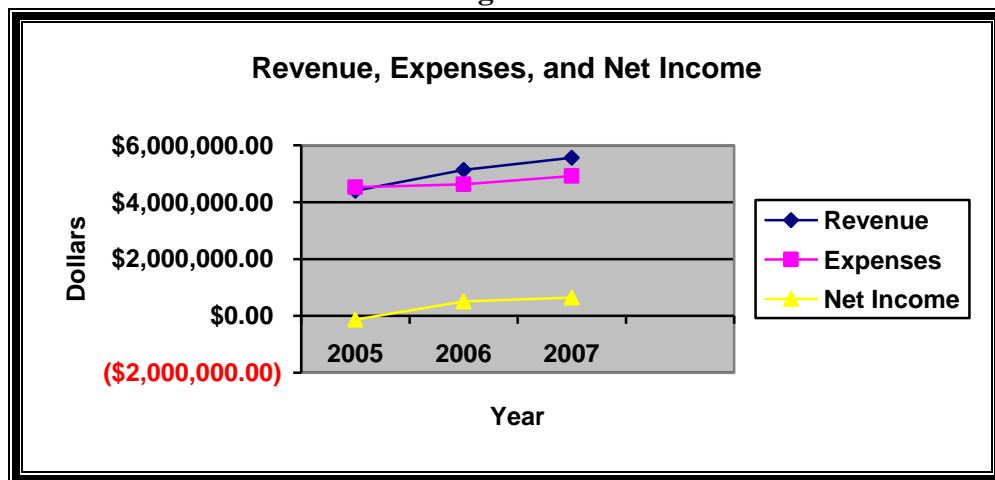
In fiscal year 2006, as a result of increased rent income, plus a same general level of expenses, the Authority saw a profit of about \$500,000. According to Figure 1, fiscal year 2006 also saw a huge increase, \$734,000, in total event revenue from 2005. This is primarily a result of increases in direct event income. Total expenses for fiscal year 2006 only rose \$100,000, a lot less drastic than total revenue, as seen in Figure 1. A share analysis for both individual sources of revenue and expenses revealed little change in the percentages each source contributed to the total revenue and expenses, respectively.

Figure 1



In fiscal year 2007, the budgeted net income, total revenue, and total expenses continued to rise. Net income exceeded \$1 million. Services billed continued to be the biggest percentage of total revenue. A big factor in the increase in total revenue percentage-wise was increased revenue from parking lot revenue and miscellaneous revenue. Novelty revenue is the only category where the previous fiscal year's earnings were greater. Services billed maintains its status as the biggest revenue generator. In regards to expenses, a number of categories showed a greater increase in the percentage of total expenses for fiscal year 2007. These include the finance, event management, parking, and overhead categories. Executive expenses continue to be the greatest percentage of total expenses. The dollar amounts of revenue, expenses, and net income from year to year are shown in Figure 2.

Figure 2



2008 Proposed Budget

The proposed fiscal year 2008 budget was determined by performing a trend analysis of actual 2005 and 2006 data and budgeted 2007 data. The results of the trend analysis show that both revenue and expenses will increase in 2008. The net income is expected to increase greater than the net income for fiscal year 2007 by about 20 percent, to just over a million dollars.

With the exception of novelty commissions and interest on bank deposits, all the revenue sources are expected to increase. The greatest proportion of the total revenue will be in rent and services billed, at about \$366,966.67 and \$721,800.00, respectively. The greatest increase percentage-wise will be in upgrades and club dues, at 17 percent, and miscellaneous revenue, at 60 percent.

All sources of expenses will slightly increase in the 2008 fiscal year, with the exception of overhead expenses, which will increase greatly by about 30% from fiscal year 2007. Executive and finance expenses will continue to make up the greatest percentage of the total expenses, at \$820,900.00 and \$649,000.00, respectively.

The dollar amounts for rent, services billed, and executive and finance expenses are shown in the line graph in Figure 3. The percentage increase in upgrades and club dues, miscellaneous revenue, and overhead expenses are shown in the graph in Figure 4.

Figure 3

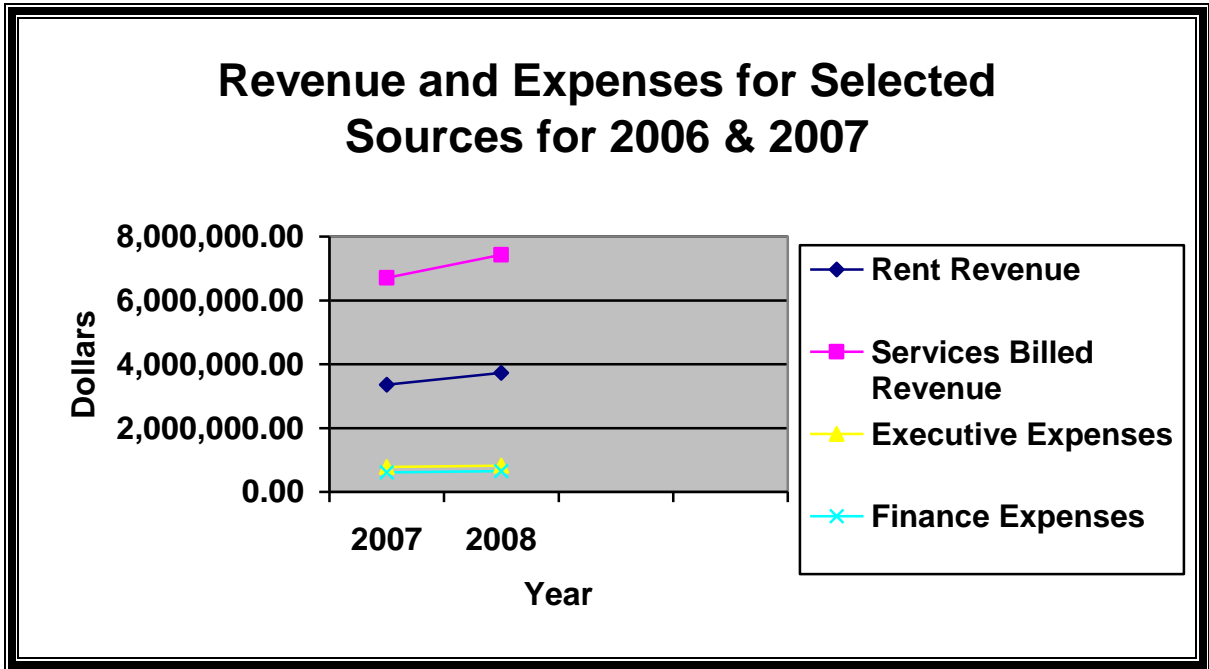
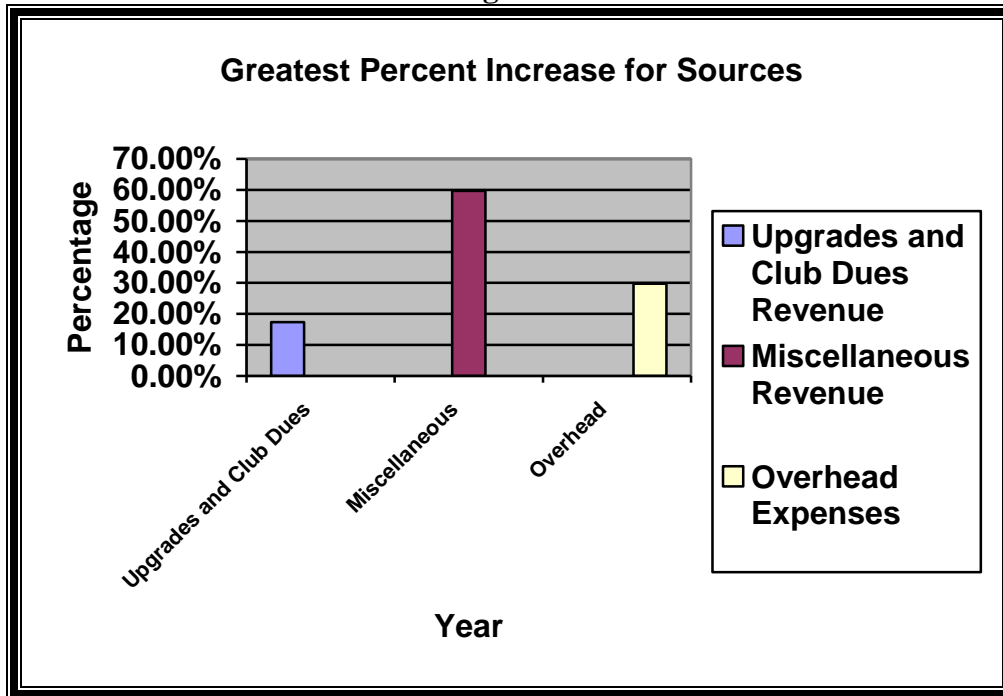
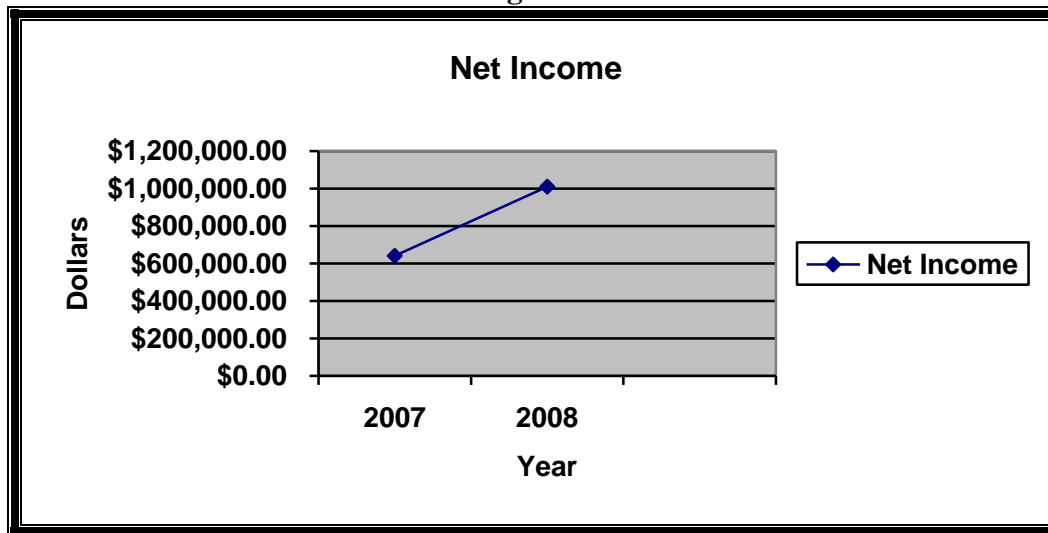


Figure 4



The bottom line is the net income is expected to increase to about \$1 million in fiscal year 2008, almost half a million higher than fiscal year 2007. This is shown in Figure 5 below.

Figure 5



Justifications for 2008 Budget

The proposed fiscal year 2008 budget will target a minimum 10 percent increase in the number of events at Oracle Arena. The Marketing Department will take a more proactive approach to market the amenities and attractiveness of Oracle Arena to promoters and event organizers.

Rental income is expected to go up, along with ancillary income, which includes income from the food and beverages and catering commissions and parking revenue. The trickle-down effect from the increase in the number of events to the “Other Income” category, which includes novelty commission, upgrades and club dues, and ticket rebate income, will also be significant.

With about \$1 million in profits, Oakland-Alameda County Coliseum Authority should reserve the money for future expansion plans. In addition, reserved money can be used for unforeseen events that may occur to the Arena in the future. Money does not need to be reserved to balance the budget in future years in case of a deficit because Alameda County can supply additional funding to balance the budget.

Finally, the minimum 10 percent increase in the number of events will also benefit nearby businesses and other entities that are related to the Oakland Arena. This includes hotels, restaurants, and public transportation, including BART, AC Transit, and taxis. The benefits these entities receive will also be beneficial to the City of Oakland and Alameda County.

Conclusion

The Arena is currently performing strongly. Net income has been continually increasing for the last two years, and for fiscal year 2008, will continue to increase to its largest amount in 4 years. A reason for the increase in net income is the rising total attendance per year at the Arena. This contributes to higher revenue, but also to higher expenses. Fortunately, the increase in total revenue outpaces total expenses, which results in the higher net income.