



8

Financial Projections

8. Financial Projections

Key Assumptions

The purpose of this section is to present estimated operating revenues and expenses for the renovated Theater. The assumptions used in this analysis are based on estimated facility utilization, the recommended building program, industry trends, knowledge of the marketplace, financial results from comparable facilities, and discussions with project stakeholders.

This analysis is designed to assist project representatives in estimating the financial attributes of the renovated Theater and cannot be considered to be a presentation of expected future results. Accordingly, this analysis may not be useful for any other purpose. The assumptions disclosed herein are not all inclusive, but are those deemed to be significant; however, there will be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material.

Key assumptions used to estimate the potential financial operations of the renovated Theater include, but are not limited to, the following:

- The Theater will have a maximum capacity of 5,000 with a mix of fixed and berm seating, including 240 premium seats, consisting of 150 club seats and 15 6-seat VIP boxes (90 total seats).
- The Theater will be renovated as a quality, state-of-the-art venue with the necessary acoustics, stage configuration, rigging capacities and back-of-house space to accommodate the needs of various users
- The venue will be operated by a third-party operator, who will leverage relationships and resources to maximize Theater performance
- A \$6.00 facility fee will be assessed on each ticket sold to all amphitheater events, to be directed towards the amphitheater's capital reserve fund
- The venue will be aggressively marketed, providing competitive use agreements to maximize the utilization of the venue
- There will be no significant or material changes in the supply or quality of existing venues in the marketplace or new preferred or exclusive booking arrangements with key concert promoters at competitive venues
- The market will generate spending on tickets, concessions, novelties, sponsorships/advertising, and premium seating that is consistent with comparable venues in the context of San Antonio's market demographics and socioeconomics
- The Theater will be conducive to providing a pleasant patron experience (e.g., efficient traffic ingress/egress, convenient and affordable parking, covered seating, etc.)
- There will be no significant or material changes to current trends in the live entertainment industry
- Unknown future economic conditions will not adversely affect the market and its response to amphitheater events (e.g. population levels, employment levels, etc.)

8. Financial Projections

Estimated Operating Revenues

Revenue anticipated to be generated by the renovated Theater includes rental income, premium seating, advertising and sponsorship, concessions, merchandise, parking, ticket rebates, and facility fees. A brief description of each revenue source is provided over the following pages.

RENTAL INCOME

Rental income is typically based on a percentage of gross ticket sales, or, in some cases, a daily rental fee. Rental rates will likely vary depending on the type of concert and the portion of the facility used (i.e. full-house, half-house, etc.).

The number of events, rental rates, paid attendance, and ticket prices assumed in this study are based on an analysis of events, ticket prices, attendance, and rental rates at comparable venues, local competitive facilities, discussions with promoters, and industry trends.

For purposes of this analysis, it is assumed that the amphitheater will charge a percentage of gross ticket sales of 10 percent across all concert types and a daily rental fee for all other events. As shown in the table on the right, total rental revenue generated by the renovated Theater is estimated to be approximately \$987,000 in a stabilized year of operation.

RENTAL INCOME (STABILIZED YEAR OF OPERATION)							
	NUMBER OF EVENTS	AVERAGE PAID ATTENDANCE	TOTAL PAID ATTENDANCE	AVERAGE TICKET PRICE	ESTIMATED GROSS TICKET SALES	RENT PER EVENT	TOTAL RENTAL INCOME
Concerts							
Tier 2A Concerts	1	5,000	5,000	\$100.47	502,000	10% of Ticket Sales	\$50,000
Tier 2B Concerts	16	4,500	72,000	70.23	5,057,000	10% of Ticket Sales	506,000
Tier 3 Concerts	12	4,000	48,000	50.46	2,422,000	10% of Ticket Sales	242,000
Tier 4 Concerts	6	2,500	15,000	40.64	610,000	10% of Ticket Sales	61,000
Other Ticketed Events							
Comedy Shows	3	2,000	6,000	41.10	\$247,000	\$10,000	30,000
Other Performances	7	1,500	10,500	31.46	\$330,000	10,000	70,000
Non-Ticketed Events							
Conferences	4	--	--	--	--	5,000	20,000
Private Events	15	--	--	--	--	500	8,000
TOTAL	64	\$19,500	\$156,500	\$58.58	\$9,168,000	--	\$987,000

8. Financial Projections



Estimated Operating Revenues

PREMIUM SEATING

Annual premium seating at the renovated Theater is anticipated to include 150 club seats, which are estimated to be 90 percent sold at an annual membership cost of \$750 (with first right to purchase Theater event tickets), and 15 VIP boxes, which include six seats each and are estimated to be 90 percent sold at a total annual cost, inclusive of tickets, of \$20,000.

It is also anticipated that the renovated Theater will provide the ability to rent lawn chairs during every concert, during which it is estimated that five percent of anticipated berm capacity (2,000) will purchase at an average rental price of \$8.00.

Overall, it is estimated that the renovated Theater will generate approximately \$201,000 through premium and other seating offerings.

PREMIUM SEATING (STABILIZED YEAR OF OPERATION)							
	TOTAL INVENTORY	SEATS PER UNIT	AVERAGE SELL-THRU	TOTAL SOLD INVENTORY	AVERAGE ANNUAL PRICE	LESS: TICKET VALUE	TOTAL ANNUAL INCOME
Annual Premium Seating							
Club Seats	150	1	90%	135	\$750	--	\$101,000
VIP Boxes	15	6	90%	14	\$20,000	(\$14,880)	72,000
Lawn Seating (Sold By Event)							
Lawn Seat Rentals	2,000	1	5%	100	\$8	--	28,000
TOTAL							\$201,000

8. Financial Projections



Estimated Operating Revenues

CONCESSIONS

Concessions revenue consists of food and beverage sales during events hosted at the renovated Theater. Gross food and beverage sales are estimated based on projected general admission turnstile (or actual) attendance and per capita spending assumptions by event type. Per capita spending assumptions were based on an analysis of per capita spending at comparable facilities and industry averages, adjusted to the San Antonio area marketplace.

Gross per capita concessions spending is estimated to range from \$10.50 for Comedy and Other Performances to \$12.00 for concerts. Overall, it is estimated that the Theater would generate net food and beverage operating income of approximately \$800,000, as shown in the table on the right.

CONCESSIONS INCOME (STABILIZED YEAR OF OPERATION)							
	NUMBER OF EVENTS	AVERAGE TURNSTILE ATTENDANCE	TOTAL TURNSTILE ATTENDANCE	AVERAGE PER CAPITA SPENDING	GROSS CONCESSIONS REVENUE	COST OF GOODS SOLD	NET CONCESSIONS REVENUE
Concerts							
Tier 2A Concerts	1	4,750	4,750	\$12.00	\$58,000	55%	\$26,000
Tier 2B Concerts	16	4,275	68,400	12.00	830,000	55%	374,000
Tier 3 Concerts	12	3,800	45,600	12.00	553,000	55%	249,000
Tier 4 Concerts	6	2,375	14,250	12.00	174,000	55%	78,000
Other Ticketed Events							
Comedy Shows	3	1,900	5,700	10.50	59,000	55%	26,000
Other Performances	7	1,425	9,975	10.50	103,000	55%	47,000
TOTAL	45	3,304	148,675	\$12.00	\$1,777,000	55%	\$800,000

8. Financial Projections



Estimated Operating Revenues

MERCHANDISE

Merchandise revenue consists of clothing, souvenirs, programs, and other novelty items sales. Merchandise revenue is estimated based on the number of events, average turnstile attendance, average per capita spending on novelties at comparable facilities (adjusted to San Antonio), and the percentage of revenue allocated to the Theater.

Gross per capita merchandise spending assumptions ranged from \$5.00 for Comedy and Other Performances to \$8.00 for Tier 2A and 2B concerts. After accounting for labor costs, a 10 percent Theater commission has been assumed. Net merchandise revenue generated by the renovated Theater is estimated to total approximately \$108,000, as shown in the chart on the right.

MERCHANDISE INCOME (STABILIZED YEAR OF OPERATION)							
	NUMBER OF EVENTS	AVERAGE TURNSTILE ATTENDANCE	TOTAL TURNSTILE ATTENDANCE	AVERAGE PER CAPITA SPENDING	GROSS MERCHANDISE REVENUE	COST OF GOODS SOLD	NET MERCHANDISE REVENUE
Concerts							
Tier 2A Concerts	1	4,750	4,750	8.00	\$38,000	90%	\$4,000
Tier 2B Concerts	16	4,275	68,400	8.00	547,000	90%	55,000
Tier 3 Concerts	12	3,800	45,600	7.00	319,000	90%	32,000
Tier 4 Concerts	6	2,375	14,250	6.00	86,000	90%	9,000
Other Ticketed Events							
Comedy Shows	3	1,900	5,700	5.00	29,000	90%	3,000
Other Performances	7	1,425	9,975	5.00	50,000	90%	5,000
TOTAL	45	3,304	148,675	\$7.00	\$1,069,000	90%	\$108,000

8. Financial Projections



Estimated Operating Revenues

NAMING RIGHTS

Title naming rights for amphitheaters are often sold to a company as part of a sponsorship package that typically includes other elements such as a suite, signage, promotional tie-ins, etc.

For purposes of this analysis, it is assumed that title naming rights will be sold for the Theater, and the proceeds will be used toward project funding. Gross naming rights are estimated to total \$150,000 annually.

ADVERTISING & SPONSORSHIPS

Advertising and sponsorship revenues include signage, print programs, video screens and other advertising as well as event title sponsorship, title sponsorship of a series, pouring rights, and other sponsorships. Sponsorship revenues were analyzed for other comparable outdoor live music venues.

Based on these benchmarks, it is estimated that the Theater could generate approximately \$150,000 in gross revenues annually including \$30,000 in pouring rights and \$120,000 in other sponsorships, including four founding partnerships at \$25,000 each and two lower-level sponsorships at \$10,000 each.

Founding partners, along with naming and pouring rights sponsors, are expected to come from “Tier 1” sponsorship industries such as beer, beverage/soda, automobile, telecommunications, finance, restaurant, insurance, hospital/healthcare, or lottery. Lower-level sponsorships are expected to come from “Tier 2” targets, such as liquor, waste management, tourism, food products, professional services, and retails.

NAMING RIGHTS & SPONSORSHIP REVENUE (STABILIZED YEAR OF OPERATION)				
SPONSORSHIP REVENUE SOURCE	TOTAL PARTNERS	REVENUE PER PARTNER	TOTAL REVENUE	PERCENT OF TOTAL
Naming Rights	1	\$150,000	\$150,000	50%
Pouring Rights	1	30,000	30,000	10%
Founding Partners	4	25,000	100,000	33%
Other Sponsorships	2	10,000	20,000	7%
TOTAL GROSS SPONSORSHIP REVENUE	8	\$37,500	\$300,000	100%
Hospitality & Fulfillment Cost			(\$30,000)	(10%)
TOTAL NET SPONSORSHIP REVENUE			\$270,000	

8. Financial Projections



Estimated Operating Revenues

PARKING

For purposes of this analysis, due to the expected availability of paid and free parking at Brackenridge Park and based on discussions with project stakeholders, it is assumed the Theater will assess a \$1.00 parking fee on each paid ticket to cover anticipated parking revenue.

As shown in the chart on the right, it is estimated that the renovated Theater could generate approximately \$157,000 in dedicated parking revenue in a stabilized year of operation.

PARKING FEE INCOME (STABILIZED YEAR OF OPERATION)							
	NUMBER OF EVENTS	AVERAGE PAID ATTENDANCE	TOTAL PAID ATTENDANCE	PARKING FEE PER TICKET	ANNUAL PARKING FEES	VENUE SHARE	TOTAL FACILITY FEE INCOME
Concerts							
Tier 2A Concerts	1	5,000	5,000	\$1.00	\$5,000	100%	\$5,000
Tier 2B Concerts	16	4,500	72,000	1.00	72,000	100%	72,000
Tier 3 Concerts	12	4,000	48,000	1.00	48,000	100%	48,000
Tier 4 Concerts	6	2,500	15,000	1.00	15,000	100%	15,000
Other Ticketed Events							
Comedy Shows	3	2,000	6,000	1.00	6,000	100%	6,000
Other Performances	7	1,500	10,500	1.00	10,500	100%	10,500
TOTAL	45	3,478	156,500	\$1.00	\$156,500	100%	\$156,500

8. Financial Projections



Estimated Operating Revenues

TICKET REBATES

Amphitheaters often utilize a third-party ticketing service, such as Ticketmaster, to handle ticket sales for certain events at the venue. The ticketing service generally collects a convenience charge on each ticket sold, a portion of which is shared with the venue.

It is estimated that the average convenience charge per ticket will range from \$6.00 for Other Performances to \$20.00 during Tier 2A concerts for each ticket sold by the venue's ticketing partner, depending on the event. The Amphitheater is estimated to retain 30 percent of the gross revenues generated by these convenience charges. Total ticket rebates generated by the renovated Theater are estimated to total approximately \$545,000 in the first year of stabilized operations, as shown in the chart on the right.

TICKET REBATE INCOME (STABILIZED YEAR OF OPERATION)									
	NUMBER OF EVENTS	AVERAGE PAID ATTENDANCE	TOTAL PAID ATTENDANCE	% OF TICKETS SOLD BY SERVICE	ANNUAL TICKETS SOLD BY SERVICE	CONVENIENCE CHARGE PER TICKET	TOTAL CONVENIENCE CHARGES	VENUE SHARE	TOTAL TICKET REBATE INCOME
Concerts									
Tier 2A Concerts	1	5,000	5,000	100%	5,000	\$20.00	\$100,000	30%	\$30,000
Tier 2B Concerts	16	4,500	72,000	100%	72,000	14.00	1,008,000	30%	302,000
Tier 3 Concerts	12	4,000	48,000	100%	48,000	10.00	480,000	30%	144,000
Tier 4 Concerts	6	2,500	15,000	100%	15,000	8.00	120,000	30%	36,000
Other Ticketed Events									
Comedy Shows	3	2,000	6,000	100%	6,000	8.00	48,000	30%	14,000
Other Performances	7	1,500	10,500	100%	10,500	6.00	63,000	30%	19,000
TOTAL	45	3,478	156,500	100%	156,500	\$11.62	\$1,819,000	30%	\$545,000

8. Financial Projections



Estimated Operating Revenues

FACILITY FEES

Prudent financial planning, and potentially a lender requirement, requires that a capital reserve be established to fund capital maintenance and future major capital projects at the renovated Theater. Based on industry standards, a capital reserve should be funded in an annual amount equal to 0.5 percent of the Theater's project cost, escalating annually for changes in the consumer price index.

Amphitheaters and other public assembly facilities often assess a facility fee on tickets sold for events at the venue as a means of generating revenue to support capital reserve funds and/or operations. For purposes of this analysis and based on discussions with project stakeholder, it is assumed that a facility fee of \$6.00 will be assessed on all tickets sold for ticketed events at the Amphitheater. Total facility fees generated by the renovated Theater are estimated to be approximately \$939,000 in a stabilized year of operation, as shown in the chart on the right.

It should be noted that facility fees are likely to be dedicated toward a capital reserve fund to help finance future Theater improvements and maintenance.

FACILITY FEE INCOME (STABILIZED YEAR OF OPERATION)							
	NUMBER OF EVENTS	AVERAGE PAID ATTENDANCE	TOTAL PAID ATTENDANCE	FACILITY FEE PER TICKET	ANNUAL FACILITY FEES	VENUE SHARE	TOTAL FACILITY FEE INCOME
Concerts							
Tier 2A Concerts	1	5,000	5,000	\$6.00	\$30,000	100%	\$30,000
Tier 2B Concerts	16	4,500	72,000	6.00	432,000	100%	432,000
Tier 3 Concerts	12	4,000	48,000	6.00	288,000	100%	288,000
Tier 4 Concerts	6	2,500	15,000	6.00	90,000	100%	90,000
Other Ticketed Events							
Comedy Shows	3	2,000	6,000	6.00	36,000	100%	36,000
Other Performances	7	1,500	10,500	6.00	63,000	100%	63,000
TOTAL	45	3,478	156,500	\$6.00	\$939,000	100%	\$939,000

8. Financial Projections



Estimated Operating Expenses

SALARIES, WAGES & BENEFITS

Salaries, wages and benefits include expenses for full- and part-time personnel. Based on staffing levels at comparable facilities, it is estimated that 14 dedicated, full-time staff members would be required to operate the Theater. These staff members include staff across executive positions, finance, sales & marketing, box office, event management, and building operations.

Salary assumptions are based on industry standards for each specific full-time position. Benefit costs, which are in addition to salaries, are assumed to be 30 percent of salaries and wages. Total personnel expenses incurred by the renovated Theater are estimated to be approximately \$1.3 million, as shown in the table to the right.

SALARIES, WAGES & BENEFITS				
	FTE	ANNUAL SALARY	BENEFITS	TOTAL
Executive				
General Manager	1	\$125,000	\$37,500	\$162,500
Finance				
Accounting Manager	1	65,000	19,500	84,500
Sales & Marketing				
Director of Marketing	1	80,000	24,000	104,000
Marketing Manager	1	65,000	19,500	84,500
Partnership Activation Coordinator	1	60,000	18,000	78,000
Box Office				
Director of Ticketing	1	80,000	24,000	104,000
Assistant Box Office Manager	1	50,000	15,000	65,000
Event Management				
Director of Event Services	1	65,000	19,500	84,500
Premium Seating Coordinator	1	50,000	15,000	65,000
Building Operations				
Director of Operations	1	80,000	24,000	104,000
Operations Assistant	1	45,000	13,500	58,500
Lead Engineer	1	60,000	18,000	78,000
Production Manager	1	60,000	18,000	78,000
Audio / Visual Technician	1	50,000	15,000	65,000
Other				
Net Part-Time/Non-Reimbursable	--	--	--	100,000
TOTAL	14	\$935,000	\$280,500	\$1,315,500

8. Financial Projections

Estimated Operating Expenses

GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses include a variety of expenses anticipated to be incurred to operate the Theater including advertising, data processing/web fees, dues and subscriptions, equipment rental, professional fees, security and other such costs. Based on expenses incurred at comparable amphitheaters adjusted to the San Antonio area marketplace, annual general and administrative expenses are estimated to be approximately \$240,000 annually, as shown in the chart to the right.

REPAIRS & MAINTENANCE

Routine repairs and venue maintenance, especially accounting for the landscaping that could be expected to maintain the berm seating year-round, should be expected on an annual basis. Based on expenses incurred at comparable amphitheaters adjusted to the San Antonio area marketplace, total repairs and maintenance expenses are estimated to total approximately \$100,000 annually.

UTILITIES

Utilities often represent one of the largest expenses incurred by amphitheater operators. Cost estimates for Theater utilities include electricity, gas, water, and steam. Based on expenses incurred at comparable amphitheaters and the anticipated size and utilization of the renovated Theater, utilities expenses are estimated to total approximately \$250,000.

INSURANCE

Insurance expenses represent the premiums paid for various insurance policies including but not limited to property, general/liquor liability, auto, and other policies. Based on expenses incurred at comparable amphitheaters and adjusted to the San Antonio region, insurance expenses are estimated to approximate \$125,000 per year.

G&A EXPENSES	
Security	\$42,500
Advertising and Sales	\$30,000
Professional Fees (Accounting/Legal)	\$20,000
Service Agreements	\$27,500
Data Processing/Web Site	\$18,000
Supplies	\$13,500
Uniform	\$13,500
Misc./Other	\$10,000
Training	\$10,000
Trash Removal/Pest Control	\$10,000
Vehicles	\$7,500
Printing	\$10,000
Telephone	\$8,500
Travel	\$6,000
Dues and Subscriptions	\$6,000
Equipment Rental	\$3,500
Postage and Delivery	\$3,500
TOTAL	\$240,000

8. Financial Projections

Financial Pro Forma

The table on the right summarizes the estimated operating revenues and expenses associated with the renovated Theater over the first five years of operations. The first full year of stabilized operations is anticipated to be in Year 3.

In its first year of operations, the renovated Theater is estimated to generate operating revenues of approximately \$3.1 million and incur expenses of approximately \$1.9 million, resulting in an operating income of approximately \$1.2 million.

In the first year of stabilized operations (Year 3), the renovated Theater is estimated to generate operating revenues of approximately \$4.0 million and incur expenses of approximately \$2.1 million, resulting in an operating income of approximately \$1.9 million.

It should be noted that this operating income is presented before operator rental payment and debt.

FINANCIAL PRO FORMA					
	YEAR 1	YEAR 2	YEAR 3 <i>STABILIZED YEAR OF OPERATION</i>	YEAR 4	YEAR 5
Operating Revenues					
Rental Income, Net	\$691,000	\$837,000	\$987,000	\$1,016,000	\$1,047,000
Lawn Seat Rentals	138,000	167,000	201,000	207,000	213,000
Ticket Rebates, Net	389,000	465,000	546,000	562,000	579,000
Food & Beverage, Net	754,000	776,000	800,000	824,000	848,000
Merchandise, Net	101,000	104,000	107,000	110,000	113,000
Parking, Net	109,000	133,000	157,000	161,000	166,000
Facility Fees	656,000	795,000	939,000	967,000	996,000
Advertising & Sponsorships, Net	254,000	262,000	270,000	278,000	286,000
TOTAL REVENUE	\$3,092,000	\$3,539,000	\$4,007,000	\$4,125,000	\$4,248,000
Operating Expenses					
Staffing	\$1,266,000	\$1,304,000	\$1,394,000	\$1,435,000	\$1,478,000
General & Administrative	226,000	233,000	240,000	247,000	255,000
Repairs & Maintenance	94,000	97,000	100,000	103,000	106,000
Utilities	236,000	243,000	250,000	258,000	265,000
Insurance	118,000	121,000	125,000	129,000	133,000
TOTAL EXPENSES	\$1,940,000	\$1,998,000	\$2,109,000	\$2,172,000	\$2,237,000
OPERATING INCOME (EBITDA) BEFORE RENT	\$1,152,000	\$1,541,000	\$1,898,000	\$1,953,000	\$2,011,000