



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671
[www. CityofSacramento.org](http://www.CityofSacramento.org)

Consent
 June 13, 2006

Honorable Mayor and Members of the City Council

Subject: Approve Amended 2006 Sacramento Hotel Corporation Budget

Location/Council District: Convention Center Hotel, Council District 1

Recommendation:

Adopt a Resolution approving the Sacramento Hotel Corporation (SHC) proposed amended 2006 operating budget. SHC bylaws state that the proposed budget as adopted by the SHC Board shall be submitted to the Sacramento City Council for approval.

Contact: Nicole York-Johnson, Administrative Officer, 808-8646
 Clark Johnson, Accountant, 808-5058

Presenters: Not Applicable

Department: Economic Development Department

Division: Administration

Organization No: 4455

Summary:

On December 15, 2005, City Council approved the 2006 Sacramento Hotel Corporation operating budget. Due to midyear adjustments in the projected Net Operating Income (NOI), it is proposed that the 2006 budget be amended to reflect an increase in the NOI of \$68,302. Exhibit A, the adopted 2006 SHC operating budget, reflects a total NOI of \$8,698,748. Exhibit B is the amended 2006 SHC operating budget and it reflects a total NOI of \$8,767,050.

Committee/Commission Action: Not Applicable

Background Information:

The Sacramento Hotel Corporation bylaws state in Section XI, Section (3) (a), that the Sacramento City Council is responsible for two items: (1) Approving appointees to the Sacramento Hotel Corporation Board and (2) Approving the Hotel Corporation Budget on an annual basis.

On November 07, 2005, the Sacramento Hotel Corporation Board unanimously approved the 2006 operating budget. This budget was then presented and approved by City Council on December 15, 2005. On May 25, 2006, the Board unanimously approved amending the 2006 operating budget to reflect an increase in the SHC Net Operating Income of \$68,302 and directed staff to submit the amended budget to City Council for approval.

As written in the Bylaws, upon City Council approval of the attached Resolution amending the 2006 operating budget, the Board shall adopt the amended budget at the next Hotel Corporation Board meeting.

Financial Considerations:

Approval of the 2006 Sacramento Hotel Corporation operating budget or any subsequent amendments does not fiscally impact the City of Sacramento.

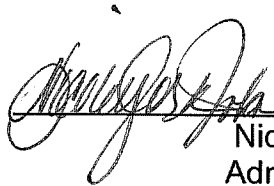
Environmental Considerations:

This activity is not considered a project as defined by Section 15378 of the California Environmental Quality Act (CEQA) guidelines. The activity involves no physical construction of commitment to particular projects and has no potential to cause a significant impact on the environment (CEQA Section 15061 (b)(3)).

Policy Considerations:

The Board of Directors of the Sacramento Hotel Corporation approved the proposed 2006 operating budget amendment at their meeting on May 25, 2006.

Emerging Small Business Development (ESBD): Not applicable

Approved By: 
Nicole York-Johnson
Administrative Officer

Recommendation Approved:



RAY KERRIDGE
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

Approve Amended 2006 Sacramento Hotel Corporation Operating Budget

BACKGROUND

- A. The Sacramento Hotel Corporation Bylaws state in Section XI, Section (3) (a), that the Sacramento City Council is responsible for two items: (1) Approving appointees to the Sacramento Hotel Corporation Board and (2) Approving the Hotel Corporation Budget on an annual basis.
- B. On December 15, 2005, City Council approved the 2006 Sacramento Hotel Corporation operating budget.
- C. On May 25, 2006, the Sacramento Hotel Corporation Board unanimously approved amending the 2006 operating budget.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1: The amended 2006 Sacramento Hotel Corporation Operating Budget is approved for the final adoption by the Sacramento Hotel Corporation Board of Directors.

EXHIBIT A
1 OF 2

Sacramento Hotel Corporation
Adopted 2006 Operating Budget
For the Year Ended 12/31/06

	<u>Annual Budget</u>	<u>Offering Memorandum</u>
Hotel Net Operating Income	\$ 8,698,748	\$ 7,964,000
Garage Net Operating Income	\$ 1,643,117	\$ 1,203,000
Administration Costs	\$ (181,820)	\$ (109,000)
Interest Earnings	\$ 593,447	\$ 863,123
Debt Service	\$ (6,187,500)	\$ (6,187,500)
Reserve Transactions:		
Garage Lease Payment	\$ (250,000)	
Supplemental Senior debt service reserve	(262,500)	
Subordinate Management Fee	(600,000)	
Emergency Expenses	(3,000,000)	
Subordinate Debt Fund	(453,492)	
Total	<u>\$ (4,565,992)</u>	
Net activity	<u>\$ 0</u>	

Debt Service Coverage Ratios:

Total Debt Service Coverage	<u>1.80</u>	<u>1.64</u>
Required	<u>1.30</u>	<u>1.30</u>
(Sum a less d, divided by b)		

Hotel Debt Service Coverage	<u>1.41</u>	<u>1.29</u>
Required	<u>1.15</u>	<u>1.15</u>
(Sum c divided by b)		

**EXHIBIT A
2 OF 2**

**Sacramento Hotel Corporation
Adopted 2006 Operating Budget - Detail
For the Year Ended 12/31/06**

	<u>Annual Budget</u>	<u>Offering Memorandum</u>
Hotel Operations:		
Revenue	\$ 33,549,399	\$ 33,757,000
Expenses:		
Operating Costs	13,380,528	14,569,000
Administrative expenses and fees	6,409,628	7,473,000
Management Fees	1,173,890	1,275,000
Total Expenses	<u>20,964,046</u>	<u>23,317,000</u>
Available Revenue before Reserves	12,585,353	10,440,000
Less Amounts Deposited to Reserves For:		
Hotel Taxes and Insurance	2,544,629	1,126,000
Hotel Replacement FF&E Fund	<u>1,341,976</u>	<u>1,350,000</u>
Hotel Net Operating Income (NOI)	<u>\$ 8,698,748</u>	<u>\$ 7,964,000</u>
Garage Operations:		
Revenue	\$ 2,751,600	\$ 2,028,000
Expenses:		
Operating Costs	668,357	444,000
Management Fees	143,000	151,000
Total Expenses	<u>811,357</u>	<u>595,000</u>
Available Revenue before Reserves	1,940,243	1,433,000
Less Amounts Deposited to Reserves For:		
Garage Taxes and Insurance	214,578	169,000
Garage Repair and Replacement	<u>82,548</u>	<u>61,000</u>
Garage Net Operating Income	1,643,117	1,203,000
Lease Payments	<u>250,000</u>	<u>250,000</u>
Garage NOI After Lease Payments	<u>\$ 1,393,117</u>	<u>\$ 953,000</u>
Administration Expenses:		
Legal	\$ 5,000	
Hotel Consultant	26,000	
Accounting	34,320	
Administrator	60,000	
Board Stipends	20,000	
Trustee Fees	12,000	
Insurance Expenses	9,000	
Audit Expenses	12,500	
Other Expenses	<u>3,000</u>	
Total Administrative Expenses	<u>\$ 181,820</u>	<u>\$ 109,000</u>

EXHIBIT B
1 OF 2

Sacramento Hotel Corporation
Amended 2006 Operating Budget
For the Year Ended 12/31/06

	<u>Annual Budget</u>	<u>Offering Memorandum</u>
Hotel Net Operating Income	\$ 8,767,050	\$ 7,964,000
Garage Net Operating Income	\$ 1,643,117	\$ 1,203,000
Administration Costs	\$ (181,820)	\$ (109,000)
Interest Earnings	\$ 593,447	\$ 863,123
Debt Service	\$ (6,187,500)	\$ (6,187,500)
Reserve Transactions:		
Garage Lease Payment	(250,000)	
Supplemental Senior debt service reserve	(262,500)	
Subordinate Management Fee	(602,141)	
Emergency Expenses	(3,000,000)	
Subordinate Debt Service Fund	(519,653)	
Total	<u>(4,634,294)</u>	
Balance of activity after reserve transactions	<u>\$ 0</u>	

Debt Service Coverage Ratios:

Total Debt Service Coverage	<u>1.81</u>	<u>1.64</u>
Required	<u>1.30</u>	<u>1.30</u>
(Sum a less d, divided by b)		

Hotel Debt Service Coverage	<u>1.42</u>	<u>1.29</u>
Required	<u>1.15</u>	<u>1.15</u>
(Sum c divided by b)		

EXHIBIT B
2 OF 2

Sacramento Hotel Corporation
Amended 2006 Operating Budget - Detail
For the Year Ended 12/31/06

	<u>Annual Budget</u>	<u>Offering Memorandum</u>
Hotel Operations:		
Revenue	\$ 33,661,774	\$ 33,757,000
Expenses:		
Operating Costs	13,482,520	14,569,000
Administrative expenses and fees	6,346,172	7,473,000
Management Fees	1,179,427	1,275,000
Total Expenses	<u>21,008,119</u>	<u>23,317,000</u>
Available Revenue before Reserves	12,653,655	10,440,000
Less Amounts Deposited to Reserves For:		
Hotel Taxes and Insurance	2,544,629	1,126,000
Hotel Replacement FF&E Fund	1,341,976	1,350,000
Hotel Net Operating Income (NOI)	<u>\$ 8,767,050</u>	<u>\$ 7,964,000</u>
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