



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604

www.cityofsacramento.org

Consent

December 13, 2005

Honorable Mayor and
Members of the City Council

Subject: Approve Sacramento Hotel Corporation 2006 Budget

Location/Council District: 1230 J Street (District 1)

Recommendation: Adopt a resolution approving the Sacramento Hotel Corporation 2006 Operating Budget

Contact: Micah Runner, Senior Project Manager, 808-5448

Presenters: Micah Runner

Department: Economic Development Department

Division: Citywide Development

Organization No: 4453

Summary:

This report provides information on the proposed 2006 calendar year budget for the Sacramento Hotel Corporation.

Committee/Commission Action: None

Background Information:

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

The SHC Board is required to submit an annual budget to City Council prior to the beginning of each fiscal year. On November 17, 2005, the SHC Board unanimously approved the 2006 budget to be presented to City Council for approval. The SHC continues to contract with PKF Consulting to provide the most current hotel industry analysis. According to PKF, 2006 is expected to be a growth year for the Sheraton Hotel.

The proposed budget includes a 9% increase in revenue over last year to reflect that expectation. The Sheraton Hotel Management firm, PMB LLC is confident that the 2006 budget represents a realistic budget for the 2006 operating year. The proposed budget as outlined in "Exhibit A" compares the 2006 budget to the projections provided in the original bond offering.

Upon City Council approval of the Resolution to approve the 2006 SHC budget, the SCH Board will adopt the City Council approved 2006 budget at its next board meeting.

Financial Considerations: None

Environmental Considerations:

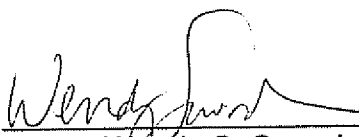
This activity is not considered a project as defined by Section 15378 of the California Environmental Quality Act (CEQA) guidelines. The activity involves no physical construction of commitment to particular projects and has no potential to cause a significant impact on the environment (CEQA Section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

Policy Considerations:

The SHC Board of Directors approved the proposed 2006 budget at their meeting on November 17, 2005.

Emerging Small Business Development (ESBD):

Not applicable as no goods or services are being purchased at this time.

Approved By: 
Wendy S. Saunders, Director
Economic Development Department

Recommendation Approved:



ROBERT P. THOMAS
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

December 13, 2005

RESOLUTION NO.

BACKGROUND

- A. Sacramento Hotel Corporation (SHC) Bylaws, section XI, Section (3) (a), states that the City Council is responsible for two items: (1) Approving appointees to the SHC Board and (2) Approving the SHC Budget on an annual basis.
- B. SHC Board is required to submit an annual budget to City Council prior to the beginning of each fiscal year. On November 17, 2005, the SHC Board unanimously approved the 2006 budget to be presented to City Council for approval.

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

- Section 1. The proposed 2006 budget as presented is approved for final adoption by the Sacramento Hotel Corporation Board of Directors

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Exhibit A – 2006 Operating Budget

**Sacramento Hotel Corporation
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)		