



REPORT TO THE CITY COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Consent
January 08, 2008

Honorable Mayor and Members of the City Council

Title: Sacramento Hotel Corporation 2008 Operating Budget

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

Recommendation:

Adopt a **Resolution**, approving the Sacramento Hotel Corporation 2008 Operating Budget.

Contact: Nicole York-Johnson, Economic Development, 808-8646; Clark Johnson, Accounting, 808-5058

Presenters: None

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Description/Analysis

Issue: The Sacramento Hotel Corporation's fiscal year is from January 1st to December 31st. The Corporation's Board of Directors is required to submit an annual budget to the City Council prior to the beginning of each fiscal year.

Policy Considerations: The Board of Directors of the Sacramento Hotel Corporation approved the proposed 2008 Operating Budget at its meeting on December 20, 2007.

Environmental Considerations: This activity is not considered a project as defined by Section 15378 of the California Environmental Quality Act (CEQA) guidelines.

Rationale for Recommendation: The Sacramento Hotel Corporation Bylaws state in Section XI, Section (3)(a), that 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.

Financial Considerations: Approval of the 2008 Sacramento Hotel Corporation Operating Budget or any subsequent amendments does not fiscally impact the City of Sacramento.

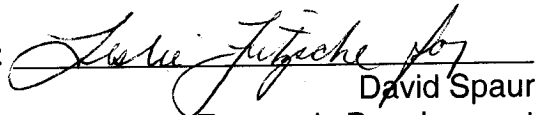
Emerging Small Business Development (ESBD): Not applicable as no goods or services are being purchased.

Respectfully Submitted by:



Nicole York-Johnson
Administrative Officer

Approved by:



David Spaur
Director, Economic Development

Recommendation Approved:

Ray Kerridge
City Manager

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Attachment 1**Sacramento Hotel Corporation****Background Information:**

1. The Sacramento Hotel Corporation is a nonprofit public benefit corporation. The Corporation was formed in 1999 for the specific and sole purpose of purchasing, owning, operating, financing, encumbering, maintaining, leasing and selling a full-service convention center hotel in the City of Sacramento.
2. Proceeds from the sale of Series 1999A Bonds were used to make a loan to the Corporation to pay the costs of acquiring the real property and planning, designing, developing, constructing, installing, equipping and opening a full-service, first-class convention center hotel.
3. The Corporation has all of the powers of a natural person, including, without limitation, the power to: adopt, amend and repeal bylaws (with the approval of the City Council); assume obligations; enter into contracts, including contracts of guarantee or suretyship; incur liabilities; borrow or lend money or otherwise use its credit; secure any of its obligations, contracts or liabilities by mortgage; and carry on a business at a profit and apply any profit that results from the business activity to any activity in which it may lawfully engage.
4. The Corporation entered into a Qualified Management Agreement with Public Market Building, LLC (PMB) under which PMB was required to delegate the duties and responsibilities of operating the Hotel to a nationally recognized hotel management company having the experience and qualifications to operate an "upscale" hotel. Accordingly, PMB entered into a Hotel Operating Agreement with Sheraton Operating Corporation, a subsidiary of Starwood Hotel & Resorts Worldwide, Inc.
5. The Corporation Bylaws state in Section XI, Section (3)(a), that 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.
6. The Corporation Board is required to submit an annual budget to the City Council prior to the beginning of each fiscal year. On December 20, 2007, the Hotel Corporation Board unanimously approved the proposed 2008 Operating Budget to be presented to the City Council for approval.

RESOLUTION NO.

Adopted by the Sacramento City Council

**APPROVING THE SACRAMENTO HOTEL CORPORATION
2008 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. The Corporation's Board of Directors is required to submit an annual budget to the Sacramento City Council prior to the beginning of each fiscal year. On December 20 2007, the Hotel Corporation Board unanimously approved the proposed 2008 operating budget to be presented to the City Council for approval.

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

- Section 1. The Sacramento Hotel Corporation 2008 Operating Budget as presented in Exhibit A is approved for final adoption.

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Exhibit A – 2008 Operating Budget

**Sacramento Hotel Corporation
Operating Budget - Detail
For the Year Ended 12/31/08**

	As of Nov '07				
	2008 Offering Memorandum	2007 Estimated Year-End	2008 Proposed Annual Budget	Increase/ (Decrease) Over 2007	Percent Increase/ Decrease Over 2007
Hotel Operations:					
Revenue	\$ 35,904,000	\$ 33,351,885	\$ 34,773,000	1,421,115	4.26%
Expenses:					
Operating Costs	15,455,000	13,308,991	13,702,000	393,009	2.95%
Administrative expenses and fees	7,930,000	6,397,444	6,713,000	315,556	4.93%
Management Fees	1,353,000	1,268,386	1,315,000	46,614	3.68%
Total Expenses	24,738,000	20,974,821	21,730,000	755,179	3.60%
Available Revenue before Reserves	11,166,000	12,377,064	13,043,000	665,936	5.38%
Less Amounts Deposited to Reserves For:					
Hotel Taxes and Insurance	1,179,000	2,459,852	2,239,000	(220,852)	-8.98%
Hotel Replacement FF&E Fund	1,436,000	1,427,599	1,390,920	(36,679)	-2.57%
Hotel Net Operating Income (NOI)	\$ 8,551,000	\$ 8,489,613	\$ 9,413,080	923,467	10.88%
Garage Operations:					
Revenue	\$ 2,105,000	\$ 2,697,206	\$ 2,750,419	53,213	1.97%
Expenses:					
Operating Costs	463,000	736,175	704,362	(31,813)	-4.32%
Management Fees	166,000	110,219	144,300	34,081	30.92%
Total Expenses	629,000	846,394	848,662	2,268	0.27%
Available Revenue before Reserves	1,476,000	1,850,812	1,901,757	50,945	2.75%
Less Amounts Deposited to Reserves For:					
Garage Taxes and Insurance	175,000	233,870	260,000	26,130	11.17%
Garage Repair and Replacement	63,000	81,124	82,513	1,389	1.71%
Garage Net Operating Income	1,238,000	1,535,818	1,559,244	23,426	1.53%
Lease Payments	250,000	250,000	250,000	-	0.00%
Garage NOI After Lease Payments	\$ 988,000	\$ 1,285,818	\$ 1,309,244	23,426	1.82%
Administration Expenses:					
Legal		\$ 10,000	\$ 10,000	-	0.00%
Hotel Consultant		27,000	28,000	1,000	3.70%
Accounting		34,320	35,350	1,030	3.00%
Administrator		60,000	60,000	-	0.00%
Board Stipends		20,000	20,000	-	0.00%
Trustee Fees		12,000	12,000	-	0.00%
Insurance Expenses		9,000	9,000	-	0.00%
Audit Expenses		13,600	14,200	600	4.41%
Other Expenses		3,000	3,000	-	0.00%
Total Administrative Expenses	\$ 115,000	\$ 188,920	\$ 191,550	2,630	1.39%

**Sacramento Hotel Corporation
Operating Budget - Summary
For the Year Ended 12/31/08**

	2008 Offering Memorandum	As of Nov '07 2007 Estimated Year-End	2008 Proposed Annual Budget	Increase/ Decrease Over 2007	Percent Increase/ Decrease Over 2007
Hotel Net Operating Income	\$ 8,551,000	\$ 8,489,613	\$ 9,413,080	\$ 923,467	10.88%
Garage Net Operating Income	\$ 1,238,000	\$ 1,535,818	\$ 1,559,244	\$ 23,426	1.53%
Administration Costs	\$ (115,000)	\$ (188,920)	\$ (191,550)	\$ (2,630)	1.39%
Interest Earnings	\$ 915,145	\$ 1,134,964	\$ 1,198,000	\$ (63,036)	-5.55%
Debt Service	\$ (6,654,000)	\$ (6,262,500)	\$ (6,431,250)	\$ 168,750	-2.69%

Reserve Transactions:

Garage Lease Payment			(250,000)		
Supplemental Senior Debt Service Reserve			(425,001)		
Subordinate Management Fee			(642,760)		
Subordinate Debt Service Fund			(4,229,763)		
Cash Trap Fund					

Net Activity

Debt Service Coverage Ratios:

Total Debt Service Coverage	1.59	1.75	1.86	0.11	6.32%
Required	1.30	1.30	1.30	-	-
Hotel Debt Service Coverage	1.29	1.36	1.46	0.11	7.97%
Required	1.15	1.15	1.15	-	-