



REPORT TO THE CITY COUNCIL

City of Sacramento

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

Consent
December 12, 2006

Honorable Mayor and Members of the City Council

Title: Approve Sacramento Hotel Corporation 2007 Operating Budget

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

Recommendation:

Adopt a **Resolution** approving the Sacramento Hotel Corporation 2007 operating budget (Exhibit A).

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

Presenters: None

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Description/Analysis

Issue: The Hotel Corporation's fiscal year is January to December. The Corporation Board 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 2007 operating budget at its meeting on December 8, 2006.

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

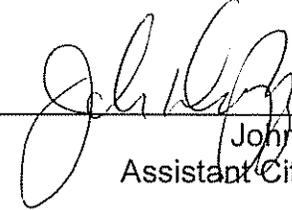
Rationale for Recommendation: The Sacramento Hotel Corporation Bylaws state in Section XI, Section (3)(a), that City Council is responsible for two items: (1) Approving appointees to the Sacramento Hotel Corporation Board and (2) Approving the Hotel Corporation Budget on an annual basis.

Financial Considerations:

Approval of the 2007 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: 
John Dangberg
Assistant City Manager

Recommendation Approved:


Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVE THE SACRAMENTO HOTEL CORPORATION 2007 OPERATING BUDGET

BACKGROUND

- A. 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.
- B. The Corporation Board is required to submit an annual budget to the City Council prior to the beginning of each fiscal year. On December 8, 2006, the Hotel Corporation Board unanimously approved the proposed 2007 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 2007 Operating Budget as presented in Exhibit A is approved for final adoption.

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Exhibit A – 2007 Operating Budget

EXHIBIT A

**Sacramento Hotel Corporation
Draft Operating Budget - Detail
For the Year Ended 12/31/07**

	<u>Annual Budget</u>	<u>Offering Memorandum</u>
Hotel Operations:		
Revenue	\$ 35,252,000	\$ 34,825,000
Expenses:		
Operating Costs	13,679,000	15,005,000
Administrative expenses and fees	6,608,000	7,699,000
Management Fees	1,269,000	1,313,000
Total Expenses	<u>21,556,000</u>	<u>24,017,000</u>
Available Revenue before Reserves	13,696,000	10,808,000
Less Amounts Deposited to Reserves For:		
Hotel Taxes and Insurance	2,460,000	1,152,000
Hotel Replacement FF&E Fund	1,410,120	1,393,000
Hotel Net Operating Income (NOI)	<u>\$ 9,825,880</u>	<u>\$ 8,263,000</u>
Garage Operations:		
Revenue	\$ 2,704,140	\$ 2,066,000
Expenses:		
Operating Costs	722,420	453,000
Management Fees	149,720	158,000
Total Expenses	<u>872,140</u>	<u>611,000</u>
Available Revenue before Reserves	1,832,000	1,455,000
Less Amounts Deposited to Reserves For:		
Garage Taxes and Insurance	193,500	172,000
Garage Repair and Replacement	81,120	62,000
Garage Net Operating Income	<u>1,557,380</u>	<u>1,221,000</u>
Lease Payments	250,000	250,000
Garage NOI After Lease Payments	<u>\$ 1,307,380</u>	<u>\$ 971,000</u>
Administration Expenses:		
Legal	\$ 10,000	\$ 5,000
Hotel Consultant	27,000	25,000
Accounting	34,320	33,000
Administrator	60,000	60,000
Board Stipends	20,000	20,000
Trustee Fees	12,000	12,000
Insurance Expenses	9,000	7,800
Audit Expenses	13,600	12,000
Other Expenses	3,000	3,000
Total Administrative Expenses	<u>\$ 188,920</u>	<u>\$ 177,800</u>

**Sacramento Hotel Corporation
Operating Budget
For the Year Ended 12/31/07**

	<u>Annual Budget</u>	<u>Offering Memorandum</u>
Hotel Net Operating Income	<u>#REF!</u>	<u>\$ 8,263,000</u>
Garage Net Operating Income	<u>#REF!</u>	<u>\$ 1,221,000</u>
Administration Costs	<u>#REF!</u>	<u>\$ (112,000)</u>
Interest Earnings	<u>\$ 800,360</u>	<u>\$ 913,760</u>
Debt Service	<u>\$ (6,262,500)</u>	<u>\$ (6,262,500)</u>
Reserve Transactions:		
Garage Lease Payment	(250,000)	
Supplemental Senior debt service reserve	(243,750)	
Subordinate Management Fee	(625,000)	
Subordinate Debt Service Fund	(3,210,210)	
Cash Trap Fund	<u>(1,403,240)</u>	
Net Activity	<u>#REF!</u>	
Debt Service Coverage Ratios:		
Total Debt Service Coverage	<u>#REF!</u>	<u>1.64</u>
Required	<u>1.30</u>	<u>1.30</u>
Hotel Debt Service Coverage	<u>#REF!</u>	<u>1.32</u>
Required	<u>1.15</u>	<u>1.15</u>