

## REPORT TO THE CITY COUNCIL City of Sacramento

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

Consent  
May 8, 2007

### Honorable Mayor and Members of the City Council

**Title:** Approve Sacramento Hotel Corporation 2007 Amended Operating Budget

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

### Recommendation:

Adopt a **Resolution**, approving the Sacramento Hotel Corporation 2007 Amended Operating Budget, attached hereto as Exhibit B.

**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:** On February 6, 2007, City Council approved the Sacramento Hotel Corporation 2007 Operating Budget. Due to updated budget projections and final postings of 2006 year-end revenue and expenses, it is proposed that the 2007 budget be amended to reflect a more accurate budget.

The most significant change is reflected in the Hotel Net Operating Income (NOI). Exhibit B, the proposed Sacramento Hotel Corporation 2007 Amended Operating Budget reflects an NOI of \$10,089,851, whereas, the adopted budget reflected an NOI of \$9,825,880. This represents an NOI increase of \$263,971.



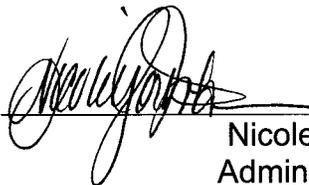
**Policy Considerations:** The Board of Directors of the Sacramento Hotel Corporation approved the proposed 2007 Amended Operating Budget at its meeting on April 26, 2007.

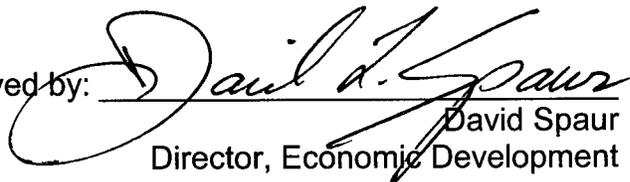
**Environmental Considerations:** This activity is not considered a project as defined by Section 15378 of the California Environmental Quality Act (CEQA) guidelines.

**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.

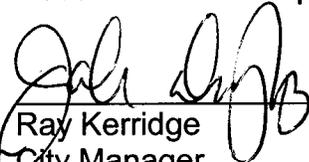
**Financial Considerations:** Approval of the Sacramento Hotel Corporation 2007 Amended Operating Budget does not fiscally impact the City of Sacramento.

**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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<b>Attachments</b>		
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2	Pg 5	Exhibit A – Adopted 2007 Operating Budget
3	Pg 7	Exhibit B – Proposed 2007 Amended Budget

**Attachment 1**

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**APPROVING THE SACRAMENTO HOTEL CORPORATION  
2007 AMENDED 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.
- B. On February 6, 2007, City Council approved the 2007 Sacramento Hotel Corporation Operating Budget.
- C. On April 26, 2007, the Sacramento Hotel Corporation Board unanimously approved the proposed 2007 Amended Operating 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 Sacramento Hotel Corporation 2007 Amended Operating Budget as presented in Exhibit B is approved for final adoption.

**Table of Contents:**

- Exhibit A – Adopted 2007 Operating Budget
- Exhibit B – Proposed 2007 Amended Budget

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

	2007 Offering Memorandum	2006 Estimated Year-End	2007 Proposed Annual Budget	Increase/ Decrease Over 2006	Percent Increase/ Decrease Over 2006
Hotel Net Operating Income	\$ 8,263,000	\$ 8,578,062	\$ 9,825,880	\$ 1,247,818	14.55%
Garage Net Operating Income	\$ 1,221,000	\$ 1,462,091	\$ 1,557,380	\$ 95,289	6.52%
Administration Costs	\$ (112,000)	\$ (181,820)	\$ (188,920)	\$ (7,100)	3.90%
Interest Earnings	\$ 913,760	\$ 807,374	\$ 800,360	\$ 7,014	0.87%
Debt Service	\$ (6,262,500)	\$ (5,993,750)	\$ (6,262,500)	\$ 268,750	-4.48%
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			(1,403,240)		
<b>Net Activity</b>			-		
<b>Debt Service Coverage Ratios:</b>					
<b>Total Debt Service Coverage</b>	1.64	1.78	1.92	0.14	7.60%
<b>Required</b>	1.30	1.30	1.30	-	-
<b>Hotel Debt Service Coverage</b>	1.32	1.43	1.57	0.14	9.72%
<b>Required</b>	1.15	1.15	1.15	-	-

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

	2007 Offering Memorandum	2006 Estimated Year-End	2007 Proposed Annual Budget	Increase/ (Decrease) Over 2006	Percent Increase/ Decrease Over 2006
<b>Hotel Operations:</b>					
Revenue	\$ 34,825,000	\$ 33,451,932	\$ 35,252,000	1,800,068	5.38%
Expenses:				-	
Operating Costs	15,005,000	13,192,150	13,679,000	486,850	3.69%
Administrative expenses and fees	7,699,000	6,515,873	6,608,000	92,127	1.41%
Management Fees	1,313,000	1,279,242	1,269,000	(10,242)	-0.80%
Total Expenses	24,017,000	20,987,265	21,556,000	568,735	2.71%
Available Revenue before Reserves	10,808,000	12,464,667	13,696,000	1,231,333	9.88%
Less Amounts Deposited to Reserves For:				-	
Hotel Taxes and Insurance	1,152,000	2,544,629	2,460,000	(84,629)	-3.33%
Hotel Replacement FF&E Fund	1,393,000	1,341,976	1,410,120	68,144	5.08%
<b>Hotel Net Operating Income (NOI)</b>	<b>\$ 8,263,000</b>	<b>\$ 8,578,062</b>	<b>\$ 9,825,880</b>	<b>1,247,818</b>	<b>14.55%</b>
<b>Garage Operations:</b>					
Revenue	\$ 2,066,000	\$ 2,569,868	\$ 2,704,140	134,272	5.22%
Expenses:					
Operating Costs	453,000	703,819	682,050	(21,769)	-3.09%
Management Fees	158,000	106,832	149,720	42,888	40.15%
Total Expenses	611,000	810,651	831,770	21,119	2.61%
Available Revenue before Reserves	1,455,000	1,759,217	1,872,370	113,153	6.43%
Less Amounts Deposited to Reserves For:					
Garage Taxes and Insurance	172,000	214,578	233,870	19,292	8.99%
Garage Repair and Replacement	62,000	82,548	81,120	(1,428)	-1.73%
<b>Garage Net Operating Income</b>	<b>1,221,000</b>	<b>1,462,091</b>	<b>1,557,380</b>	<b>95,289</b>	<b>6.52%</b>
Lease Payments	250,000	250,000	250,000	-	0.00%
<b>Garage NOI After Lease Payments</b>	<b>\$ 971,000</b>	<b>\$ 1,212,091</b>	<b>\$ 1,307,380</b>	<b>95,289</b>	<b>7.86%</b>
<b>Administration Expenses:</b>					
Legal		\$ 5,000	\$ 10,000	5,000	100.00%
Hotel Consultant		26,000	27,000	1,000	3.85%
Accounting		34,320	34,320	-	0.00%
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		12,500	13,600	1,100	8.80%
Other Expenses		3,000	3,000	-	0.00%
<b>Total Administrative Expenses</b>	<b>\$ 112,000</b>	<b>\$ 181,820</b>	<b>\$ 188,920</b>	<b>7,100</b>	<b>3.90%</b>

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

	2007 Offering Memorandum	2006 Actual Year-End	2007 Proposed Annual Budget	Increase/ Decrease Over 2006	Percent Increase/ Decrease Over 2006
Hotel Net Operating Income	\$ 8,263,000	\$ 8,578,277	\$ 10,089,851	\$ 1,511,574	17.62%
Garage Net Operating Income	\$ 1,221,000	\$ 1,469,195	\$ 1,557,370	\$ 88,175	6.00%
Administration Costs	\$ (112,000)	\$ (155,561)	\$ (188,920)	\$ (33,359)	21.44%
Interest Earnings	\$ 913,760	\$ 1,093,393	\$ 800,360	\$ 293,033	26.80%
Debt Service	\$ (6,262,500)	\$ (5,993,750)	\$ (6,262,500)	\$ 268,750	-4.48%
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			(1,403,240)		
<b>Net Activity</b>			-		
<b>Debt Service Coverage Ratios:</b>					
<b>Total Debt Service Coverage</b>	1.64	1.83	1.96	0.13	6.97%
<b>Required</b>	1.30	1.30	1.30	-	-
<b>Hotel Debt Service Coverage</b>	1.32	1.43	1.61	0.18	12.67%
<b>Required</b>	1.15	1.15	1.15	-	-

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

	2007 Offering Memorandum	2006 Actual Year-End	2007 Proposed Annual Budget	Increase/ (Decrease) Over 2006	Percent Increase/ Decrease Over 2006
<b>Hotel Operations:</b>					
Revenue	\$ 34,825,000	\$ 33,451,932	\$ 35,689,967	2,238,035	6.69%
Expenses:					
Operating Costs	15,005,000	13,249,977	13,886,199	636,222	4.80%
Administrative expenses and fees	7,699,000	6,455,756	6,558,080	102,324	1.59%
Management Fees	1,313,000	1,279,240	1,268,386	(10,854)	-0.85%
Total Expenses	24,017,000	20,984,973	21,712,665	727,692	3.47%
Available Revenue before Reserves	10,808,000	12,466,959	13,977,302	1,510,343	12.11%
Less Amounts Deposited to Reserves For:					
Hotel Taxes and Insurance	1,152,000	2,544,624	2,459,852	(84,772)	-3.33%
Hotel Replacement FF&E Fund	1,393,000	1,344,058	1,427,599	83,541	6.22%
<b>Hotel Net Operating Income (NOI)</b>	<b>\$ 8,263,000</b>	<b>\$ 8,578,277</b>	<b>\$ 10,089,851</b>	<b>1,511,574</b>	<b>17.62%</b>
<b>Garage Operations:</b>					
Revenue	\$ 2,066,000	\$ 2,569,868	\$ 2,704,140	134,272	5.22%
Expenses:					
Operating Costs	453,000	703,819	682,051	(21,768)	-3.09%
Management Fees	158,000	106,832	149,725	42,893	40.15%
Total Expenses	611,000	810,651	831,776	21,125	2.61%
Available Revenue before Reserves	1,455,000	1,759,217	1,872,364	113,147	6.43%
Less Amounts Deposited to Reserves For:					
Garage Taxes and Insurance	172,000	214,584	233,870	19,286	8.99%
Garage Repair and Replacement	62,000	75,438	81,124	5,686	7.54%
<b>Garage Net Operating Income</b>	<b>1,221,000</b>	<b>1,469,195</b>	<b>1,557,370</b>	<b>88,175</b>	<b>6.00%</b>
Lease Payments	250,000	249,996	250,000	4	0.00%
<b>Garage NOI After Lease Payments</b>	<b>\$ 971,000</b>	<b>\$ 1,219,199</b>	<b>\$ 1,307,370</b>	<b>88,171</b>	<b>7.23%</b>
<b>Administration Expenses:</b>					
Legal	\$	489	\$ 10,000	9,511	1944.99%
Hotel Consultant		27,189	27,000	(189)	-0.70%
Accounting		25,740	34,320	8,580	33.33%
Administrator		45,000	60,000	15,000	33.33%
Board Stipends		22,500	20,000	(2,500)	-11.11%
Trustee Fees		12,052	12,000	(52)	-0.43%
Insurance Expenses		8,427	9,000	573	6.80%
Audit Expenses		11,889	13,600	1,711	14.39%
Other Expenses		2,275	3,000	725	31.87%
<b>Total Administrative Expenses</b>	<b>\$ 112,000</b>	<b>\$ 155,561</b>	<b>\$ 188,920</b>	<b>33,359</b>	<b>21.44%</b>