

ECONOMIC DEVELOPMENT DEPARTMENT

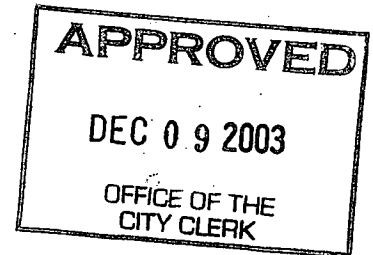
CITY OF SACRAMENTO

3.11

November 24, 2003

City Council
Sacramento, California

Honorable Members in Session:



SUBJECT: Approval of 2004 Sacramento Hotel Corporation budget

LOCATION AND COUNCIL DISTRICT: Convention Center Hotel, 13th & J Streets
Council District 1

RECOMMENDATION:

Staff recommends that the Sacramento City Council approve the attached Resolution that authorizes the Sacramento Hotel Corporation to adopt the 2004 budget (Exhibit A). The City Council has the authority to approve the adoption of the Sacramento Hotel Corporation on an annual basis.

CONTACT PERSON: Micah Runner, Economic Development, 264-5448
Kristan Otto, Economic Development, 264-7948

FOR COUNCIL MEETING OF: December 9, 2003

SUMMARY: Staff recommends the adoption of the Resolution to approve the 2004 Hotel Corporation Budget

COMMITTEE/COMMISSION ACTION:

None

BACKGROUND INFORMATION:

In the Corporation Bylaws, section XI, Section (3) (a), the 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.

Building on Our History - Creating The Place to Be.

City Council
Approval of Hotel Corporation Budget
December 9, 2003

The Hotel Corporation fiscal year is January to December. The Corporation Board is required to submit the annual budget to the City Council prior to the beginning of each fiscal year. On November 20, 2003 the Hotel Corporation Board unanimously approved the 2004 budget to be presented to the City Council for approval. The proposed budget is less than the cash flow outlined in the Offering Memorandum. Due to current economic slump the hotel will not meet the cash flow projection for 2004 in the offering memorandum. The Sacramento Hotel Corporation continues to contract with PKF Consulting to provide us with the most current hotel industry analysis. According to PKF the travel industry has been negatively impacted by the economic downturn and the whole hotel industry is down. However, the Sheraton Grand hotel remains very competitive in the market place and will continue to meet its debt service responsibility. The Manager (PMB LLC) is confident that the 2004 budget represents a realistic budget for the 2004 operating year.

Upon Council approval of the Resolution to approve the 2004 Hotel Corporation budget the Corporation Board will adopt the City Council approved 2004 budget at the next Hotel Corporation Board Meeting.

FINANCIAL CONSIDERATIONS:

Approval of the 2004 Sacramento Hotel Corporation budget 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:

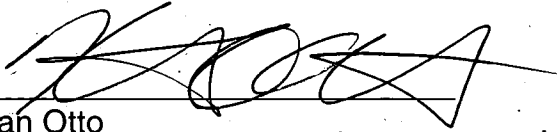
The Board of Directors of the Sacramento Hotel Corporation approved the proposed 2004 budget at their meeting on November 20, 2003.

ESBD CONSIDERATIONS:

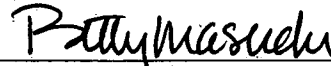
Not applicable as no goods or services are being purchased at this time.

City Council
Approval of Hotel Corporation Budget
December 9, 2003

Respectfully submitted,



Kristan Otto
Economic Development Manager



Betty Masuoka
Assistant City Manager

RECOMMENDATION APPROVED:



Robert P. Thomas
City Manager

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**Sacramento Hotel Corporation
2004 Operating Budget -**

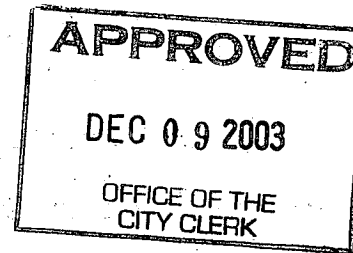
Exhibit A

	<u>Budget</u>	<u>Offering Memorandum</u>
Hotel operations		
Net operating income	<u>6,142,930</u>	<u>7,594,000</u>
Garage operations		
Net operating income	<u>1,287,800</u>	<u>1,166,000</u>
Administration		
Total costs	<u>(171,000)</u>	<u>(103,000)</u>
Debt service payments		
Total Payments	<u>(5,800,000)</u>	<u>(5,800,000)</u>
Misc reserve transactions		
Garage lease payment	(250,000)	(250,000)
Subordinate management fee	(915,125)	(576,534)
Emergency expense	(477,994)	(2,326,764)
	<u>(1,643,119)</u>	<u>(3,153,298)</u>
Debt reserves transactions		
Supplemental senior debt reserve	(385,440)	(387,500)
Interest earnings	568,829	683,798
	<u>183,389</u>	<u>296,298</u>
Net activity	<u>-</u>	<u>-</u>
Debt Service Coverage		
Total debt service coverage	<u>1.35</u>	<u>1.61</u>
Requirement	<u>1.30</u>	<u>1.30</u>
Hotel debt service coverage	<u>1.06</u>	<u>1.31</u>
Requirement	<u>1.15</u>	<u>1.15</u>

RESOLUTION NO. 2003-862

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON THE DATE OF _____



**A RESOLUTION OF THE SACRAMENTO CITY COUNCIL
AUTHORIZING THE ADOPTION OF THE 2004 HOTEL
CORPORATION BUDGET.**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

The proposed 2004 operating budgets, as presented, are approved for the final adoption of the Sacramento Hotel Corporation Board of Directors

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____