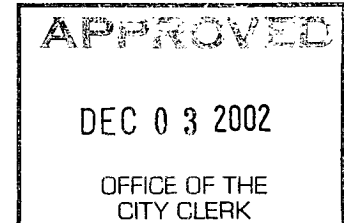


2.3

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO



December 3, 2002

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Approval of 2003 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 2003 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 3, 2002

SUMMARY: Staff recommends the adoption of the Resolution to approve the 2003 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.

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 21, 2002 the Hotel Corporation Board unanimously approved the 2003 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 the tragic events of September 11, 2001 and the economic slump the hotel will not meet the cash flow projection for 2002 in the offering memorandum. The travel industry has been negatively impacted by the economic downturn and the whole hotel industry is down. The Sheraton Grand hotel remains competitive in the market place and will continue to meet its debt service responsibility. The Manager (PMB LLC) is confident that the 2003 budget represents a realistic budget for the 2003-operating year.

Upon Council approval of the Resolution to approve the 2003 Hotel Corporation budget, the Corporation Board will adopt the City Council-approved 2003 budget at the next Hotel Corporation Board Meeting.

FINANCIAL CONSIDERATIONS:

Approval of the 2003 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 2003 budget at their meeting on November 21, 2002.

STRATEGIC PLAN CONSIDERATIONS:

The recommendation is consistent with the City's 2001-2004 Strategic Plan goal to: "Promote and support economic vitality."

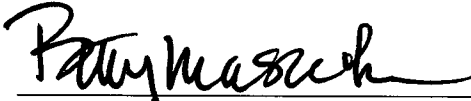
ESBD CONSIDERATIONS:

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

City Council
Sacramento Hotel Corporation 2003 Budget
December 3, 2002

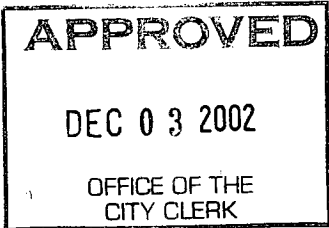
Respectfully submitted,


KRISTAN OTTO
Economic Development Manager


BETTY MASUOKA
Interim Econ. Development Director

RECOMMENDATION APPROVED:


ROBERT P. THOMAS
City Manager



RESOLUTION NO. 2002-788

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION APPROVING the 2003 SACRAMENTO HOTEL CORPORATION BUDGET

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

Section 1. The proposed 2003 operating budget, as presented, is approved for the final adoption of the Sacramento Hotel Corporation Board of Directors.

ATTEST:

Mayor

Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

**Sacramento Hotel Corporation
2003 Operation Budget**

RECEIVED
CITY CLERK'S OFFICE
CITY OF SACRAMENTO
Exhibit A
Nov 21 3 32 PM '02

	Budget	Offering Memorandum
Hotel Operations		
Net operating Income	6,085,000	7,294,000
Garage Operations		
Net operating income	1,315,000	1,148,000
Administration		
Total costs	(176,000)	(101,000)
Debt Service Payments		
Total Payments	(5,800,000)	(5,800,000)
Misc Reserve Transactions		
Garage lease payment	(150,000)	(150,000)
Subordinate management fee	(1,025,000)	(557,037)
Emergency expense		(2,203,590)
	(1,175,000)	(2,910,627)
Debt Reserves Transactions		
Supplemental senior debt reserve	(800,000)	(200,000)
Interest earnings	551,000	569,627
	(249,000)	369,627
Net activity	-	-
Debt Service Coverage		
Total debt service coverage	1.34	1.54
Requirement	1.30	1.30
Hotel debt service coverage	1.05	1.26
Requirement	1.15	1.15