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**MEMORANDUM**

**TO:** Interested Parties  
**FROM:** Thomas P. Friery, City Treasurer  
**SUBJECT:** Sacramento Hotel Corporation – Update

In conjunction with the events surrounding the September 11, 2001, tragedy in the United States, the Sacramento Hotel Corporation issued the following press release in conjunction with that action.

This was done in compliance with our requirement of open disclosure with our Bond Investors.

Information contained therein is information provided by the Sacramento Hotel Corporation. The City of Sacramento provides no opinion as to the accuracy of that information.

  
Thomas P. Friery  
City Treasurer

# PRESS RELEASE

**Sheraton Grand, Sacramento California**  
**October 30, 2001**

Walter J. Slipe, Chairman of the Sacramento Hotel Corporation issued the following statement today to describe the effect on the Sheraton Grand Sacramento of the terrorist attacks in New York City and Washington D.C. on September 11, 2001. As you can imagine, the hotel was significantly impacted during the days immediately following the attack. The hotel operator and manager took immediate steps, which are described below, to mitigate the impact of these events.

In the days immediately following the attacks, occupancy fell to rates as low as 11%, and several conventions scheduled for September and October were cancelled. The hotel operator took immediate steps to reduce both fixed and variable expenses and began the process to draw on their worldwide database to project likely mid and long-term impacts on the performance of the hotel.

Initial analysis of these data indicated a reduction in 2001 projected room nights of 12% and a reduction in projected room revenue of 15%. Reductions were also projected for other revenue centers of the hotel.

To mitigate these projections, sales staff for the hotel worked diligently to re-book the convention-based room cancellations, and to acquire other non-transient recurring room nights. Additionally, the operator was able to trim over \$500,000 from the operating expense budget for the remainder of 2001.

We are happy to report that 95% of the convention-based room nights have been rebooked in 2001 and that occupancy rates are climbing towards normal ranges in recent nights. Similar increases are observed in the other revenue centers of the hotel.

Based on information available through October 10, 2001, projections indicate that hotel Net Operating Income will under perform the pro-forma projections included in the bond offering documents by approximately \$1.2 million. While this will provide fewer funds than anticipated to fund the various reserve accounts associated with the financing of the hotel, it is anticipated that debt service for 2001 will be satisfied without having to draw on the debt service reserves. Attached you will find a spreadsheet detailing the 2001 projections compared to the pro-forma budget.

Starwood Hotels and Resorts have not completed their projection for 2002. We anticipate that there will be some lingering affect on the performance of the hotel based on these events. Also, we cannot anticipate the impact on the hotel of future national or international events. We will, however, continue to work with the operator to mitigate these impacts and restore the hotel to the performance levels we all anticipate achieving. We will continue to inform you of our progress.

**\*\*END\*\***

**Sheraton Grand, Sacramento**  
**2001 Projections vs. Pro-forma Budget**

	Pro-Forma Budget (Feb. 1999)	Sheraton Projections (Sept. 2001)	Variance
Occupancy	63.00%	51.06%	-11.95%
Average Daily Room Rate	\$129.00	\$129.18	\$0.19
<b>Revenues</b>			
Rooms	\$9,925,000	\$8,473,002	(\$1,451,998)
Food	\$4,188,000	\$4,084,104	(\$103,896)
Beverage	\$837,000	\$793,778	(\$43,222)
Telephone	\$460,000	\$435,465	(\$24,535)
Parking	\$587,000	\$308,237	(\$278,763)
Other Operated Dept's and Income	\$419,000	\$109,573	(\$309,427)
Rentals and Other Income	\$147,000	\$34,574	(\$112,426)
<b>Total Revenues</b>	<b>\$16,563,000</b>	<b>\$14,238,733</b>	<b>(\$2,324,267)</b>
<b>Departmental Expenses</b>			
Rooms	\$2,750,000	\$2,465,763	(\$284,237)
Food and Beverage	\$4,276,000	\$4,085,481	(\$190,519)
Telephone	\$207,000	\$193,771	(\$13,229)
Parking	\$176,000	\$149,514	(\$26,486)
Other Operates Departments	\$314,000	\$68,017	(\$245,983)
<b>Total Department Expenses</b>	<b>\$7,723,000</b>	<b>\$6,962,546</b>	<b>(\$760,454)</b>
<b>Department Profit</b>	<b>\$8,840,000</b>	<b>\$7,276,187</b>	<b>(\$1,563,813)</b>
<b>Undistributed Expenses</b>			
Administrative and General	\$1,413,000	\$1,164,449	(\$248,551)
Marketing	\$1,457,000	\$1,174,138	(\$282,862)
Property Operations and Maintenance	\$787,000	\$598,661	(\$188,339)
Energy and Utilities	\$440,000	\$448,418	\$8,418
<b>Total Undistributed Expenses</b>	<b>\$4,097,000</b>	<b>\$3,385,666</b>	<b>(\$711,334)</b>
<b>Gross Operating Profit</b>	<b>\$4,743,000</b>	<b>\$3,890,521</b>	<b>(\$852,479)</b>
<b>Fixed Charges and Management Fees</b>			
Management Fee Base (Starwood)	\$0	\$453,197	\$453,197
Management Fee Base (PMB)	\$733,000	\$270,898	(\$462,102)
Property Taxes	\$431,000	\$561,709	\$130,709
Rented Equipment	\$0	\$58,726	\$58,726
Insurance	\$236,000	\$407,320	\$171,320
<b>Total Fixed Charges</b>	<b>\$1,400,000</b>	<b>\$1,751,850</b>	<b>\$351,850</b>
<b>Income Before Reserves</b>	<b>\$3,343,000</b>	<b>\$2,138,671</b>	<b>(\$1,204,329)</b>
<b>Reserves for Replacement</b>	<b>\$331,000</b>	<b>\$284,775</b>	<b>(\$46,225)</b>
<b>Net Operating Income</b>	<b>\$3,012,000</b>	<b>\$1,853,896</b>	<b>(\$1,158,104)</b>