

AGENDA

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

June 12, 2020 – 10:00 A.M.

Live Video and Audio Conference Meeting

Join the Meeting [Here](#)

Meeting Room Password: 762331

COMMITTEE MEMBERS:

Alex Brennan-Martin (Chair), Jay Zeidman (Co-Chair), Sofia Adrogué, John Johnson, Council Member Dave Martin, Ryan Martin, David Mincberg

In accordance with the modified Texas Open Meetings Act provisions announced by Texas Governor Greg Abbott on March 16, 2020, this Agenda is posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting online at <https://www.houstonfirst.com>.

Any questions regarding this Agenda, should be directed to Lisa K. Hargrove, General Counsel at either 713.853.8965 or Lisa.Hargrove@houstonfirst.com

- I. Call to Order**
- II. Public Comments**
- III. Minutes – May 15, 2020**
- IV. Presentations, Reports, and Updates**
 - A. Chief Financial Officer Update
 - B. Human Resources Update
- V. Committee Business**
 - A. Consideration and possible recommendation of an External Audit Services Agreement with RSM US LLP.
 - B. Consideration and possible recommendation of a revised 2020 budget for Houston First Corporation.
- VI. Adjournment**

III. Minutes – May 15, 2020

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

May 15, 2020 – 10:00 A.M.

Live Video and Audio Conference Meeting

The Benefits, Compensation, and Finance Committee (“Committee”) of Houston First Corporation (the “Corporation” or “HFC”), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV’T. CODE ANN. §394.001 et seq., posted a meeting via live video and audio conference on, Friday, May 15, 2020 commencing at 10:00 a.m.

In accordance with the modified Texas Open Meetings Act provisions announced by Texas Governor Greg Abbott on March 16, 2020, the Agenda was posted for public information, at all times, for at least 72 hours preceding the scheduled meeting time online at <https://www.houstonfirst.com>.

The following Committee Members were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Co-Chair), David Mincberg, Ryan Martin, Sofia Adrogué, John Johnson, and Council Member Dave Martin. Board Member Paul Puente was also in attendance.

The Chairman of the Committee called the meeting to order at 10:05 a.m. and a quorum was established, with all Committee members virtually present.

- I. **Public Comments.** None.
- II. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of April 17, 2020 were unanimously approved as presented. John Johnson was not present for the vote.
- III. **Presentations, Reports, and Updates**
 - A. **Chief Financial Officer Update.** Mr. Frank Wilson informed the Committee that HFC was successful in receiving funds from the Paycheck Protection Program in the amount of \$4,180,675. According to Mr. Wilson, the funds are being used to pay for payroll expenses for a period of eight weeks from April 27 through June 21.

Mr. Wilson went on to say that, on May 4, 2020, HFC closed on the Hilton mortgage loan extension with the help of staff, outside counsel, and David Mincberg. So far, he said, \$134 million of HFC’s Hurricane Harvey reimbursement has been obligated by FEMA with \$109 million received by the City of Houston (City) and \$94 million received by HFC. He said HFC was also notified that another project worksheet has been funded and the City has received \$3.5 million, and that HFC anticipates a reduction in those funds but anticipates HFC will receive the funds soon.

Mr. Wilson said the State of Texas has passed legislation to take funding out of the rainy day fund to pay the City's local FEMA match. He added that, although HFC has not received any funds at this time, it could receive as much as \$8.4 million. Mr. Wilson further noted that HFC has requested funds from the City in the amount of \$6 million from the \$400 million COVID-19 relief fund for capital improvement expenses related to the pandemic.

Mr. Wilson then provided the Committee with information on recent COVID-19 cases in Houston. As of May 10, he said, it does not appear that Houstonians are flattening the curve. Mr. Wilson also presented the Committee with macro-economic data provided by Patrick Jankowski, Sr. Economist, with the Greater Houston Partnership. Mr. Wilson discussed U.S. claims for unemployment benefits and stated recent reports show that 40% of Americans earning less than \$40,000 a year have lost jobs, with job losses having wiped out any job gains within the last ten years, which has been particularly challenging for the hotel and hospitality industry. As a result, according to Mr. Wilson, Congress has provided \$2.9 trillion in support of households, businesses, healthcare providers, and state and local governments.

Mr. Wilson addressed the contrast in initial unemployment claims from 2019 data compared with 2020, and noted that U.S. unemployment claims have been trending downward since March 28. In contrast, he added, unemployment claims in Texas continue to trend upward through the end of April; Houston shows an overall trend similar to the U.S., but year-over-year claims are thirteen times higher than what they were a year ago. Houston Purchasing Managers, according to Mr. Wilson, have reversed their positive outlook, which continues to worsen beyond the great recession of 2008. Mr. Wilson also stated that oil and gas rig count has gone from 1,000 in 2018 to under 400 in 2020

He then discussed HFC's financial performance through April. Hotel occupancy taxes (HOT) for the first quarter, he said, were only 2.6% below budget, but through April HFC is down 36% or \$16.8 million. Mr. Wilson noted that HFC is still waiting on funds from several hotels for second quarter, but it is unlikely HFC will close the gap entirely; HFC continues to project HOT collections for the year could fall as much as 50% below the approved budget of \$93 million. Mr. Wilson said Hilton net cash is also \$6.5 million short of budget; however, the hotel has a strong book of business for the fall and HFC is hopeful there will be realization of pent-up demand. According to Mr. Wilson, all other major revenues, including GRB facility rentals, food and beverage, and parking have also struggled during this period of shelter in place. He added that all major expenses are either at or below budget through April because HFC venues have been closed due to the pandemic.

Mr. Wilson reported HFC's total diversity spend from 2018-2019 was \$93.5 million. He also discussed the total spend for different minority groups, which indicates that the dollar distribution closely reflects the demographics of Houston. Mr. Wilson also corrected a misconception that HFC's diversity spend is predominately due to construction contracts.

Sofia Adrogué asked if the information provided on diversity spend was included in their meeting materials; Mr. Wilson confirmed that he would send the information to all Committee members.

- B. Human Resources Update. Mr. Tim Moyer, Human Resources Director, began his report with a discussion on return to workplace protocols for employees. Mr. Moyer stated while HFC does not have a timeline for when employee will return, HFC wants to be prepared and have everything in place by the end of May. To ensure HFC is being comprehensive and inclusive, he added, a committee was formed of ten team members covering the key departments and facilities of HFC.

Mr. Moyer explained that their first goal is to ensure HFC is providing a safe work environment; this includes limiting and monitoring entrances and exits, required temperature checks and health screenings, and enhanced cleaning and sanitation practices. The second goal, he said, is to educate team members on expectations upon returning to the workplace relative to their behavior, etiquette, and hygiene. Mr. Moyer said that HFC has created a comprehensive document for employees to review before they return to work in addition to a training video. Training, he said, will be ongoing, and there will be signs to remind employees of the new protocols. He stated that the third goal is to work with the leadership team to determine the best approach to a phased return of team members. Mr. Moyer discussed many of the new health and safety protocols, such as increased sanitation stations in all HFC facilities, new measures for clocking-in, temporary sneeze guards, and providing staff with face masks and hand sanitizer. To ensure social distancing, he noted, HFC will gradually bring team members back to the workplace and alternate work schedules. Finally, he said, HFC will reduce the number of chairs in all conference rooms and common areas.

Mr. Moyer noted that employees are encouraged to continue to use Microsoft Teams to conduct virtual meetings. Finally, he said, HR will provide education prior to employees return regarding compliance with respiratory etiquette and hygiene based on CDC guidelines.

Jay Zeidman asked about protocols in the event of a positive case of COVID-19. Mr. Moyer stated the protocols are included in the document, but HFC will conduct contact tracing to notify any other employees who may have been exposed and notify the Health Department. Mr. Moyer added that HFC is contracting with a third-party that will oversee cleaning and ensure the area is restricted.

John Johnson asked if HFC has identified the date when employees will return to work and communicated that information to employees. Mr. Moyer stated a decision has not been made regarding when employees will return to work, but HFC will give employees one to two-weeks' notice in order to make any necessary accommodations. Brenda Bazan added that working off-site has been working for employees so there is no urgency to bring team members back and risk exposure to the virus.

Sofia Adrogué asked that the finished HR document be distributed to the Committee. She also stated if there is a branded face covering, as she would like to have one to show her pride for Houston First. Brenda Bazan stated Sydney Dao is responsible for ordering face masks, but would be happy to provide Ms. Adrogué with a mask when they arrive.

Paul Puente asked how many HFC employees have been furloughed; Mr. Wilson stated that, thus far, no employees have been furloughed.

- C. Hilton Americas-Houston Hotel Update. Jacques D’Rovencourt, General Manager of the Hilton Americas-Houston Hotel (Hotel), stated the Texas Army National Guard arrived at the hotel on April 18 and has extended their stay through the end of May. According to Mr. D’Rovencourt, this represents 9,500 room night for the hotel and \$1.2 million in revenue for the Hotel. He added that the Hotel has consistently had approximately 25% occupancy, reflecting a significantly higher RevPar index than the comp set, with similar figures in the comp set for the month of April.

Alex Brennan-Martin asked what hotel occupancy would look like without the Texas Army National Guard. Mr. D’Rovencourt stated occupancy would be consistent with the market right now at 2%-3% occupancy.

Mr. D’Rovencourt noted that Visit Houston has provided a lot of updates on group business and the Hotel has been working closely with Visit Houston and the Marriott Marquis. He noted that the Hotel is starting to see a pick-up in transient business. He explained that things continue to remain fluid with regard to catering, but there are some events at the end of August. Mr. D’Rovencourt stated September is significant in terms of complete testing all new health and safety protocols.

Jay Zeidman commented that, based on HFC’s budget forecast and State protocols, August and September months seem ambitious for hosting large gatherings, and that might be reflected in the hotel budget forecast.

Ryan Martin asked if the Hotel is seeing anything in the market about what customers are looking for with regard to amenities. Mr. D’Rovencourt responded that the Hotel is a lot more flexible than it used to be regarding offerings and is continuing to build consumer confidence. Mr. Martin also asked if there has been any conversation with our neighbors regarding joint activations. Mr. D’Rovencourt explained that once the Hotel and the Marriott brand roll out their new cleaning programs they may be able to work together to build confidence in the downtown area.

Mr. D’Rovencourt continued with his report and stated the Hotel still has a little over 500 team members on furlough with no return date. They continue to assess the return of employees based on business demand, he said, but do not anticipate all employees will return from furlough, and expect to have more information within the next 30 days and are communicating with all managers and employees.

Ryan Martin asked if any of the new legislation is aimed at the Paycheck Protection Program and the hotel industry specifically. Rob Jackson replied that the program will continue and may expand, but nothing targeting hotels specifically. He also stated the bill is a long way from passage and, while there has been an extension of the federal support for unemployment benefits, there is nothing that would allow hotel employees to be brought back.

Mr. D' Rovencourt added that the Hotel still has a dedicated sales team and catering team that is actively engaged and connecting with customers so as not to miss out on business opportunities. In anticipation of Memorial Day weekend, he said, the Hotel has ramped up messaging regarding cleanliness and will have a soft roll-out of the Hilton "Clean Stay" campaign which has not yet launched to ensure hotel guests feel safe.

Sofia Adrogué offered her support and stated there may be some additional coordination with the Committee to provide additional support as well.

Roksan Okan-Vick, Urban Development Officer, provided a brief update on the Hilton guestroom renovation. Ms. Okan-Vick stated the Hotel is renovating 1,200 guest rooms on 15 guestroom floors. Group one rooms, she said, which include 598 rooms, were completed in 2019. She noted that the Hotel is currently under construction, renovation, and remediation of group two rooms, which include an additional 602 rooms. Ms. Okan-Vick also discussed the project schedule that will be completed by the end of August 2020, with a total project budget, as approved by the HFC Board, of approximately \$47 million. Ms. Okan-Vick also shared several photos of the ongoing work and new health and safety protocols. She was also glad to report that with 200 employees entering the Hotel they have not had any reports of COVID-19.

IV. Committee Business

A. Consideration and possible suspension of all 2020 Bonus/Incentive Programs.

Frank Wilson informed the Committee that staff has a resolution for their consideration to temporarily suspend HFC incentive programs through the end of 2020 in light of COVID-19. He explained that HFC will eliminate executive bonuses, non-executive team bonuses, the sales team incentive program, and the partnership and event development program for a total savings to HFC of \$943,571.

John Johnson asked what HFC intends to do regarding incentives for 2021. Mr. Wilson stated it is unclear given the circumstances, though he welcomes all suggestions. Mr. Johnson clarified his question and stated he hopes staff will have further discussion down the road, possibly in the third quarter. Brenda Bazan stated that, from her discussions with the sales team, there is a strong consensus that over the next 6 to 18 months there will be more opportunities for short-term business and the focus will shift from city-wide events. Ms. Bazan further explained there is limited discussion with customers regarding future years, as many businesses assess the impact of coronavirus, but it will be a part of discussions for the 2021 budget.

Council Member Dave Martin asked what percentage of the total compensation for the sales team comes from incentives. Frank Wilson stated it could be between 20%-30%. However, Ms. Bazan added that only 10%-15% of the sales team will reach that goal.

Frank Wilson provided further clarification of the suspension of sales incentives and Mr. Johnson stated staff might consider a change to the sales incentive program. Council Member Martin suggested that HFC formulate a

recommendation for the Committee to review to avoid losing high performing employees. He noted other employees affected and added that compensation is a bigger picture than sales guys and incentive programs.

Alex Brennan-Martin suggested that staff raise the topic of sales incentives in the next Committee meeting. Brenda Bazan agreed and stated it is a good opportunity for HFC to review all incentive plans going forward.

John Johnson offered his assistance in evaluating sales incentives and bonus programs. Brenda Bazan and Frank Wilson both responded that the offer was welcome.

After the Committee had additional discussion on the item, Brendan Bazan stated that John Solis, given the difficult circumstances, supports the recommendation. She also stated that HFC actions is consistent with other destination marketing organizations across the State.

Following a motion duly seconded, the recommendation for suspension of the 2020 Bonus/Incentive programs was approved unanimously by the Committee.

V. Adjournment. The meeting was adjourned at 11:15 a.m.

V. (A) Consideration and possible recommendation of an External Audit Services Agreement with RSM US LLP.

Consideration and possible approval of an External Audit Services Agreement with RSM US LLP.

DESCRIPTION: Houston First Corporation (“HFC”) issued a Request for Qualifications (“RFQ”) for External Audit Services from experienced firms of Certified Public Accountants to perform professional audit services. The responsibilities of the firm selected include year-end audits of HFC’s consolidated financial statements and the completion of a financial report in accordance with generally accepted auditing standards.

HFC received eight Statements of Qualifications (“SOQs”) from experienced accounting firms. Upon review and scoring of all SOQs received, the HFC Selection Committee conducted interviews with the top three firms. After further evaluation and re-scoring of SOQs, the firm that received the highest score was RSM US LLP.

Staff recommends that the Board approve an External Audit Services Agreement (“Agreement”) with RSM US LLP in an amount not-to-exceed \$920,644 for a term of five years. RSM US LLP has also agreed to meet a 30% diversity goal under the Agreement.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to an agreement for External Audit Services:

RESOLVED, that the Board of Directors of Houston First Corporation hereby approves and authorizes the finalization and negotiation of an Agreement for External Audit Services (the “Agreement”) with RSM US LLP; together with such conditions or modifications that are approved by the Chairperson or President, as they may determine to be in the best interest of the Corporation and to execute such Agreement; each acting alone hereby is, severally and without the necessity for joinder of any other person, authorized, empowered and directed for and on behalf of the Corporation to execute and deliver the Agreement in a form as approved by either the Chairperson or the President, or any Authorized Person (defined below), such approval to be conclusively established by the execution and delivery of the Agreement by any Authorized Person; and

FURTHER RESOLVED, that each of the Chairperson, President and Chief Executive Officer, Chief Operating Officer, General Counsel, and Chief Financial Officer of this Corporation are each hereby designated by this Corporation as an “Authorized Person” for purposes of this resolution and with respect to the Agreement to be executed hereunder; and

FURTHER RESOLVED, that the Agreement executed by any Authorized Person, for and on behalf of and in the name of this Corporation before or following the adoption of the foregoing resolution, in connection with the described transaction, be and is hereby ratified, confirmed and approved in all respects for all purposes.

V. (B) Consideration and possible recommendation of a revised 2020 budget for Houston First Corporation.

Houston First Corporation

2020 Budget Presentation - Summary

Total

	CY20 Original Budget	CY20 Proposed Revised Budget	Variance
<i>Venue Revenue</i>	\$ 77,879,187	\$ 25,017,823	\$ (52,861,364)
<i>Parking</i>	\$ 22,126,219	\$ 8,234,858	\$ (13,891,361)
<i>Miscellaneous</i>	\$ 3,830,211	\$ 3,793,450	\$ (36,761)
Operating Revenues	\$ 103,835,617	\$ 37,046,130	\$ (66,789,487)
<i>Personnel</i>	\$ 28,758,381	\$ 20,029,632	\$ (8,728,749)
<i>Advertising & Promotion</i>	\$ 7,472,080	\$ 2,262,324	\$ (5,209,756)
<i>Travel, Promotion, and Events</i>	\$ 3,230,442	\$ 147,135	\$ (3,083,307)
<i>Facility Maintenance</i>	\$ 8,820,476	\$ 4,815,917	\$ (4,004,559)
<i>Food and Beverage</i>	\$ 13,945,730	\$ 6,725,000	\$ (7,220,730)
<i>Security</i>	\$ 4,485,332	\$ 3,262,993	\$ (1,222,339)
<i>Utilities</i>	\$ 5,520,858	\$ 4,818,681	\$ (702,178)
<i>Parking</i>	\$ 3,580,316	\$ 1,769,737	\$ (1,810,579)
<i>Janitorial</i>	\$ 6,936,567	\$ 3,059,926	\$ (3,876,641)
<i>Insurance</i>	\$ 4,683,880	\$ 5,024,055	\$ 340,175
<i>Lease Expense</i>	\$ 1,454,000	\$ 729,639	\$ (724,361)
<i>Consulting</i>	\$ 2,339,950	\$ 2,000,000	\$ (339,950)
<i>Supplies</i>	\$ 1,717,269	\$ 740,798	\$ (976,472)
<i>Fees & Services</i>	\$ 1,097,600	\$ 728,509	\$ (369,091)
<i>Computer Services</i>	\$ 1,300,000	\$ 1,075,000	\$ (225,000)
<i>Legal Expense</i>	\$ 725,000	\$ 425,309	\$ (299,691)
<i>Other</i>	\$ 1,212,491	\$ 558,640	\$ (653,851)
Operating Expenses	\$ 97,280,373	\$ 58,173,293	\$ (39,107,080)
Net Income From Operations	\$ 6,555,244	\$ (21,127,163)	\$ 27,682,407
<i>Hotel Occupancy Tax (Current & Delinquent)</i>	\$ 93,250,000	\$ 52,630,000	\$ (40,620,000)
<i>Contributions</i>	\$ -	\$ 770,000	\$ 770,000
<i>Net Available Pledged Rev. Transfer</i>	\$ -	\$ 12,245,480	\$ 12,245,480
<i>Interest Income</i>	\$ 994,992	\$ 811,573	\$ (183,419)
Non Operating Revenue	\$ 94,244,992	\$ 66,457,053	\$ (27,787,939)
<i>Sponsorship Expense</i>	\$ 8,171,353	\$ 4,184,262	\$ (3,987,092)
<i>Contingency</i>	\$ 3,500,000	\$ -	\$ (3,500,000)
<i>Capital Spending</i>	\$ 5,836,505	\$ 3,821,691	\$ (2,014,814)
<i>Debt Service</i>	\$ 60,382,110	\$ 59,276,037	\$ (1,106,073)
<i>COH Contractual Obligations</i>	\$ 19,467,991	\$ 11,088,758	\$ (8,379,233)
<i>Hotel Tax Refunds</i>	\$ 2,425,000	\$ 2,511,691	\$ 86,691
Non Operating Expense	\$ 99,782,959	\$ 80,882,439	\$ (18,900,520)
Total Revenue less Expenses	\$ 1,017,277	\$ (35,552,549)	\$ 36,569,826
Capital - Prior Year Carry Forward	\$ (10,300,277)		\$ (10,300,277)
Capital - Financed Projects	\$ (6,530,000)	\$ (13,970,711)	\$ 7,440,711
Disaster Expense	\$ (8,801,299)	\$ (9,007,413)	\$ 206,114