

AGENDA

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
November 19, 2020 – 3:00 P.M.
Live Video and Audio Conference Meeting
Join the Meeting [Here](#)
Meeting Room Password: 392844

BOARD MEMBERS:

David Mincberg (Chair), Desrye Morgan (Vice-Chair), Sofia Adrogué, Elizabeth Brock, Nicki Keenan, Reginald Martin, Ryan Martin, Alex Brennan-Martin, Paul Puente, Bobby Singh, Tom Segesta, Gerald Womack, Jay Zeidman, Council Member Dave Martin, Ex-officio, Council Member David Robinson, Ex-officio

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

Code of Business Conduct and Ethics – As a reminder, under Houston First Corporation’s Code of Business Conduct and Ethics Policy, if you have a potential conflict of interest that you have not previously disclosed relating to a transaction or arrangement being discussed or voted on, you should notify the Chair and refrain from voting on the transaction or arrangement and recuse yourself from the discussion on the matter at hand. You should have received a copy of the Policy, but if not, let us know and we will provide one for you.

- I. Call to Order**
- II. Public Comments**
- III. Minutes – October 22, 2020**
- IV. Presentations, Reports, and Updates**
 - A. Houston First Chairman Report
 - B. HFC Acting President & CEO Report
 - C. Executive Search Firm Update
 - D. Hilton Loan Maturity and Refinancing Efforts Update
 - E. Philanthropic Fundraising Discussion
 - F. GHCVB 2021 Outlook

V. Board Business

- A. Consideration and possible approval of the annual election of Officers pursuant to the Houston First Corporation Bylaws.
 - i. Michael Heckman, Acting President & CEO
 - ii. Frank Wilson, Treasurer
 - iii. Lisa Hargrove, Secretary
 - iv. Frank Wilson, Investment Officer
- B. Consideration and possible approval of the Houston First Corporation 2021 Budget.
- C. Consideration and possible ratification of the Second Amendment to the Lease Agreement between the City of Houston and Houston First Corporation.

VI. Adjourn

III. Minutes – October 22, 2020

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
October 22, 2020 – 3:00 P.M.
Live Video and Audio Conference Meeting

The Board of Directors (“Board”) 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., held a meeting via Live Video and Audio Conference on Thursday, October 22, 2020, commencing at 3:00 p.m.

In accordance with the modified Texas Open Meetings Act provisions announced by Texas Governor Greg Abbott on March 16, 2020, this Agenda was 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>.

The following Board members participated in the meeting: David Mincberg (Chair), Desrye Morgan (Co-Chair), Sofia Adrogué, Nicki Keenan, Reginald Martin, Ryan Martin, Alex Brennan-Martin, Bobby Singh, Tom Segesta, Jay Zeidman, Council Member Dave Martin, Ex-Officio, and Council Member David Robinson, Ex-Officio.

1. **Call to Order.** The Chairman called the meeting to order at 3:00 p.m. and a quorum was established, with all Board members virtually present.
2. **Public Comments.** Gino Herrera, President of EDH Plumbing Contractors, stated he has worked with the City of Houston and Houston First Corporation for over 30 years, and it has helped his business grow. He explained that he has worked as a trade partner at various HFC facilities and the staff is a great group of people to work with. He further explained that HFC staff is very responsive and takes care of businesses. He concluded his remarks by stating that despite the challenges with the pandemic, everyone will come out of it, and he thanked HFC for the opportunity.

David Mincberg thanked Mr. Herrera for his remarks and acknowledging HFC staff.

Mr. Herrera stated that staff goes above and beyond to help contractors succeed.

3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the meeting minutes of October 1, 2020 were approved with a correction on page 9.
4. **Presentations and Reports.**

Before the Chairman gave his report, he asked Council Member David Robinson to provide an update on the City of Houston (City).

Council Member David Robinson stated things remain tenuous with the COVID-19 pandemic as the numbers continue to trend upward. The City continues to process COVID claims, he said, and the HFC Board and staff continue to creatively think through this crisis. He requested prayers for the City after attending the funeral of arson investigator and Houston firefighter, DJ Bruce and said he would attend a funeral next week for a Houston police officer and various others. Council Member Robinson stated that these are very trying times so close to the election with so many areas of contention for our country at large, at the state level, and locally. Council Member Robinson stated he shares the enthusiasm of Mr. Herrera regarding the hardworking and diligent staff at HFC. He also asked that the Board continues to hold up the City and those who are suffering and to work together to emerge just as safely and quickly as possible.

The Chairman thanked Council Member Robinson for his remarks. He also stated that we should bear in mind that many of our fellow countrymen have died due to COVID-19.

- A. Houston First Chairman Report. The Chairman said he has been working diligently and talking to HFC Acting President & CEO, Michael Heckman, on a regular basis. He stated that it is a challenging time for HFC and he is very appreciative of all Board members and staff working through these difficult times. The Chairman stated that HFC is experiencing the impact of the pandemic firsthand, but he is confident in the senior leadership and that of the HFC Board.

- B. HFC Acting President & CEO Report. Michael Heckman began his presentation with several updates followed by a preview of the 2021 business plan and budget. He announced that, as a result of previous discussion regarding HFC's cultural evolution in the face of the pandemic and a complete disruption of business operations, two working groups were formed to generate new ideas on revenue generation. The sessions, he explained, were very refreshing for the staff members that participated, and HFC now has a pipeline of ideas to carry into 2021 and future years. He also informed the Board that the process to gain approval from the Mayor's Office for events next year has gone well and he is working closely with Luther Villagomez. Additionally, he said that the Sales team is beginning to generate new leads for the latter half of 2021. He also informed the Board that a team member is in Orlando for a socially distanced industry event, which is a step in the right direction for future business opportunities. According to Mr. Heckman, the State of the City functions held by the Greater Houston Partnerships, including the Mayor's address was broadcast from the virtual studio at George R. Brown Convention Center (GRB), and an event with the Society of Petroleum Engineers will be held next week. He added that Mayor Turner has also asked HFC to lead an initiative to create a unified brand for Houston.

In November, Mr. Heckman stated, the HFC staff will bring forth the 2021 business plan and budget for consideration and possible approval. As HFC faces a lot of uncertainty, Mr. Heckman thought it was important to provide the Board with a preview. He explained that a presentation was previously made to the Benefits, Compensation, and Finance Committee and asked Committee Chair, Alex Brennan-Martin, if he had any comments.

Mr. Brennan-Martin stated that the Committee had a good conversation and, from the information presented, it will become clear that HFC is facing tough times, but the organization can make it with some discipline and tough choices. He also stated that staff is keenly aware and focused and he was pleased with the discussion overall.

Jay Zeidman explained that HFC must balance making the appropriate cuts while avoiding sending the company into a downward spiral. Mr. Zeidman further explained as the company looks to the latter half of 2021, there is a need for marketing and other services, but it is a tricky balance.

Michael Heckman then continued with his presentation and discussed the historic disruption of the tourism and convention industry. He noted that all of HFC's major revenue streams were severally impacted due to COVID-19, and staff do not anticipate business to return until the second half of 2021. Mr. Heckman then asked HFC Chief Financial Officer, Frank Wilson, to discuss the budget forecast.

Mr. Wilson informed the Board that a revised 2020 budget was approved in July that forecast a \$35.5 million deficit. The forecast has improved, he said, and reflects a \$25 million deficit through expenses reductions, managing the monthly burn rate, and FEMA reimbursements.

Mr. Heckman then discussed the importance of HFC's role as a destination marketing organization in creating value for its stakeholders and the Houston community. He informed the Board that the strategic plan should be viewed as a bridge between recovery and the 2021 budget. He explained that the 2021 strategic theme is "value creation" and all goals or KPIs will connect to one of five value drivers. He said that the 2021 budget will be the most difficult in the history of the organization to prepare due to a lack of revenues and visibility, and HFC must balance necessary budget cuts with strategic investments. He further explained that the 2021 budget should be seen as a transitional budget that will be normalized in 2022.

Frank Wilson explained that the budget will be designed in a way that most of the expenses are due in the latter half of the year; there will also be a rolling 12-month forecast and minimal capital expenditures. He also provided a high-level preliminary budget estimate to show the areas of discretionary funds compared to non-discretionary funds. He also shared some of HFC's fixed obligations that support the City's general fund.

Desrye Morgan asked when HFC's match contribution will expire. Mr. Wilson stated he believes that the obligation will expire in five-to-six years, but he will confirm.

Lastly, Mr. Wilson stated that the budget process during a dual health and economic crisis requires difficult choices to ensure the survival of HFC. Staff are planning in a volatile environment, he said, but HFC is committed to conservative stewardship of its assets and its stakeholders in the hospitality sector.

The Chairman thanked Mr. Heckman and Mr. Wilson for their report.

Mr. Brennan-Martin explained that, based on the preliminary budget estimate provided, much of HFC's expenditures simply cannot be addressed at this time. He further explained that he hopes the information will help everyone to focus on the reality that HFC is facing, and he supports staff's decision to defer expenses to the latter half of the year in 2021.

Tom Segesta thanked staff for the presentation and challenged them to review DMO expenses, especially from a long-term perspective, to focus on improving the overall health of the destination.

Council Member David Robinson asked if Mayor Pro-Tem, Council Member Dave Martin, had an update regarding HFC's debt service.

Council Member Martin stated that hotel occupancy will decrease going forward, because everyone is used to working in a virtual environment. He also believes that commercial property in downtown Houston is changed forever. He added that business travel will also change and explained that he was to attend a meeting in San Diego that was held virtually and went very well. He urged staff to keep an eye on debt service and personnel expenses and stated that, if HFC continues to move on its current path, it should make some additional cuts. He commented that he was disappointed that the Mayor would not allow HFC to extend its debt, but was happy that the Mayor approved the issuance of insurance proceeds due to HFC.

Desrye Morgan thanked Mr. Wilson and Mr. Heckman for their report. She also thanked them for their insight and forward thinking. She echoed the sentiments of Council Member Martin and stated that HFC may want to revisit restructuring in light of how well it has gone for the Houston Sports Authority.

- C. Executive Search Firm Update. Vice Chair, Desrye Morgan, gave the Executive Search Firm Update. She thanked Mr. Heckman for his leadership as Acting President & CEO and acknowledged the challenging time for the organization. She announced that HFC is moving forward with the search for an executive search firm to find a permanent President & CEO. She noted that HFC received a total of 36 proposals and the selection committee has reviewed 24 of the 36 proposals received. The selection committee, she added, will meet next week to review the remaining proposals. Ms. Morgan said that they anticipate conducting interviews with the top five firms before Thanksgiving, expect to make the selection by December, and enter into an engagement by January 2021. Most executive search firms, she explained, anticipate that the process for selecting a candidate for President & CEO will take several months.

Council Member Dave Martin asked who was on the selection committee. Ms. Morgan stated herself, Adrian Patterson, former Council Member Ellen Cohen, Irma Diaz, and Hasu Patel.

The Chairman thanked the Vice Chair for her efforts in overseeing the selection process.

5. Board Business

A. *Consideration and possible approval of the Houston First 2019 Annual Financial Audit.*

Frank Wilson introduced Deputy Controller, Karen Tang, to provide an overview of the 2019 financial audit. He thanked Ms. Tang for her work along with other members of the Finance team. He explained that Ms. Tang was an intern at KPMG for a year and earned a Masters of Accounting from the University of Houston and is a CPA. He added that she previously worked at Houston Metro for eight years before coming to HFC.

Ms. Tang began her presentation by announcing that HFC's net position increased by \$99 million over 2018 and total liabilities increased by \$20 million over 2018. She added that HFC's net profit was \$79 million and the reason for this large increase is related to transfers from the City of Houston, FEMA, and insurance proceeds. She also provided highlights on HFC's revenue fluctuations. She then introduced Joel Perez of RSM.

Mr. Joel Perez thanked everyone for the opportunity to work as an audit partner with HFC and informed the Board that he served as the audit leader for the engagement. He also recognized his audit team and Tom Rourick, Managing Partner of the Houston office. He then asked Mr. Rourick to share a few words.

Mr. Rourick thanked the Board for the opportunity to partner with HFC and explained that he was participating in the meeting in support of the RSM audit team.

Mr. Perez then moved forward with his report. He explained RSM's responsibilities during the audit process, which include an assessment of internal controls, accounting principles, and the issuance of an opinion. According to Mr. Perez, RSM has issued an unmodified opinion and HFC has a clean bill of health. He also stated that there are no reportable deficiencies. He then introduced Margie Oyedepo of RSM to discuss the required communications.

Ms. Oyedepo thanked the Board and stated it was a pleasure to work with the HFC team. Ms. Oyedepo then discussed several key matters, including HFC's accounting policies and practices, audit adjustments, and uncorrected misstatements, confirming that HFC had none. He said there were no disagreements during the audit process with HFC staff, nor did RSM uncover any significant issues. Ms. Oyedepo also explained that RSM is required to complete an estimate based on the depreciable life of property and equipment and found the estimates provided by management to be reasonable.

Mr. Perez then introduced Stephen Yoe of Yoe CPA, LLC to discuss his role as a subcontractor working with RSM.

Stephen Yoe stated that he is the owner of Yoe CPA firm, which is a registered small minority-owned enterprise. He said that he and his partner had the opportunity to work with the RSM team to conduct HFC's 2019 financial audit and, although there was a quick turnaround, the two firms worked together very well. Mr. Yoe stated that he worked seamlessly with the RSM team and that they shared a wealth of guidance and knowledge. He also thanked RSM and HFC for giving

him the opportunity to participate in the audit engagement. He concluded his remarks by stating that participating in the audit process has helped his firm to prosper.

Mr. Perez concluded his presentation by thanking HFC for the opportunity and the confidence placed in RSM. He said that HFC is a large organization with diverse operations and revenue streams and, combined with a non-routine year highlighted by COVID-19, a substantial remote work environment, and compressed timeline, it made for a unique challenge. However, he concluded, the commitment of both HFC and RSM to facilitate the success of the audit was key.

The Chairman thanked the RSM team and Mr. Yoe for his remarks. He also recognized Frank Wilson and the finance team and who was able to complete the audit in a compressed timeline.

Following a motion duly seconded, the Houston First 2019 Annual Financial Audit was approved unanimously.

Bobby Singh recognized Mr. Wilson and the finance team for getting HFC to the finish line as well as the RSM team for their efforts.

B. Consideration and possible approval of an Operations and Maintenance Services Agreement with TDIndustries, Inc.

Mitch Miskowski, Purchasing Agent, provided an overview of the solicitation process for an operations and maintenance services contractor. He explained that HFC previously issued a solicitation for operations and maintenance services in January 2020; however, HFC only received two proposals and made the decision to issue a new solicitation in August 2020. Mr. Miskowski said a total of 47 participants attended the virtual pre-bid meeting and that the solicitation was advertised for two weeks in various publications including the Houston Business Journal. Mr. Miskowski also outlined the selection criteria and the possible total number of points awarded. He said that the selection committee was comprised of HFC staff and two outside representatives from BBVA Compass Stadium and NRG Park.

Mr. Miskowski said HFC received four proposals and that all proposers were interviewed virtually by the selection committee. He announced that the proposer that earned the highest score was TDIndustries, Inc. (TDI). He added that TDI received the maximum score for diversity participation and finished 1st or tied for 1st in 6 out of 7 categories. He noted that the management fee for the first year of the agreement and reviewed several scores and pricing received from other proposers. Mr. Miskowski stated that TDI is the recommendation of the selection committee and the incumbent proposer. He concluded his presentation by discussing TDI's commitment to diversity participation.

Reginald Martin explained that the Operations Committee had a good discussion on this item and thanked Mr. Miskowski, John Gonzalez, and Frank Wilson for the work they did on the procurement. The Committee, he added, did express some concerns regarding minority spend, but he is glad to see the work Roger Harris has done to ensure contracts such as this are not segmented out. He

informed the Board that, under the new contract, HFC will ensure that diversity spend applies to the entire contract. He also explained that one Board member, Bobby Singh, challenged the staff to put incentives in place to monitor minority spend on an annual basis. Mr. Martin stated he was happy with the feedback received from staff and supports moving forward with the recommendation.

Bobby Singh echoed Mr. Martin's comments. He explained that there were several questions at the Committee meeting and staff followed up with a response. He also stated that a lot of due diligence went into the decision to ensure a better outcome for small businesses.

Following a motion duly seconded, an Operations and Maintenance Services Agreement with TDIndustries, Inc. was approved unanimously.

- C. *Consideration and possible approval of (i) a Lease Agreement between the City of Houston, as Landlord, and Houston First Corporation, as Tenant, for approximately 2.4668 acres of land at Hermann Park and (ii) a Sublease between Houston First Corporation, as Sublessor, and the Hermann Park Conservancy, as Sublessee, for the subject land to facilitate the renovation and restoration of the historic golf clubhouse building for continued operations of such facility.*

Reginald Martin stated that the Operations Committee reviewed the item and he will defer to General Counsel to provide additional information as the request does include two parts; however, he expressed confidence that the obligation HFC has been asked to enter into is positive for the City, Hermann Park Conservancy, and HFC's budget.

The Chairman then asked Lisa Hargrove, HFC General Counsel, to provide an overview of the item followed by Doreen Stoller of the Hermann Park Conservancy (HPC).

Ms. Hargrove confirmed that the item does include two parts; the first is a lease agreement from the City to HFC under which HFC is the tenant under the lease of a small acreage of land inclusive of the historic golf clubhouse at Hermann Park. The second component, she explained, is a sublease of the same acreage of land from HFC to the HPC. HFC is acting as an intermediary in the transaction, she explained, and has been asked by the City to get involved because HPC wants to use historic tax credits to complete the renovation project. In order to do so, according to Ms. Hargrove, they must hold a leasehold interest in the property for a term longer than 30 years; however, the City's Charter will only allow the City to enter into an agreement that exceeds 30 years with a public entity such as HFC.

She noted that the clubhouse is currently being renovated by HPC with private funding and some funds provided by the City for infrastructure. Upon completion, she said, the golf clubhouse will be operated at no expense to HFC and available for rent to the public. Ms. Hargrove said the provisions of the lease agreement between the City and HFC mirror those of the sublease between HFC and HPC and, in the event of any default under the sublease, HFC may terminate its lease with the City. Ms. Hargrove informed the Board that the transaction was thoroughly vetted by the Operations Committee and approved unanimously. She then introduced the President of HPC, Doreen Stoller and noted that Mary Buzak of the

City Legal Department and Lucy Correa of the City Parks and Recreation Department were in attendance and available to answer any questions.

Ms. Doreen Stoller thanked HFC for its participation. She explained that municipalities are not permitted to participate in the tax credit program, although their partners can. She added that, while it has taken some time for the agreements to move through the City Legal Department and HFC, it will add to the City's inventory of historic buildings. She noted that HPC will be eligible for state tax credits up to 25% of the construction cost for the renovation project and 20% of federal credits.

Ms. Hargrove then asked the Vice Chair and Chair of the Operations Committee to provide any comments.

The Vice Chair commented that the renovation project is interesting and added that the Committee discussed accessibility of the golf clubhouse and rental fees. She stated that she supports the recommendation and confirmed that there is no cost to HFC in the transaction.

Council Member Dave Martin asked if the tax credit program discussed would compete with tax credits Council Members may use to complete housing projects.

Ms. Stoller replied that the project will not impact any allocation of tax credits to the City and that the tax credits for the renovation are related to state and federal programs run by the National Park Service and the Texas Historical Commission.

Council Member Robinson stated he serves on the advisory board for HPC and the project has been a long time in the making. He explained that he is very excited for Hermann Park and the adjacent facilities. He added that Ms. Stoller is scrutinizing the design, which is of the highest caliber, and the beautiful and historic building is going to be brought back to its former glory. Council Member Robinson stated while a non-voting member of the Board, he is enthusiastically in support of the recommendation.

Chairman Minberg thanked City Legal and Lisa Hargrove. He stated that Ms. Stoller contacted him nine months ago and all parties involved have moved through the process expeditiously. Hermann Park, he added, is a jewel for the City of Houston and has one of the most outstanding people in terms of her capability and commitment to the transformation at Hermann Park. He said that Ms. Stoller has worked hard to make the park the kind of place that is warm and welcoming to all Houstonians from all walks of life. The Chairman then thanked Ms. Stoller on behalf of HFC and the City of Houston.

Ms. Stoller thanked the Chairman and stated that she is happy to give anyone a walking tour of Hermann Park.

Following a motion duly seconded, (i) a Lease Agreement between the City of Houston, as Landlord, and Houston First Corporation, as Tenant, for approximately 2.4668 acres of land at Hermann Park and (ii) a Sublease between Houston First Corporation, as Sublessor, and the Hermann Park Conservancy, as Sublessee, for the subject land to facilitate the renovation and restoration of the

historic golf clubhouse building for continued operations of such facility was approved unanimously.

6. **Adjournment.** The meeting was adjourned at 4:29 p.m.

V. (A) Consideration and possible approval of the annual election of Officers pursuant to the Houston First Corporation Bylaws.

Consideration and possible approval of the annual election of Officers pursuant to the Houston First Corporation Bylaws.

RESOLVED, that the Board of Directors of Houston First Corporation hereby approves the following officers:

- i. Michael Heckman, Acting President & CEO
- ii. Frank Wilson, Treasurer
- iii. Lisa Hargrove, Secretary
- iv. Frank Wilson, Investment Officer

**V. (B) Consideration and possible approval of the Houston First Corporation
2021 Budget.**

Consideration and possible approval of the Houston First Corporation 2021 Budget.

RESOLVED, that the Board of Directors of Houston First Corporation hereby approves the Houston First Corporation 2021 Budget.

Houston First Corporation 2021 Budget Presentation - Summary

Total

| | 2019 Actual | 2020 Budget | 2020 Revised Budget | 2020 Projection | 2021 Budget | 2020 Proj. vs 2021 Budget Variance |
|--|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------------------|
| Venue Revenue | \$ 73,055,432 | \$ 77,879,187 | \$ 25,017,823 | \$ 25,782,200 | \$ 27,010,048 | \$ 1,227,848 |
| Parking | \$ 19,282,150 | \$ 22,126,219 | \$ 8,234,858 | \$ 8,457,990 | \$ 10,844,860 | \$ 2,386,870 |
| Miscellaneous | \$ 1,053,336 | \$ 3,830,211 | \$ 3,793,450 | \$ 4,361,824 | \$ 2,505,765 | \$ (1,856,059) |
| Operating Revenues | \$ 93,390,918 | \$ 103,835,617 | \$ 37,046,130 | \$ 38,602,015 | \$ 40,360,673 | \$ 1,758,658 |
| Personnel | \$ 26,593,751 | \$ 28,758,381 | \$ 20,029,632 | \$ 19,420,387 | \$ 20,108,920 | \$ (688,533) |
| Advertising & Promotion | \$ 7,691,486 | \$ 7,472,080 | \$ 2,262,324 | \$ 2,629,217 | \$ 3,689,300 | \$ (1,060,083) |
| Travel, Promotion, and Events | \$ 5,179,252 | \$ 3,230,442 | \$ 147,135 | \$ 1,242,025 | \$ 1,834,354 | \$ (592,329) |
| Facility Maintenance | \$ 8,715,495 | \$ 8,820,476 | \$ 4,815,917 | \$ 4,452,883 | \$ 4,865,918 | \$ (413,035) |
| Food and Beverage | \$ 16,716,532 | \$ 13,945,730 | \$ 6,725,000 | \$ 6,832,057 | \$ 8,243,199 | \$ (1,411,142) |
| Security | \$ 4,141,859 | \$ 4,485,332 | \$ 3,262,993 | \$ 3,345,951 | \$ 4,350,066 | \$ (1,004,115) |
| Utilities | \$ 4,737,098 | \$ 5,520,858 | \$ 4,818,681 | \$ 4,047,752 | \$ 4,699,719 | \$ (651,967) |
| Parking | \$ 3,465,167 | \$ 3,580,316 | \$ 1,769,737 | \$ 1,754,014 | \$ 2,078,246 | \$ (324,232) |
| Janitorial | \$ 6,318,350 | \$ 6,936,567 | \$ 3,059,926 | \$ 2,211,909 | \$ 3,270,880 | \$ (1,058,971) |
| Insurance | \$ 4,286,186 | \$ 4,683,880 | \$ 5,024,055 | \$ 4,999,531 | \$ 5,798,035 | \$ (798,504) |
| Lease Expense | \$ 1,470,164 | \$ 1,454,000 | \$ 729,639 | \$ 728,906 | \$ 2,250,950 | \$ (1,522,044) |
| Consulting | \$ 3,603,056 | \$ 2,339,950 | \$ 2,000,000 | \$ 2,195,846 | \$ 1,860,448 | \$ 335,398 |
| Supplies | \$ 1,412,250 | \$ 1,717,269 | \$ 740,798 | \$ 698,081 | \$ 873,580 | \$ (175,499) |
| Fees & Services | \$ 961,423 | \$ 1,097,600 | \$ 728,501 | \$ 644,185 | \$ 562,000 | \$ 82,185 |
| Computer Services | \$ 1,102,990 | \$ 1,300,000 | \$ 1,075,000 | \$ 1,091,142 | \$ 1,181,939 | \$ (90,797) |
| Legal Expense | \$ 349,821 | \$ 725,000 | \$ 425,309 | \$ 377,878 | \$ 750,000 | \$ (372,122) |
| Other | \$ 1,059,673 | \$ 1,212,491 | \$ 558,640 | \$ 542,600 | \$ 461,390 | \$ 81,210 |
| Operating Expenses | \$ 97,804,553 | \$ 97,280,373 | \$ 58,173,285 | \$ 57,214,365 | \$ 66,878,944 | \$ (9,664,579) |
| Net Income From Operations | \$ (4,413,636) | \$ 6,555,244 | \$ (21,127,154) | \$ (18,612,350) | \$ (26,518,271) | \$ (7,905,921) |
| Hotel Occupancy Tax (Current & Delinquent) | \$ 87,494,966 | \$ 93,250,000 | \$ 52,630,000 | \$ 54,837,099 | \$ 56,800,000 | \$ 1,962,901 |
| Contributions | \$ 1,260,000 | \$ - | \$ 770,000 | \$ 770,000 | \$ 11,360,000 | \$ 10,590,000 |
| Net Available Pledged Rev. Transfer | \$ 103,714,538 | \$ - | \$ 12,245,480 | \$ 40,238,684 | \$ 0 | \$ (40,238,684) |
| Interest Income | \$ 2,165,186 | \$ 994,992 | \$ 811,573 | \$ 549,248 | \$ 250,000 | \$ (299,248) |
| Non Operating Revenue | \$ 194,634,690 | \$ 94,244,992 | \$ 66,457,053 | \$ 96,395,031 | \$ 68,410,000 | \$ (27,985,031) |
| Sponsorship Expense | \$ 5,786,610 | \$ 8,171,353 | \$ 4,184,262 | \$ 4,457,873 | \$ 4,757,500 | \$ (299,627) |
| Contingency | \$ - | \$ 3,500,000 | \$ - | \$ - | \$ 1,000,000 | \$ (1,000,000) |
| Capital Spending | \$ 3,007,999 | \$ 5,836,505 | \$ 3,821,691 | \$ 4,863,221 | \$ 15,689,048 | \$ (10,825,827) |
| Debt Service | \$ 60,488,148 | \$ 60,382,110 | \$ 59,276,037 | \$ 58,839,644 | \$ 62,323,498 | \$ (3,483,854) |
| COH Contractual Obligations | \$ 18,328,516 | \$ 19,467,991 | \$ 11,088,758 | \$ 11,878,567 | \$ 12,616,525 | \$ (737,958) |
| Hotel Tax Refunds | \$ 2,451,343 | \$ 2,425,000 | \$ 2,511,691 | \$ 2,511,691 | \$ 1,000,000 | \$ 1,511,691 |
| Non Operating Expense | \$ 90,062,616 | \$ 99,782,959 | \$ 80,882,439 | \$ 82,550,996 | \$ 97,386,571 | \$ (14,835,575) |
| Total Revenue less Expenses | \$ 100,158,438 | \$ 1,017,277 | \$ (35,552,540) | \$ (4,768,315) | \$ (55,494,842) | \$ (50,726,527) |
| Capital - Prior Year Carry Forward | \$ - | \$ 10,300,277 | \$ - | \$ - | \$ 1,067,000 | \$ (1,067,000) |
| Capital - Financed Projects | \$ 32,475,366 | \$ 6,530,000 | \$ 13,970,711 | \$ 15,420,902 | \$ 75,000 | \$ 15,345,902 |
| Disaster Expense | \$ 26,382,885 | \$ 8,801,299 | \$ 9,007,413 | \$ 10,628,430 | \$ 2,061,420 | \$ 8,567,010 |
| Approved Positions | 207 | 229 | 165 | 165 | 164 | -1 |

V.(C) Consideration and possible ratification of the Second Amendment to the Lease Agreement between the City of Houston and Houston First Corporation.

Consideration and possible ratification of the Second Amendment to the Lease Agreement between the City of Houston and Houston First Corporation.

DESCRIPTION: Pursuant to Ordinance No. 2011-390, the City of Houston ("City") and Houston First Corporation ("Corporation") (collectively the "Parties") entered into a Lease Agreement to manage, operate, and maintain several city-owned properties including, but not limited to, Wortham Theater, Jones Hall, and the George R. Brown Convention Center. In 2018, the Parties entered into a First Amendment to the Lease Agreement to allow the Corporation to use insurance proceeds and other available sources provided by the City for Hurricane Harvey related expenses. The Parties now wish to enter into a Second Amendment to the Lease Agreement ("Second Amendment") to allow the Corporation to use federal funds granted to the City under the CARES Act that established the Coronavirus Relief Fund to cover necessary expenditures incurred due to the pandemic. The Second Amendment will also allow the Corporation to access disaster relief funds in the event of future disasters, damages to the facilities, or force majeure events.

Staff requests ratification of the Second Amendment to allow for the transfer of COVID relief funds from the City to the Corporation for operating expenses and necessary alterations to the facilities to ensure safe and efficient operations. By federal law, funds granted under the Coronavirus Relief Fund must be utilized by December 31, 2020.

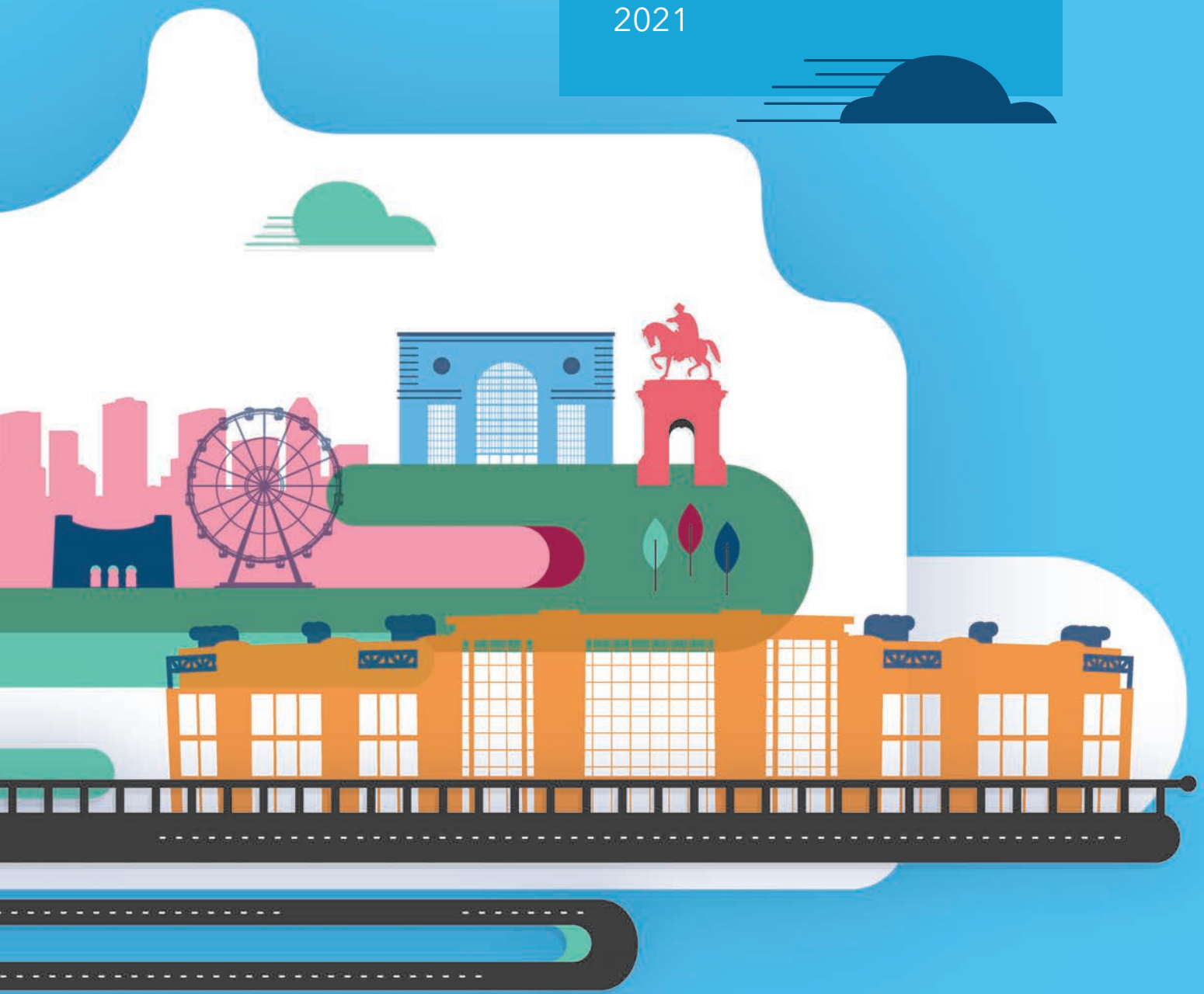
RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to a Second Amendment to the Lease Agreement:

RESOLVED, that the Board of Directors of Houston First Corporation hereby ratifies, confirms, and approves in all respects the Second Amendment to the Lease Agreement previously executed by the Acting President & CEO.

Houstonfirst

STRATEGIC SUMMARY & BUDGET

2021



STRATEGIC FRAMEWORK

VALUE CREATION will drive the Houston First recovery and long-term resiliency efforts, serving as the foundation for 2021 business planning. It includes innovation in everything we do and sell, promoting Houston's brand appeal and awareness, lowering costs while improving productivity, generating revenue, and delivering unparalleled experiences. A unified commitment to value creation benefits our company, as well as our hospitality community and other stakeholders.

Highlight and promote Houston's culture, attractions and features, building a sense of community while also stimulating business and leisure travel to the Houston region.

DESTINATION BRAND / IMAGE ENHANCEMENT

High levels of productivity at lower costs compared to alternate methods; it is the result of proficient processes that shorten the time to completion, mitigate errors, and improve quality.

OPERATIONAL EFFICIENCY

Houstonfirst. **VALUE DRIVERS**

REVENUE GENERATION

ORGANIZATIONAL INNOVATION

The coordinated effort to produce and maximize company revenue from existing properties, products and services, new business opportunities, and sponsorships as a result of strategic sales and marketing activities.

An encounter online or in person that meets or exceeds the individual's expectations. The resulting sentiment and response to these positive interactions can lead to repeat visitations and referrals.

EXCEPTIONAL VISITOR / CUSTOMER EXPERIENCE

Advancements that diversify or enhance our products, services, and business lines, as well as the addition of new technology, funding solutions, partnerships, and other opportunities that improve or provide value.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD

One of the great things about Houston and Houstonians is: we never settle. We embrace opportunity and take adversity head on. No doubt, the past year has challenged us all. The way we all live and work has changed as a result of COVID-19 and the way the world operates is evolving. As an organization, Houston First has had to adapt.

Since March, the travel and tourism industry has been crushed by the worldwide pandemic, having a direct impact on Houston First, as well as our city. Travel and tourism are essential to Houston, in a typical year pumping an average of \$18 billion dollars into the region's economy and supporting at least 140-thousand jobs in the area. Simply put, the tourism industry is a critical part of Houston's economic health.

Houston First plays an important role for our community for so many reasons and I believe will help lead Houston through this pandemic. Organizationally, we will embrace an entrepreneurial and collaborative spirit, exploring new ways to achieve core objectives that support the community, our hospitality partners, and achieve our mission for Houston. Stabilizing and rebuilding will require ingenuity and commitment, but I know we are up to the task.

The road ahead will not be easy but Houston First has always been resilient. I am proud of all that the company has already accomplished for our city, I am confident in this team, and I remain optimistic in what the future holds.

All my best,

David M. Minberg

David Minberg
Chairman, Board of Directors



MESSAGE FROM THE ACTING PRESIDENT & CHIEF EXECUTIVE OFFICER

Representing Houston to the world is an honor. I know my associates at Houston First share that feeling, along with the passion to work to ensure that everyone knows how amazing of a city Houston is to visit and to live.

Due to the deep impacts of the pandemic, we continue to face many questions as an organization and a destination, our most pressing being how to approach a strategy and budget in a year with so much uncertainty.

This strategic summary provides a roadmap for 2021, but we will have to remain flexible and nimble if and when market conditions change.

Our strategic theme for next year will be Value Creation and it is a simple, yet powerful, description of our path for the transitional year that 2021 will be. Creating value for our company and then, more broadly, the Houston hospitality community will lead us to the other side of this pandemic. That said, creating value is what we do at Houston First and that focus will remain even as we begin to emerge from the depths of this downturn.

We have taken a three-phased approach to COVID response: React, Recovery and then, ultimately, Resilience. We are currently in the recovery phase, and likely will be through at least the end of 2021. As we recover, we will begin to lay the groundwork for eventual resilience. This will take big ideas and imagination for how Houston can continue to compete with the best cities around the globe.

It is our responsibility to act as excellent fiscal stewards, while also leading the recovery of the visitor economy to the Houston Region. This will require bold action, innovation of our business model, and industry-leading sales and marketing strategies. Jobs, and even businesses, of all sizes depend on this important work. As a team, this challenge should not intimidate us, but instead should inspire us to succeed because when we do, the impact is substantial and far-reaching.

Houston is the city that has developed world-changing innovations in several industries - space, life sciences and, of course, energy. I know we will adapt and innovate again as we come through this stronger than we were before.

Onward to the brighter days ahead.

Ever optimistic,



Michael Heckman
Acting President and Chief Executive Officer



COMPANY OVERVIEW

Houston First Corporation (HFC) is the official Destination Management Organization (DMO) for Houston, leading tourism and convention business for the city. Houston First is responsible for the day-to-day maintenance, licensing, and operation of convention and performing arts facilities, parks, plazas, events, and parking. Furthermore, the organization acts as the City of Houston's agent for the collection of hotel occupancy tax revenue.

Through unified, collaborative efforts with our partners, HFC actively promotes Houston as one of the world's greatest cities, enhancing the Houston experience for visitors as well as residents while generating economic benefits for the region.

MISSION

To enhance the quality of life, advance economic prosperity, and promote the Houston region.

VISION

Promote Houston as a premier global destination, building partnerships to improve the quality of life of Houstonians, and becoming a top revenue generator for the Houston region.

CORE VALUES

Respect All | Embrace Partnerships | Own It | Pursue Fulfillment | Be a Passionate Ambassador

2,650,000

SQ. FT OF BUILDING SPACE

\$1 BILLION

ASSET VALUATION OF BUILDINGS

11,215

PARKING SPACES

FACILITIES WE OWN OR OPERATE

AVENIDA NORTH GARAGE

GEORGE R. BROWN CONVENTION CENTER

HILTON AMERICAS - HOUSTON

JONES HALL FOR THE PERFORMING ARTS

LYNN WYATT SQUARE FOR THE PERFORMING ARTS
(Coming 2022)

MILLER OUTDOOR THEATRE

MONTROSE BRIDGES

PARTNERSHIP TOWER

ROOT MEMORIAL SQUARE

SWEENEY CLOCK TRIANGLE

TALENTO BILINGUE DE HOUSTON

THEATER DISTRICT PARKING

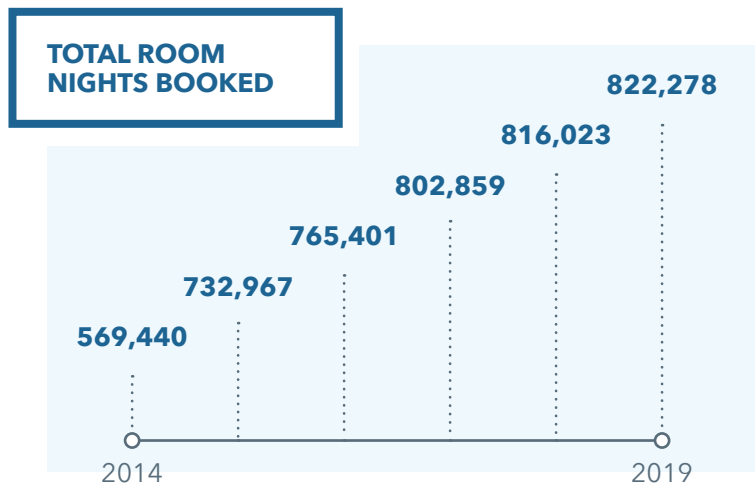
TOYOTA TUNDRA GARAGE

WORTHAM THEATER CENTER

ECONOMIC IMPACT

The greater Houston area has in excess of 600 hotels that, together, offer more than 85,000 hotel rooms to visitors. **The travel market is an integral part of Houston's economy, responsible for producing an average of \$18 billion annually into the region and supporting more than 140,000 jobs.** In 2019, leisure and business travel performance constituted more than 24.9 million domestic and international combined visits to Houston reflecting 12% growth over 2018.

The Houston First sales team held six years of record-breaking numbers in total room nights booked with 822,278 in 2019, a 44% increase since 2014.



Houston Convention Campus

2019

CITY OF HOUSTON TRAVEL STATISTICS

SPENDING

\$13.1B

Purchases by travelers during their trip, including lodging taxes and other applicable local and state taxes paid by the traveler at the point of sale.

EARNINGS

\$4.8B

Earnings (wage and salary disbursements and proprietor income) of employees and owners of businesses that are attributable to travel expenditures.

TAX RECEIPTS

\$1.25B

Collected by state, counties and municipalities, as levied on applicable travel-related purchases, including lodging, food and beverage service, retail goods and motor fuel.

Source: *Economic Impacts of Travel & Visitor Volume for Houston, Texas, 2019 Preliminary Report* by Dean Runyan Associates (April 2020).

**BEFORE COVID-19:
UNITED STATES
TRAVEL INDUSTRY**

\$2.6T

CONTRIBUTED TO ECONOMY

\$59B

DELIVERED IN TRADE SURPLUS

\$15.8M

OVERALL NUMBER OF AMERICAN
JOBS SUPPORTED BY TRAVEL
(8.9M DIRECTLY)

1 IN 10

EMPLOYER IN EVERY STATE

#2 OVERALL EXPORT
FOR THE U.S.

**COVID-19 IMPACT:
UNITED STATES
TRAVEL INDUSTRY**

36%

Leisure & Hospitality share of all U.S. jobs lost from April to September 2020, yet Leisure & Hospitality only accounted for 11% of pre-pandemic employment in the U.S.

\$424B

Cumulative losses for U.S. travel economy since March 2020

\$54.5B

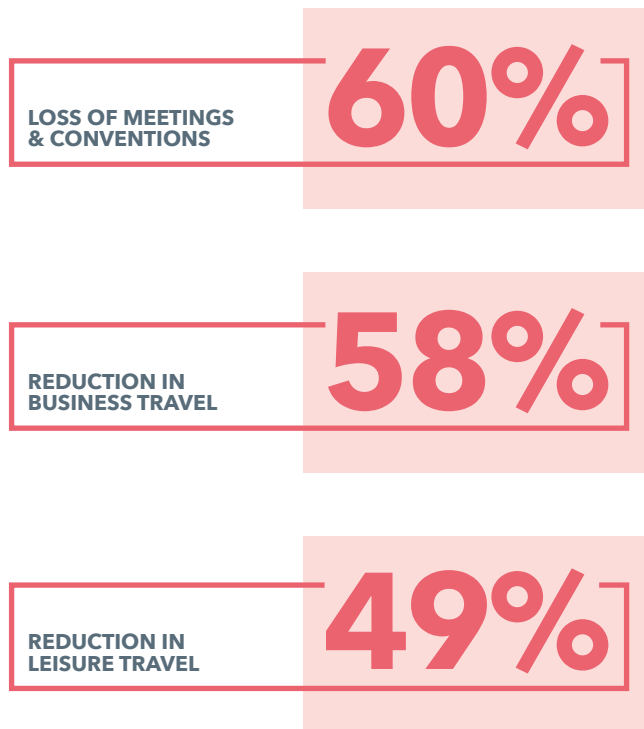
Loss in federal, state and local tax revenues since March 2020 due to decreased travel spending (includes \$8.3 billion in local tax revenue)

Source: *Tourism Economics*,
U.S. Travel Association

2020 AND COVID-19 IMPACT

Travel and tourism represented nearly 10% of the U.S. GDP prior to the pandemic. Following the initial onset of COVID-19, the industry came to a standstill globally, which had a direct impact on the U.S. economy and employment.

In Houston, the start of 2020 was proving to be as strong as previous record-breaking years, until the emergence of the COVID-19 pandemic. In 2019, total hotel occupancy in the greater Houston area was 63%. In April 2020, hotel occupancy bottomed at 22.8% for the region. The year over year decrease in hotel occupancy has been driven by these three primary factors:





THAT WAS COVID

THIS IS HOUSTON

A city of first steps, giant leaps and a leader in innovation of industries like energy, logistics, medical, and aerospace—our community doesn't shy from a challenge.



COVID RESPONSE STRATEGY

With dramatically reduced resources to support substantial business, community, and industry demands, Houston First’s strategic response needed to address immediate objectives but also provide a long-term foundation for opportunistic and sustainable growth for the company, stakeholders, and local community. Each of these require near- and medium-term funding or investment.

PHASE ONE: **REACTION**

- ◆ Convention rebooking
- ◆ Expense contraction
- ◆ Staff furloughs and layoffs
- ◆ Marketing pivot
- ◆ Community support
- ◆ Strategic recovery task force

PHASE TWO: **RECOVERY**

- ◆ Preserve viability of HFC enterprise
- ◆ Operational efficiency
- ◆ Focus on value creation for hospitality community
- ◆ Convention meeting retention and new sales generation
- ◆ Develop additional revenue streams
- ◆ Re-imagine organization with an entrepreneurial focus
- ◆ Facility modification and re-purposing

PHASE THREE: **RESILIENCE**

- ◆ Longer-term strategic planning
- ◆ Establish differentiators for Houston’s brand
- ◆ Create unique product offerings and experiences
- ◆ Forge impactful public/private partnerships
- ◆ Reduce debt
- ◆ Replenish cash reserves

PHASE ONE: REACTION

A NEW
WAY TO HOU

When the World Health Organization declared COVID-19 a pandemic on March 11, 2020, Houston First pivoted to crisis response and increased support of local businesses and the community. The *A New Way to HOU* campaign was a collaboration involving more than 160 restaurants, museums, theaters, attractions, non-profits, and artists. It included virtual activities, restaurant options, and ways to give back—ultimately becoming a lifeline for hospitality businesses in Houston.

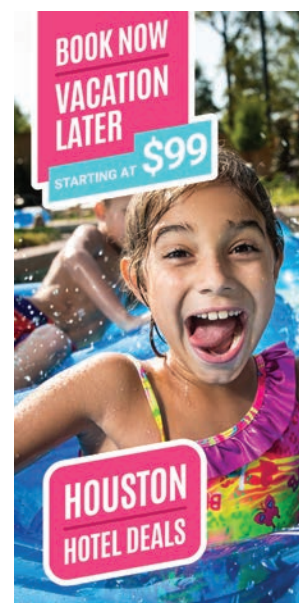
New Way to HOU was themed around activities to do from home - they included virtual museum tours, lists of restaurants offering delivery service, and very popular coloring book pages of Houston murals.

ADDITIONAL EFFORTS

- ◆ A comprehensive restaurant guide serving as a resource for Houstonians to support local restaurants;
- ◆ Writing and distributing feature stories about virtual tours, dining options, and more;
- ◆ A dinner party contest and *Cooking with HOU* virtual segments to connect the community with businesses through at-home activities;
- ◆ A partnership with local CBS television station, KHOU, to generate awareness of the assistance campaign;
- ◆ 40 social stories that reached more than 1 million impressions and 200,000 shares;
- ◆ Graphic packages with a variety of messages such as *Support Local, Thank You & Staycation Soon*. Other packages included a social distancing series and unique Zoom backgrounds;
- ◆ Community relations outreach with a virtual *Party on the Plaza* benefit concert held in May;
- ◆ Launching the strategic recovery task force with the purpose of identifying and implementing strategies that lead Houston First through the COVID-19 environment, and beyond;
- ◆ Rebooking meetings and conventions for future dates, preserving 92% of the room nights; and
- ◆ Contracting operating expenses by 40%.



Virtual Dinner Party social media contest



Book Now, Vacation Later digital ad

PHASE TWO: RECOVERY

The shift from the initial crisis response to the start of the recovery phase in May 2020 involved modifying HFC facilities to operate safely within these new conditions, not only for staff but in support of future events and visitors. Additional upgrades provided technical advancements for business meetings and conferences in support of innovative hybrid events. Subsequent messaging promoted safe environments for all HFC properties as well as the area, which infused community comfort and confidence throughout the city.

FACILITY MODIFICATIONS

\$3 Million in CARES Act Federal Stimulus Funding has been used to prepare facilities for the safe return of employees and visitors in response to COVID-19 including:

- ◆ Thermal cameras, sneeze guards, safety shields;
- ◆ Integrated Viral Protection System (IVP) - “Catch & Kill” Air Filtration system;
- ◆ Electrostatic sprayer cleaning equipment;
- ◆ Ultraviolet lights to sanitize escalator handrails;
- ◆ Health and safety protocols for work space and public areas;
- ◆ Touchless solutions to prevent or limit virus transmission in facilities;
- ◆ Informational signage; and
- ◆ Global Biorisk Advisory Council (GBAC) Star Facility Accreditation, the gold standard of prepared facilities. It is the cleaning industry’s only outbreak prevention, response, and recovery accreditation for facilities. This program provides independent validation that facilities meet a higher level of cleanliness and safety. HFC is in the process of applying for this accreditation for the portfolio of owned and managed facilities, including the George R. Brown Convention Center.





AVENIDA HOUSTON VIRTUAL STUDIO

The studio provides greater flexibility to accommodate fully virtual meetings or complement in-person gatherings with a hybrid solution that can extend participation beyond the venue.

MEETING & CONVENTION RETENTION

Houston First has been diligently working with clients to ensure 2021 event business is retained and new opportunities secured.



George R. Brown Convention Center

HOUSTON CLEAN INITIATIVE—A CITY-WIDE EFFORT

A Houston Venues & Events Task Force was developed involving the major institutions in the city, including Houston First. In August 2020, the task force announced the Houston Clean initiative, which was spearheaded by the HFC marketing team. The campaign is a long-term commitment that unifies the efforts of venues, events, and the hospitality community across the city to meet a consistent set of health and safety guidelines. This initiative publicizes the resumption of activities and steps taken to ensure a safe experience in response to COVID-19, and promotes widespread involvement that leads to public confidence.

Participating entities and industries include:

- ◆ Public and sporting event venues, such as the BBVA Stadium, George R. Brown Convention Center, NRG Park, Minute Maid Park, and Toyota Center
- ◆ The Mayor’s Office of Special Events and annual special events such as The Houston Livestock Show and Rodeo and the Houston Marathon
- ◆ 19 properties that make up The Houston Museum District, including the Houston Zoo
- ◆ Airports, in conjunction with their FlySafe Houston program
- ◆ Support for hotels through partnership with The Hotel & Lodging Association of Greater Houston
- ◆ Theater District Houston and a variety of arts organizations spanning an array of performing arts disciplines

Future plans include expanding to restaurant and entertainment venues.

Find current guidelines, participating venues and more details at **HoustonClean.com**



"We Took The Pledge" badge for listings and social media.



Social media post graphic shared by participating properties.

2020 SUMMER STAYCATION CAMPAIGN

Recovery will initially rely on regional leisure travel. As a result, customer engagement strategies shifted to focus more prominently on staycations as well as the Visiting Friends & Relatives market segment.



Above: Various digital ads running throughout summer 2020 with changes in messaging to address holidays, nature of a visit to Houston or cause to take a break from the day-to-day.

Left: Opening frame of KHOU commercial promoting Summer Houston Hotel Deals.

THE WAY FORWARD

Recovery will continue well into 2021 with events and travel anticipated to scale throughout the year and significantly rebound the latter half of 2021. In 2022, the market is expected to draw nearer to normalization. In order to sustain the organization and successfully lead the destination and hospitality community forward, Houston First must anticipate and respond to emerging trends and opportunities; seek and develop new revenue streams; cultivate core strengths; promote competitive advantages and remain top of mind as a first-class destination. Additionally, HFC must be focused on delivering value to all stakeholders.

With this in mind, the Value Creation strategic framework was developed focusing on five drivers intended to stabilize and advance the organization and hospitality community. These priorities align the Houston First 2021 business plan and budget into one vision.

Rice Village





VALUE CREATION

Value Creation will drive the Houston First recovery and long-term resiliency efforts, serving as the foundation for 2021 business planning. It includes innovation in everything we do and sell, promoting Houston's brand appeal and awareness, lowering costs while improving productivity, generating revenue, and delivering unparalleled experiences. A unified commitment to Value Creation benefits our company, as well as our hospitality community and other stakeholders.

HoustonfirstSM





CORPORATE VALUE DRIVERS

ORGANIZATIONAL INNOVATION

includes advancements that diversify or enhance our products, services and business lines, as well as the addition of new technology, funding solutions, partnerships, and other opportunities that improve or provide value.

OPERATIONAL EFFICIENCY yields high levels of productivity at lower costs compared to alternative methods. It is the result of proficient processes that shorten the time to completion, mitigate errors, and improve quality.

DESTINATION BRAND/IMAGE ENHANCEMENT

highlights and promotes Houston's culture, attractions, and features, building a sense of community while also stimulating business and leisure travel to the Houston region.

EXCEPTIONAL VISITOR/CUSTOMER EXPERIENCE

is an encounter online or in person that meets or exceeds the individual's expectations. The resulting sentiment and response to these positive interactions can lead to repeat visitations and referrals.

REVENUE GENERATION is the coordinated effort to produce and maximize company revenue from existing properties, products and services, new business opportunities, and sponsorships as a result of strategic sales and marketing activities.

2021 OUTLOOK

2021 is an important transitional year. Re-energizing and accelerating business will be an iterative process requiring strategic planning and flexibility. Houston First will assess new products and services as well as the commercialization of assets to provide new sources of revenue. Additionally, HFC will pursue available grants and federal stimulus relief funding to supplement the budget and offset costs of activities that promote visitation to Houston. As the opportunities unfold, HFC sales and marketing will prioritize and engage key markets and audiences that have a higher potential for bookings, HOT revenue, and economic impact.

Leisure marketing will continue to focus on regional consumers but will expand to drive markets within Texas and nearby states and will include other cities when air travel is more widely utilized.

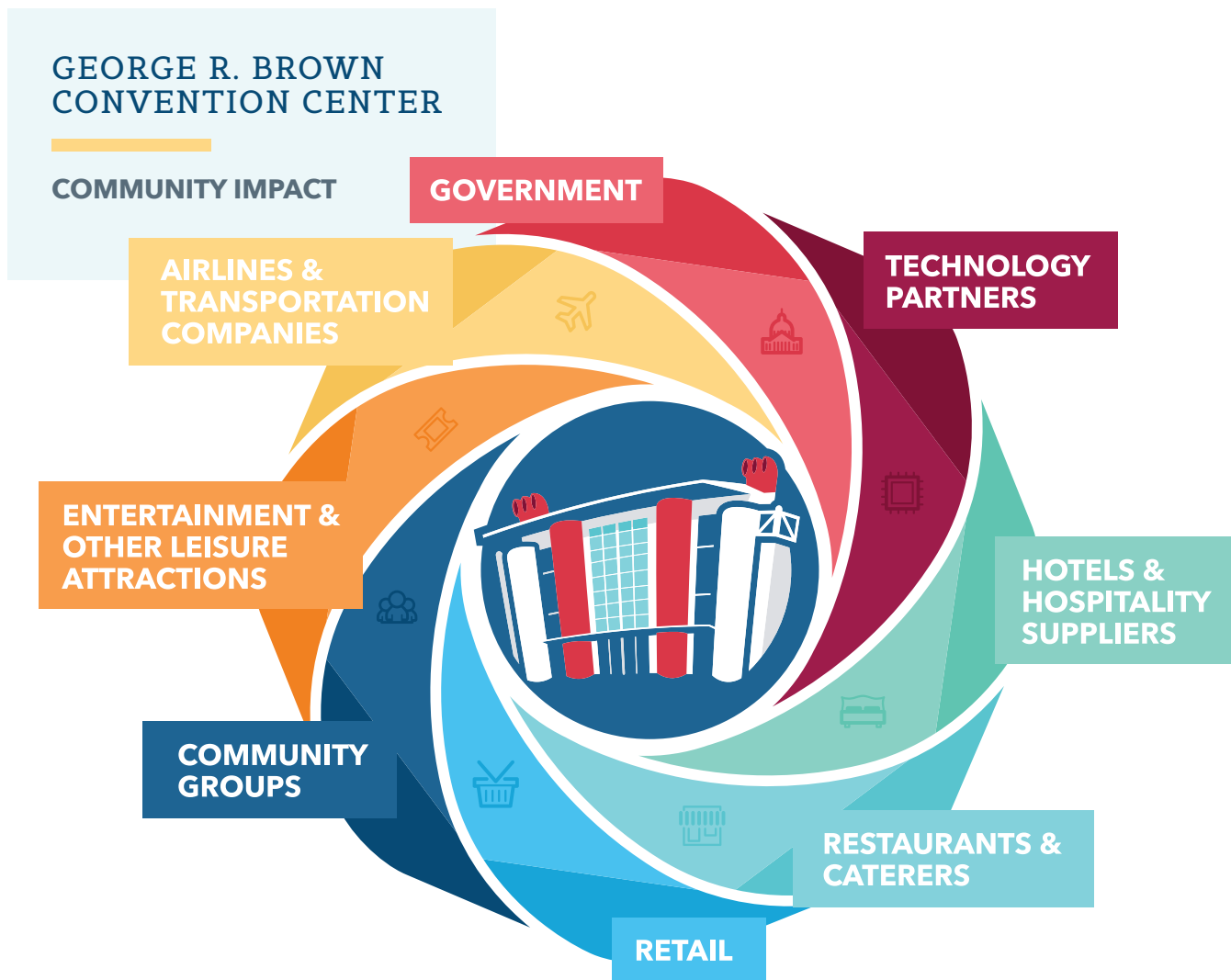
Although **travel from Mexico** has not yet reached 2019 numbers it has begun to rebound. Houston First online platforms, such as the Hola Houston website and social media channels, along with third-party sites and relationships, will be used to entice this audience as well as engage the U.S., Texas, and local Latin American community.

Houston First's recovery strategies will **drive value creation in 2021 for the benefit of our stakeholders** and the community as well as potentially accelerate the timing of certain aspects of recovery of the Houston visitor economy.

- ◆ Position Houston as a safe destination for leisure and business travel;
- ◆ Lead by example and instill confidence in the community through messaging and activities that demonstrate a clean and healthy environment. This can include live, in-person events with clear protocols;
- ◆ Capitalize on the Houston Marketplace, an HFC-owned platform used to market and sell experiences directly to consumers, by expanding distribution channels to third party sellers and, in turn, increasing revenue to participating partners;
- ◆ Work with hotel partners to develop enticing and exciting staycation packages that include Marketplace attractions;
- ◆ Prioritize co-op marketing programs that expand HFC ad buys with Around Houston partners, hotels and attractions to increase visitation opportunities to Houston;
- ◆ Utilize online travel agencies as channels for increasing Houston's reach into key markets;
- ◆ Leverage earned, social and paid media to enhance Houston's brand and support the recovery of stakeholders;
- ◆ Protect Houston's reputation, enhance its prestige, and present a favorable image through ongoing relationships and new approaches with local media, national leisure travel trades, reporters and influencers; and
- ◆ Pursue production of multi-episode TV series for Houston, with focus on streaming services.

Convention Sales remain a vital source of revenue for multiple stakeholders, as well as Houston First. The Houston First sales team will conduct business in new ways like embracing technology to enhance offerings, such as the Avenida Virtual Studio, support the sales process with 360 Virtual Tours of facilities for virtual site visits, and continue to lead innovation in the meetings space utilizing new technology like augmented reality.

The Houston First sales team will continue efforts to retain lost meetings and conventions while seeking new opportunities for gap times and future business by honing in on domestic opportunities, with a higher concentration on associations. They will pursue bookings in the year, for the year, prospecting short-term consumer shows in Q1-2021 and small meetings, while simultaneously focusing on core industries, like healthcare and STEM, to generate new business. Furthermore, they will pursue high-profile, high-impact events that have longer lead times but provide both prestige and economic impact for Houston.



POSITIONING FOR PHASE THREE: RESILIENCY

As the company continues recovery measures, steps to build a more resilient infrastructure must also be taken. It requires fiscal responsibility, organizational changes, strategic planning and cultural shifts within Houston First, along with an ongoing commitment to value creation that generates both short- and long-term opportunities that benefit the company, stakeholders, the hospitality and local communities.

Priorities include:

- ◆ Establishing differentiators for Houston's brand;
- ◆ Creating unique product offerings and services;
- ◆ Playing a larger role in event creation that supports organizational objectives;
- ◆ Forging impactful public/private partnerships; and
- ◆ Supporting the industries that drive the economic stability of the community.

The initial focus of the HFC financial strategy is achieving a balanced, breakeven budget. Longer-term objectives will consist of paying down debt and rebuilding cash reserves. To this end, HFC will pursue potential options for new dedicated funding mechanisms with additional and sustainable funding sources. Furthermore, risk management efforts, such as flood mitigation, will be a priority.

Levy Park, Upper Kirby





Endeavors that enhance the area as well as the Houston experience, such as urban development, sustainability, and quality of life, will remain important initiatives at Houston First. One example is the 2022 planned transformation of Jones Plaza into Lynn Wyatt Square for the Performing Arts, an outdoor plaza intended to create a quality of place for residents as well as visitors.

Other efforts include collaboration with relevant stakeholders to expand environmental sustainability practices, which supports the City of Houston’s Climate Action Plan but also satisfies an increasingly important selling point for convention business.

Of note, economic development, as a result of Houston First’s efforts will, in turn, provide additional opportunities for people in more neighborhoods; validate public funding; improve resident sentiment that builds stronger communities invested in Houston’s future; and elevate the destination’s image.

2021 BUDGET SUMMARY

TOTAL

| | 2019 ACTUAL | 2020 BUDGET | 2020 REVISED BUDGET | 2020 PROJECTION | 2021 BUDGET | 2020 PROJ. VS 2021 BUDGET VARIANCE |
|-----------------------------------|----------------------|----------------------|------------------------|-----------------------|-----------------------|--|
| Venue Revenue | \$73,055,432 | \$77,879,187 | \$25,017,823 | \$25,782,200 | \$27,010,048 | \$1,227,848 |
| Parking | \$19,282,150 | \$22,126,219 | \$8,234,858 | \$8,457,990 | \$10,844,860 | \$2,386,870 |
| Miscellaneous | \$1,053,336 | \$3,830,211 | \$3,793,450 | \$4,361,824 | \$2,505,765 | \$(1,856,059) |
| OPERATING REVENUES | \$93,390,918 | \$103,835,617 | \$37,046,130 | \$38,602,015 | \$40,360,673 | \$1,758,658 |
| Personnel | \$26,593,751 | \$28,758,381 | \$20,029,632 | \$19,420,387 | \$20,108,920 | \$(688,533) |
| Advertising & Promotion | \$7,691,486 | \$7,472,080 | \$2,262,324 | \$2,629,217 | \$3,689,300 | \$(1,060,083) |
| Travel, Promotion, and Events | \$5,179,252 | \$3,230,442 | \$147,135 | \$1,242,025 | \$1,834,354 | \$(592,329) |
| Facility Maintenance | \$8,715,495 | \$8,820,476 | \$4,815,917 | \$4,452,883 | \$4,865,918 | \$(413,035) |
| Food and Beverage | \$16,716,532 | \$13,945,730 | \$6,725,000 | \$6,832,057 | \$8,243,199 | \$(1,411,142) |
| Security | \$4,141,859 | \$4,485,332 | \$3,262,993 | \$3,345,951 | \$4,350,066 | \$(1,004,115) |
| Utilities | \$4,737,098 | \$5,520,858 | \$4,818,681 | \$4,047,752 | \$4,699,719 | \$(651,967) |
| Parking | \$3,465,167 | \$3,580,316 | \$1,769,737 | \$1,754,014 | \$2,078,246 | \$(324,232) |
| Janitorial | \$6,318,350 | \$6,936,567 | \$3,059,926 | \$2,211,909 | \$3,270,880 | \$(1,058,971) |
| Insurance | \$4,286,186 | \$4,683,880 | \$5,024,055 | \$4,999,531 | \$5,798,035 | \$(798,504) |
| Lease Expense | \$1,470,164 | \$1,454,000 | \$729,639 | \$728,906 | \$2,250,950 | \$(1,522,044) |
| Consulting | \$3,603,056 | \$2,339,950 | \$2,000,000 | \$2,195,846 | \$1,860,448 | \$335,398 |
| Supplies | \$1,412,250 | \$1,717,269 | \$740,798 | \$698,081 | \$873,580 | \$(175,499) |
| Fees & Services | \$961,423 | \$1,097,600 | \$728,501 | \$644,185 | \$562,000 | \$82,185 |
| Computer Services | \$1,102,990 | \$1,300,000 | \$1,075,000 | \$1,091,142 | \$1,181,939 | \$(90,797) |
| Legal Expense | \$349,821 | \$725,000 | \$425,309 | \$377,878 | \$750,000 | \$(372,122) |
| Other | \$1,059,673 | \$1,212,491 | \$558,640 | \$542,600 | \$461,390 | \$81,210 |
| OPERATING EXPENSES | \$97,804,553 | \$97,280,373 | \$58,173,285 | \$57,214,365 | \$66,878,944 | \$(9,664,579) |
| NET INCOME FROM OPERATIONS | \$(4,413,636) | \$6,555,244 | \$(21,127,154) | \$(18,612,350) | \$(26,518,271) | \$(7,905,921) |

| | 2019 ACTUAL | 2020 BUDGET | 2020 REVISED BUDGET | 2020 PROJECTION | 2021 BUDGET | 2020 PROJ. VS 2021 BUDGET VARIANCE |
|---|----------------------|---------------------|------------------------|----------------------|-----------------------|--|
| Hotel Occupancy Tax (Current & Delinquent) | \$87,494,966 | \$93,250,000 | \$52,630,000 | \$54,837,099 | \$56,800,000 | \$1,962,901 |
| Contributions | \$1,260,000 | \$- | \$770,000 | \$770,000 | \$11,360,000 | \$10,590,000 |
| Net Available Pledged Rev. Transfer | \$103,714,538 | \$- | \$12,245,480 | \$40,238,684 | \$0 | \$(40,238,684) |
| Interest Income | \$2,165,186 | \$994,992 | \$811,573 | \$549,248 | \$250,000 | \$(299,248) |
| NON OPERATING REVENUE | \$194,634,690 | \$94,244,992 | \$66,457,053 | \$96,395,031 | \$68,410,000 | \$(27,985,031) |
| Sponsorship Expense | \$5,786,610 | \$8,171,353 | \$4,184,262 | \$4,457,873 | \$4,757,500 | \$(299,627) |
| Contingency | | \$3,500,000 | | | \$1,000,000 | \$(1,000,000) |
| Capital Spending | \$3,007,999 | \$5,836,505 | \$3,821,691 | \$4,863,221 | \$15,689,048 | \$(10,825,827) |
| Debt Service | \$60,488,148 | \$60,382,110 | \$59,276,037 | \$58,839,644 | \$62,323,498 | \$(3,483,854) |
| COH Contractual Obligations | \$18,328,516 | \$19,467,991 | \$11,088,758 | \$11,878,567 | \$12,616,525 | \$(737,958) |
| Hotel Tax Refunds | \$2,451,343 | \$2,425,000 | \$2,511,691 | \$2,511,691 | \$1,000,000 | \$1,511,691 |
| NON OPERATING EXPENSE | \$90,062,616 | \$99,782,959 | \$80,882,439 | \$82,550,996 | \$97,386,571 | \$(14,835,575) |
| TOTAL REVENUE LESS EXPENSES | \$100,158,438 | \$1,017,277 | \$(35,552,540) | \$(4,768,315) | \$(55,494,842) | \$(50,726,527) |
| CAPITAL - PRIOR YEAR CARRY FORWARD | | \$10,300,277 | | | \$1,067,000 | \$(1,067,000) |
| CAPITAL - FINANCED PROJECTS | \$32,475,366 | \$6,530,000 | \$13,970,711 | \$15,420,902 | \$75,000 | \$15,345,902 |
| DISASTER EXPENSE | \$26,382,885 | \$8,801,299 | \$9,007,413 | \$10,628,430 | \$2,061,420 | \$8,567,010 |

Houstonfirst

BRANDS



Houston Film Commission



FACILITY OPERATIONS



Hilton
Americas-Houston



Wortham
THEATER CENTER



JONES PLAZA
Future home of Lynn Wyatt
Square for the Performing Arts



PARTNERSHIP
TOWER



Houstonfirst.

701 Avenida de las Americas
Houston, TX 77010

HoustonFirst.com

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

**LIVE VIDEO & AUDIO
CONFERENCE MEETING**

Thursday, November 19, 2020
3:00 p.m.

WE HEART HOU Mural,
David Maldonado and Anthony Rose
MIDTOWN



PUBLIC COMMENTS

Anyone who wishes to address the committee during the Public Comment session may do so by clicking the **“Raise Hand”** icon to be acknowledged. You may also click the **Q&A** icon to type in your comments.

HFC BOARD OF DIRECTORS MEETING
November 19, 2020



MINUTES

October 22, 2020

HFC BOARD OF DIRECTORS MEETING

November 19, 2020



HOUSTON FIRST
**CHAIRMAN'S
REPORT**

DAVID M. MINCBERG

HFC BOARD OF DIRECTORS MEETING
November 19, 2020



HOUSTON FIRST
**ACTING PRESIDENT
& CEO REPORT**

MICHAEL HECKMAN

HFC BOARD OF DIRECTORS MEETING
November 19, 2020



City Lights

AT

- NOV. 20

AVENIDA
HOUSTON

THRU JAN. 3 -

MEXICO FAM TOUR

- Hosted 1st Mexico media familiarization trip with the Houston Airport System and United Airlines.
 - 2 newspapers
 - 2 radio shows
 - 1 travel trade magazine
- Over 106 million impressions about Houston expected.
- Focused on Houston Clean Initiative.



MARKET UPDATE

OCTOBER 2020

- October Month End
 - 45.5% Occupancy
 - Lowest Occupancy - April (24.9%)
 - Typical average 65% occupancy in October
- Marketing Campaign produced over 148K room nights within the market, with over 56K of them this fall alone.

SOURCE: SMITH TRAVEL RESEARCH (STR)

FUTURE CITYWIDE CONVENTIONS

| 2021 GROUPS | |
|---|--|
| NAPE | Rockwell Automation |
| Walmart | World Petroleum Congress |
| FIRST Robotics | Turbo Machinery |
| Intl Dairy Deli Bakery Assoc. | Amazon |
| National Rifle Association | Conference for the Advancement of Mathematics Teaching |
| Shriners International | Amateur Athletic Union |
| American Health Information Management Assoc. | National Association of Black Journalists |
| Quilts | Texas Municipal League |
| Dynamic Communities, Inc. | |

| 2022 GROUPS | ATTENDEES |
|--|-----------|
| Whatabrands LLC | 3,000 |
| National Science Teachers Assoc. | 10,000 |
| FIRST Robotics | 25,000 |
| American Assoc of Critical-Care Nurses | 7,500 |
| Rotary International | 25,000 |
| Lutheran Church- Missouri Synod | 28,000 |
| Society of Women Engineers | 8,500 |
| Professional Assoc for SQL Server | 4,500 |

Room Night Totals 2023 – 2025

391,229



HOUSTON FIRST
**EXECUTIVE SEARCH
FIRM UPDATE**

DESRYE MORGAN

HFC Board of Directors Vice Chair

HFC BOARD OF DIRECTORS MEETING

November 19, 2020



HILTON
LOAN MATURITY &
REFINANCING
EFFORTS UPDATE

DAVID M. MINCBERG
HFC Board of Directors Chair

HFC BOARD OF DIRECTORS MEETING
November 19, 2020



PHILANTHROPIC
**FUNDRAISING
DISCUSSION**

ROKSAN OKAN-VICK

Urban Development Officer

HFC BOARD OF DIRECTORS MEETING

November 19, 2020

PHILANTHROPIC FUNDRAISING

November 2020

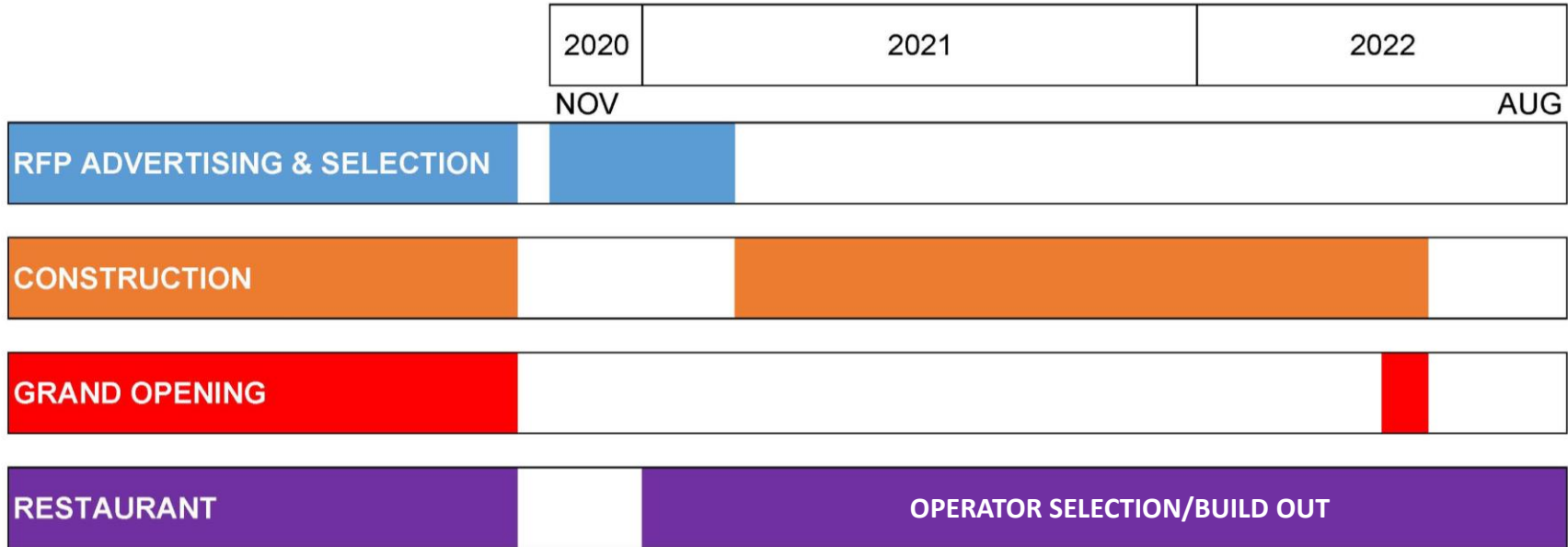
LYNN
WYATT
SQUARE



PROJECT SCHEDULE



Posting construction RFP tomorrow, Friday 20th!



FUNDRAISING ELEMENTS



- **Appealing project and sustainable business plan** – in place
- **Active 501c3** – no active 501c3; identified Central Houston Civic Improvement (CHCI) as our 501c3 partner
- **Organizational and fundraising track record** – HFC and CHCI have strong organizational track records; had to use that strength instead of fundraising track record to build confidence
- **Campaign Leadership** – Philanthropic fundraising has not been in HFC's culture so looked at other community leaders for campaign leadership. David Minchberg engaged Jim Crane
- **Donor base** – no HFC existing donor base

FUNDRAISING SEQUENCE

Mar – Dec 2018

Initial effort – Jim Crane & Astros Foundation

LYNN
WYATT
SQUARE
FOR THE
PERFORMING ARTS



FUNDRAISING SEQUENCE



Re-evaluating Conditions for Fundraising Success

- **Engaged a fundraising strategist**– re-structured campaign to aggressively and strategically pursue significant gifts and build fundraising credibility
- **Donor base** – Revisited our donor list and worked closely with the Mayor for individual gifts
- **Campaign Leadership** – In lieu of a traditional campaign leader and committee, we pursued a selective connection approach

| OPPORTUNITY | REQUESTED GIFT |
|-------------|----------------|
|-------------|----------------|

| | |
|-------------------------|---------------|
| ★ Plaza Re-naming | \$ 10,000,000 |
| 1 Center Green | \$ 3,000,000 |
| 2 Water Cascade | \$ 2,000,000 |
| 3 Gateway Gardens | \$ 1,500,000 |
| 4 Street Theater | \$ 1,500,000 |
| 5 Center Aisle | \$ 500,000 |
| 6 Proscenium Walk | \$ 500,000 |
| 7 The Promenade | \$ 500,000 |
| 8 Spring Stage Overlook | \$ 250,000 |
| 9 Street Stage Overlook | \$ 250,000 |

RECOGNITION OPPORTUNITIES



**LYNN
WYATT
SQUARE**
FOR THE
PERFORMING ARTS

FUNDRAISING SEQUENCE



Jan – Oct 2019 Retooling campaign for large/lead gifts

- Approached/met/made the case to high net-worth families and individuals and foundations
- Prepared and submitted proposals to all
- Cultivated/presented/convinced DRA on an additional \$5 million (5-14-19)
- HFC Board approved \$5M commitment to project (7-9-19)
- Received foundation commitments
- Received Lynn Wyatt gift

FUNDRAISING SEQUENCE

Oct 2019 Announcement of Lynn Wyatt Square for the Performing Arts

LYNN
WYATT
SQUARE
FOR THE
PERFORMING ARTS



FUNDRAISING SEQUENCE



Nov 2019 – Feb 2020 **Continued discussions with foundations**

Mar 2020 **COVID-19**

CURRENT FUNDERS' LIST



- Lynn Wyatt
- Downtown Redevelopment Authority
- Houston First
- Elkins Foundation
- Cullen Foundation
- Fondren Foundation
- Wortham Foundation
- Herzstein Foundation
- Roksan Okan-Vick

MOVING AHEAD



- 1. Under Desrye Morgan's leadership, engage HFC's Board of Directors to continue fundraising for Wyatt Square with particular emphasis on enabling funding from diverse sources.**
- 2. Using this effort as a pilot, expand HFC's long-term fundraising framework with its Board of Directors remaining active in the effort.**

HOW TO ENGAGE



- 1. Join Desrye and Roksan on forming a capital campaign fundraising committee for Wyatt Square and beyond.**
- 2. Identify another community member whom you think may be interested in serving on the committee and reach out to gauge interest.**
- 3. Identify a potential funder who may be interested and set up a meeting.**

LYNN
WYATT
SQUARE
FOR THE
PERFORMING ARTS

Thank you!



GHCVB
2021 OUTLOOK

REGINALD MARTIN
GHCVB CHAIR-ELECT

HFC BOARD OF DIRECTORS MEETING
November 19, 2020

Houstonfirst



Board Governance and Financial Sustainability



Member Engagement and Advocacy



Diversity and Inclusion

BOARD BUSINESS

A. *Consideration and possible approval of the annual election of Officers pursuant to the Houston First Corporation Bylaws.*

- i. Michael Heckman, Acting President & CEO*
- ii. Frank Wilson, Treasurer*
- iii. Lisa Hargrove, Secretary*
- iv. Frank Wilson, Investment Officer*

HFC BOARD OF DIRECTORS MEETING

November 19, 2020

BOARD BUSINESS

- B.** *Consideration and possible approval of the Houston First Corporation 2021 Budget.*

HFC BOARD OF DIRECTORS MEETING

November 19, 2020

Houstonfirst

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CY 2021 STRATEGY & BUDGET



PROPOSED 2021 STRATEGY & BUDGET

APPROVAL PROCESS

NOVEMBER 9, 2020

SALES, TOURISM & MARKETING COMMITTEE

- Revenue & Market Strategy
- Sales, Client & Event Services
- Tourism
- Houston Film Commission
- Marketing

NOVEMBER 13, 2020

BENEFITS, COMPENSATION & FINANCE COMMITTEE

- Administration
- HFC Corporate Budget

NOVEMBER 17, 2020

ENTREPRENEURIAL COMMITTEE

- Partnership & Event Development

NOVEMBER 12, 2020

OPERATIONS COMMITTEE

- Cultural Facilities & Services
- Convention Facilities & Services
- Information Technology
- Urban Development

NOVEMBER 16, 2020

HOTEL COMMITTEE

- Hilton Americas – Houston Hotel

NOVEMBER 19, 2020

HFC BOARD OF DIRECTORS

- HFC Corporate Budget

THE WAY FORWARD

- Recovery will continue well into 2021 with events and travel anticipated to return, albeit with smaller attendance initially.
- To sustain the organization and successfully lead the destination and hospitality community forward, HFC must:
 - Anticipate and respond to emerging trends and opportunities.
 - Monitor trends and adjust the budget as needed in response to market conditions.
 - Seek and develop new revenue streams.
 - Promote competitive advantages.
 - Remain top of mind as a first-class destination.

2021 PRIORITIES

- Forecast (quarterly), manage cash burn, closely monitor revenues.
- Deploy multifaceted sales approach to maximize hotel room nights for 2021 and future years.
- Create a unified brand for Houston.
- Position Houston as a safe place for both leisure and business travel leveraging Houston Clean.
- Expand flexible, digital strategy and focus on targeted leisure travel market.
- Focus International efforts on Mexico.

MONITORING MARKET TRENDS

- Engagement with Boston Consulting Group (BCG)
- Customer Advisory Board Guidance
- In-House Market Analysis

2021 BUDGET ASSUMPTIONS

- Vaccine available and adopted by our customer-base mid-year.
- HOT Projection, \$56 M
- Hilton Net Cash to HFC: \$1 M
- Parking revenue begins to recover, Q2 and beyond, as office workers return to work and in-person sports attendance resumes: \$10.8 M.
- Live arts performances return in several of our venues.
- Citywides, 17, hold for the year, primarily Q3 and Q4.
- Hybrid meetings continuing, estimated 50% attendance.
- Pent up demand begins to influence hotel stays in 2021.
- Leisure and regional tourism drive transient hotel stays.
- Non-operating Expenses (including debt service, capital, City of Houston contractual obligations), continue to make up 59% of budget.

PROPOSED CY 2021 BUDGET HIGHLIGHTS

(\$ in millions)

| | 2020 Forecast Budget | 2021 Proposed Budget | CHANGE |
|-------------------------------------|-------------------------|-------------------------|----------------|
| Operating Revenue | \$38.6 | \$40.3 | \$1.7 |
| Non-Operating Revenue | 96.4 | 68.4 | -28.0 |
| TOTAL REVENUE | \$135.0 | \$108.8 | -\$26.2 |
| Operating Expense | \$57.2 | \$66.9 | \$9.7 |
| Non-Operating Expense* | 82.6 | 97.4.3 | 14.8 |
| TOTAL EXPENSE | \$139.8 | \$164.3 | \$24.5 |
| REVENUE IN EXCESS OF EXPENSE | -\$4.8 | -\$55.5 | |

*Includes \$62.3 M in debt service, \$10.8 M to HAA, \$5.1 M of capital, \$1 M Hotel Tax Refunds, \$3.4 M contributions to City and other stakeholders.

PROPOSED CY 2021 BUDGET

HFC OPERATING REVENUES & EXPENSES

| | 2020 Revised Budget | 2020 Projection | 2021 Budget | 2020 Proj. vs 2021 Budget Variance |
|-----------------------------------|-----------------------|-----------------------|-----------------------|------------------------------------|
| Venue Revenue | \$25,017,823 | \$25,782,200 | \$27,010,048 | \$1,227,848 |
| Parking | \$8,234,858 | \$8,457,990 | \$10,844,860 | \$2,386,870 |
| Miscellaneous | \$3,793,450 | \$4,361,824 | \$2,505,765 | (\$1,856,059) |
| Operating Revenues | \$37,046,130 | \$38,602,015 | \$40,360,673 | \$1,758,658 |
| Personnel | \$20,029,632 | \$19,420,387 | \$20,108,920 | (\$688,533) |
| Advertising & Promotion | \$2,262,324 | \$2,629,217 | \$3,689,300 | (\$1,060,083) |
| Travel, Promotion, and Events | \$147,135 | \$1,242,025 | \$1,834,354 | (\$592,329) |
| Facility Maintenance | \$4,815,917 | \$4,452,883 | \$4,865,918 | (\$413,035) |
| Food and Beverage | \$6,725,000 | \$6,832,057 | \$8,243,199 | (\$1,411,142) |
| Security | \$3,262,993 | \$3,345,951 | \$4,350,066 | (\$1,004,115) |
| Utilities | \$4,818,681 | \$4,047,752 | \$4,699,719 | (\$651,967) |
| Parking | \$1,769,737 | \$1,754,014 | \$2,078,246 | (\$324,232) |
| Janitorial | \$3,059,926 | \$2,211,909 | \$3,270,880 | (\$1,058,971) |
| Insurance | \$5,024,055 | \$4,999,531 | \$5,798,035 | (\$798,504) |
| Lease Expense | \$729,639 | \$728,906 | \$2,250,950 | (\$1,522,044) |
| Consulting | \$2,000,000 | \$2,195,846 | \$1,860,448 | \$335,398 |
| Supplies | \$740,798 | \$698,081 | \$873,580 | (\$175,499) |
| Fees & Services | \$728,501 | \$644,185 | \$562,000 | \$82,185 |
| Computer Services | \$1,075,000 | \$1,091,142 | \$1,181,939 | (\$90,797) |
| Legal Expense | \$425,309 | \$377,878 | \$750,000 | (\$372,122) |
| Other | \$558,640 | \$542,600 | \$461,390 | \$81,210 |
| Operating Expenses | \$58,173,285 | \$57,214,365 | \$66,878,944 | (\$9,664,579) |
| Net Income From Operations | (\$21,127,154) | (\$18,612,350) | (\$26,518,271) | (\$7,905,921) |

PROPOSED CY 2021 BUDGET

HFC NON-OPERATING REVENUES & EXPENSES

| | 2020 Revised Budget | 2020 Projection | 2021 Budget | 2020 Proj. vs 2021 Budget Variance |
|---|-----------------------|----------------------|-----------------------|------------------------------------|
| <i>Hotel Occupancy Tax (Current & Delinquent)</i> | \$52,630,000 | \$54,837,099 | \$56,800,000 | \$1,962,901 |
| <i>Contributions</i> | \$770,000 | \$770,000 | \$11,360,000 | \$10,590,000 |
| <i>Net Available Pledged Rev. Transfer</i> | \$12,245,480 | \$40,238,684 | \$0 | (\$40,238,684) |
| <i>Interest Income</i> | \$811,573 | \$549,248 | \$250,000 | (\$299,248) |
| Non Operating Revenue | \$66,457,053 | \$96,395,031 | \$68,410,000 | (\$27,985,031) |
| <i>Sponsorship Expense</i> | \$4,184,262 | \$4,457,873 | \$4,757,500 | (\$299,627) |
| <i>Contingency</i> | \$0 | \$0 | \$1,000,000 | (\$1,000,000) |
| <i>Capital Spending</i> | \$3,821,691 | \$4,863,221 | \$15,689,048 | (\$10,825,827) |
| <i>Debt Service</i> | \$59,276,037 | \$58,839,644 | \$62,323,498 | (\$3,483,854) |
| <i>COH Contractual Obligations</i> | \$11,088,758 | \$11,878,567 | \$12,616,525 | (\$737,958) |
| <i>Hotel Tax Refunds</i> | \$2,511,691 | \$2,511,691 | \$1,000,000 | \$1,511,691 |
| Non Operating Expense | \$80,882,439 | \$82,550,996 | \$97,386,571 | (\$14,835,575) |
| Total Revenue less Expenses | (\$35,552,540) | (\$4,768,315) | (\$55,494,842) | (\$50,726,527) |
| Capital - Prior Year Carry Forward | \$0 | \$0 | \$1,067,000 | (\$1,067,000) |
| Capital - Financed Projects | \$13,970,711 | \$15,420,902 | \$75,000 | \$15,345,902 |
| Disaster Expense | \$9,007,413 | \$10,628,430 | \$2,061,420 | \$8,567,010 |

PROPOSED CY 2021 BUDGET

HOW WE ADDRESS BUDGET DEFICIT

- \$11.3 M FEMA reimbursement from City (TDEM)
- \$20 M Loan from City
- \$10 M of reserves
- \$15 M subordinated note program loan
- Goal: Finish 2021 with \$20 M in emergency cash reserves
- After \$15 M use of sub note program, \$89 M should be available if needed

ACTION ITEM REQUESTED

- Recommend approval of the Houston First 2021 Budget.

HFC BOARD OF DIRECTORS MEETING

November 19, 2020

Houstonfirst

BOARD BUSINESS

- C. *Consideration and possible ratification of the Second Amendment to the Lease Agreement between the City of Houston and Houston First Corporation.*

HFC BOARD OF DIRECTORS MEETING
November 19, 2020

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