

# MINUTES

## HOUSTON FIRST CORPORATION

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### **BOARD OF DIRECTORS MEETING**

**April 21, 2022 – 3:00 P.M.**

**Partnership Tower, 701 Avenida de las Americas, Suite 200**

**Houston, Texas 77010**

**HOUSTON FIRST BOARD ROOM**

*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 at Partnership Tower, 701 Avenida de las Americas, Suite 200, Houston, Harris County, Texas 77010, on Thursday, April 21, 2022, commencing at 3:00 p.m.*

*Written notice of the meeting including the date, hour, place, and agenda for the meeting was posted in accordance with the Texas Open Meetings Act.*

*The following Board Members participated in the meeting: David Mincberg (Chair), Sofia Adrogué, Nicki Keenan, Reginald Martin, Alex Brennan-Martin, Bobby Singh, Tom Segesta, Gerald Womack, Jay Zeidman, Mayor Pro-Tem Dave Martin, Council Member Robert Gallegos, Ex-officio*

1. **Call to Order.** The Chairman of the Board called the meeting to order at 3:02 p.m. and a quorum was established.
2. **Public Comments.**

Mr. Willie Gonzalez of Unite Here spoke on behalf of Hilton and Marriott hotel employees, who were present at the meeting. Mr. Gonzalez asked Board Members for an update on the concerns that were addressed at the March Board meeting. Chairman of the Board, David Mincberg, stated that he and Michael Heckman, President and CEO of HFC, have been discussing their concerns. Mr. Mincberg informed Mr. Gonzalez that he could not provide a timeline for a resolution since Hilton and Marriott’s employees are not employed by HFC. Mr. Heckman emphasized that wages are an important matter and HFC is focused on moving forward in a positive direction.
3. **Review and approval of minutes from prior meetings.** Following a motion duly seconded, the meeting minutes of March 24, 2022, were unanimously approved. Gerald Womack, Mayor Pro-Tem Dave Martin, and Sofia Adrogué were not present at the time of the vote.

## 4. Presentations and Reports.

### A. Houston First Chairman's Report. –

Mr. Mincberg reiterated to Board Members that he and Michael Heckman have been in discussion about the important issues brought forward by Mr. Gonzalez on behalf of employees of the Hilton and Marriott hotels. He assured the Board that this matter, and its resolution, are a high priority for HFC.

Mr. Mincberg reported that Top Chef Houston is running every Thursday night and encouraged everyone to watch. Chief Marketing Officer, Holly Clapham, informed Board Members that Top Chef is number two on all of cable television when seen live and is number one post-3 (watched three days after air date) and post-7 (watched seven days after air date) on cable television.

Mr. Mincberg addressed the Board relative to “asks” from individuals and organizations. He stated that Michael Heckman is developing a process for these requests that will be communicated to the Board at a later date.

### B. Houston First President & CEO's Report. –

Mr. Heckman stated that the Mexico Mission was a strategic objective for 2022 to reach HFC's goal to be the number one destination for the Mexican traveler by the end of 2023. There were four objectives for the Mexico Mission: generate awareness, connect with clients, develop an experiential activation that is tied to HFC's brand, and amplify HFC's awareness. This year's mission was broader than those of past years. HFC partnered with the City of Houston and the Greater Houston Partnership.

Mr. Heckman then announced that the Mexico Mission, and the signing of the Memorandum of Understanding, garnered a lot of media attention.

Sr. VP of Tourism and Industry Relations, Jorge Franz, stated that it has been two years since HFC's last Mexico Mission trip. Mr. Franz expressed that it is important to get back into the market to let clients, such as tour operators, meeting planners, and travel agencies, know that Houston is open for business.

Ms. Clapham stated that the experiential activation that took place in Monterrey and Mexico City was a mosaic and tapestry of flavor, fashion, and culture, which were all showcased by chefs, a mixologist, a violinist, and Magpies and Peacocks, all from Houston.

Mr. Heckman reported that HFC launched an integrated marketing campaign on April 1, 2022, which will run through 2022 and is set to deliver nearly 200 million impressions. The campaign's goal is to return Houston to the number one destination for the Mexican traveler and that Houston Week will be an annual activation in Mexico.

Sr. VP of Sales and Client Services, John Solis, communicated that one of the key initiatives identified in the 2022 Business Plan is building of the convention pipeline. Mr. Solis reported that the volume of leads is just three percent down from the first quarter of 2019, which is a very strong indicator that business is coming back. He then explained that the volume is back, but the mix of business has changed and bookings are only 12 to 24 months out, with little activity for outlying years. By quarters three and four, the numbers should balance out city-wide.

Mr. Solis reported there were nine city-wide conventions in the first quarter of 2019 and nine city-wide conventions in the first quarter of 2022 indicating that the numbers are back up to where they were pre-pandemic. The Sales team is averaging five site visits a month and the planning sites are strong in 2022.

Mr. Solis concluded by saying that the convention sales travel activity for 2022 is strong and he and his team plan to attend as many tradeshow and conferences as possible in order to fill the pipeline.

Mr. Heckman reported on upcoming events: National Travel and Tourism Week (NTTW) will take place May 1 – May 7 with a Hospitality Industry event happening on May 5<sup>th</sup>, Asian American and Pacific Islander Heritage Month in May with AAPI Amplified happening on the Avenida on May 14<sup>th</sup>, 2023, NCAA Men's Final Four happening in Houston April 1 – 3, 2023, with fan events hosted at the George R. Brown Convention Center and Discovery Green, 2022 DE&I Hospitality Industry Internship from Jun 6 – July 28 in collaboration with the Greater Houston Convention and Visitors Bureau, and Tourism Diversity Matters' Apprenticeship Program.

Mr. Heckman concluded by informing Board Members that HFC participated in the Great Places to Work survey and announced that HFC has been certified as a Great Place to Work.

## C. Financial Report

Chief Financial Officer, Frank Wilson, stated that the forecasted 2021 budget was \$-27,375,844, but the actual number was \$-15,277,189. Mr. Wilson focused on the major themes for 2021: recovery, federal stimulus funding, additional borrowing for operations, and strong expense management. The largest variance on the revenue side is was the \$4 million contribution for Lynn Wyatt Square that was not forecasted. On the expenditure side, the invoices for Lynn Wyatt Square that were not received as quickly as forecasted.

Mr. Wilson reported the major variance from the original budget was the \$10 million net cash received by HFC from the Hilton Hotel. Hilton management presented their budget in October 2020, but re-forecasted in June 2021 and determined net cash would be \$10 million above their original forecast.

Mr. Wilson stated other revenues not budgeted were the \$2.3 million in shuttered venue operator grant and the \$2.6 million in PPP loans; these were not revenues, but rather reductions in expenses. He then added that Harvey FEMA reimbursements for 2017, which were received in 2021, totaled about \$2.7 million.

Mr. Wilson presented the capital expenditures which included: Lynn Wyatt Square (\$5 million), Hilton (\$1.7 million), George R. Brown Convention Center (\$1 million), Wortham Theater (\$381,000), Jones Hall (\$96,000), Miller Outdoor Theatre (\$20,000), and Parking Garage (\$62,000). Total capital expenditures for 2021 were \$8.46 million.

Mr. Wilson then reviewed total revenues and expenses. The total revenues in 2018 were \$195 million with \$14 million of that from insurance and loan proceeds and total revenues in 2022 are expected to be \$183 million, which is a trend in the right direction.

He illustrated the breakdown of expenses by Operating Expense - \$92 million in 2022 compared to \$55 million in 2021; Debt Service Expense - \$67 million in 2022 compared to \$58 million in 2021; and City of Houston Contract Obligation Expense - \$17 million in 2022 compared to \$13 million in 2021.

Mr. Wilson informed the Board that \$26 million in sub-notes will be due in 2024 and another \$19 million in 2026, along with the \$125 million Hilton loan.

Mr. Wilson stated the themes for 2022 returns to large meetings, and to 2019 ADRs, occupancy, and RevPAR revival. He reported that 2022 revenues have outperformed budget by \$3.3 million and expenses have been below budget by \$4.9 million. He also added that HOT is \$600,000 better than budget and Hilton is forecasted to finish stronger than budget.

Mr. Wilson concluded by reporting a variance of \$900,000 in personnel expenses, building maintenance is better than budget by \$500,000, advertising, and promotion is better by \$1.1 million, travel promotion is better by \$400,000, and debt expense is on budget.

## 5. **Board Business**

### A. Consideration and possible approval of the 2022 Investment Policy

Mr. Wilson stated that the 2022 Investment Policy has not changed from prior years and is consistent with the City's current policy.

After discussion for consideration and possible approval of the 2022 Investment Policy, a motion was made and duly seconded for approval. The motion carried.

B. Consideration and possible approval of a Window-Cleaning Services Agreement with Superior Building Services, Inc.

Purchasing Agent, Mitch Miskowski, stated that an invitation to bid was advertised for qualified and experienced commercial window-cleaning contractors capable of providing timely and cost-effective services for HFC's facilities. Mr. Miskowski stated the only bid received was by Superior Building Services, Inc. which is management's recommendation. Superior Building Services, Inc. is the incumbent.

After discussion for consideration and possible approval of a Window-Cleaning Services Agreement with Superior Building Services, Inc., a motion was made and duly seconded for approval. The motion carried.

C. Consideration and possible approval of an Agreement between Houston First Corporation and Barbizon Light of the Rockies, Inc. for the Brown Theater Dimming Rack Replacement (Phase 2) Project at Wortham Theater Center.

Mr. Miskowski stated that an invitation to bid was advertised for qualified contractors for the second of three phases for the replacement of the Brown Theater Dimming Rack at Wortham Theater Center. The dimming systems were installed in 1986 and suitable replacement parts are no longer available. The lowest responsible bid was received from Barbizon Light of the Rockies, Inc. and is management's recommendation.

After discussion for consideration and possible approval of an agreement between Houston First Corporation and Barbizon Light of the Rockies, Inc. for the Brown Theater Dimming Rack Replacement (Phase 2) Project at Wortham Theater Center, a motion was made and duly seconded for approval. The motion carried.

6. **Executive Session.** An executive (closed) session pursuant to Texas Government Code 551.072 to permit the Board of Directors to consult with Counsel regarding real estate matters began at 4:36 p.m. Council Member Robert Gallegos left at the inception of the executive session. No action was taken during the executive session, which ended at 4:56 p.m.

7. **Adjournment.** The meeting was adjourned at 4:57 p.m.