

AGENDA

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

November 14, 2023 – 10:00 A.M.

Partnership Tower, 701 Avenida de las Americas, Ste, 200

Houston, Texas 77010

HOUSTON FIRST BOARD ROOM

COMMITTEE MEMBERS:

Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, Mayor Pro-Tem Dave Martin, Ryan Martin, David Minberg

In accordance with the Texas Open Meetings Act, this Agenda is posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting on the bulletin board located on the exterior wall of the Houston City Hall building, located at 901 Bagby. The Agenda is also available online at <https://www.houstonfirst.com>.

To reserve time to appear, come to the meeting at least ten minutes prior to the scheduled public session shown on the Agenda.

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

I. Call to Order

II. Public Comments

III. Minutes – October 12, 2023

IV. Committee Business

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

- i. Michael Heckman, President & CEO
- ii. Frank Wilson, Treasurer
- iii. David Stephenson, Interim Corporate Secretary
- iv. Frank Wilson, Investment Officer

B. Consideration and possible recommendation of the Houston First Corporation 2024 Budget.

V. Adjourn

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

October 12, 2023 – 12:00 P.M.

Partnership Tower, 701 Avenida de las Americas, Ste, 200

Houston, Texas 77010

HOUSTON FIRST BOARD ROOM

The Benefits, Compensation, and Finance Committee (“Committee”) of Houston First Corporation (the “Corporation” or “HFC”), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV’T. CODE ANN. §394.001 et seq., held a meeting at Partnership Tower, 701 Avenida de las Americas, Suite 200, Houston, Harris County, Texas 77010 on Thursday, October 12, 2023, commencing at Noon.

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 Committee Members were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, Mayor Pro-Tem Dave Martin, Ryan Martin, and David Mincberg.

- I. **Call to Order.** Committee Chairman Alex Brennan-Martin called the meeting to order at 12:09 p.m. with an established quorum.
- II. **Public Comments.** None
- III. **Review and approval of minutes from prior meetings.** Following a duly seconded motion, the August 1, 2023, minutes were approved as presented. Mayor Pro-Tem Dave Martin was absent from the vote.
- IV. **Presentations, Reports, and Updates.**
 - A. **Financial Report & Budget Discussion.**

Michael Heckman, President and CEO, reminded the Committee that this meeting was a budget preview.

Frank Wilson, Chief Financial Officer, reported on HFC’s financials through August 31, 2023. He expressed that all of HFC’s notable revenues outperformed expectations through August 2023, apart from Avenida Parking’s underperformance. Mr. Wilson stated that Hotel Occupancy Tax Collections (“HOT”) by 11.6%, GRB Food and Beverage by 27.2%, and Parking Revenue – Theater District by 25.6% were HFC’s highest overperforming significant revenues. According to Mr. Wilson, the Hilton Americas-Houston Net Cash was \$3 million or 10.3% higher than budgeted.

Mr. Wilson reported that three of HFC's largest expenses were over budget because of increased activity at the George R. Brown Convention Center and an eventful summer. He included that HFC's three most significant favorable variances in major expenses were Personnel, Security Contract, and Building Maintenance Contract.

According to Mr. Wilson, HFC's Total Revenues exceeded Total Expenses by \$29.4 million through August 31, 2023, primarily caused by a \$21.6 million favorable revenue variance to budget.

Mr. Wilson emphasized that the HOT revenue was at or above the University of Houston and Tourism Economics' forecasting numbers. He said that HFC's philosophy for 2024 would be to create a balanced budget, make strategic investments, and increase reserves. According to Mr. Wilson, HFC's philosophy was based on insights from outside economists to build a foundation for revenues.

Mr. Heckman identified and briefly discussed how HFC's 2024 strategic priorities aligned with its budget process.

Mr. Wilson described that HFC reviewed a five-year revenue forecast to determine growth by evaluating baseline, low, and high growth based on assumptions like a possible recession, HOT, inflation, interest rates, and other factors.

According to Mr. Wilson, Dr. Bill Gilmer of the University of Houston Bauer School predicted Houston's HOT baseline growth forecast was \$110 million in 2024 and \$150.6 million in 2028. He added that HFC's low growth expectations would be \$106.3 million in 2024 and \$136.7 million in 2028, and its high growth expectancies were \$109.4 million in 2024 and \$159.6 million in 2028.

Mr. Wilson reported that HFC paid \$78 million in 2023 toward debt services and that HFC planned to pay down unbudgeted debt by \$13 million by year-end.

V. **Adjourn.** The meeting was adjourned at 1:02 p.m.

HOUSTON FIRST CORPORATION
**BENEFITS, COMPENSATION, AND
FINANCE COMMITTEE MEETING**

George R. Brown Convention Center
DOWNTOWN

**HFC Board Room
Partnership Tower**
Tuesday, November 14, 2023
10:00 a.m.



PUBLIC COMMENTS

Anyone who wishes to address the committee during the Public Comment session may do so by signing up on the Public Comment registration form at the front of the room.

**HFC BENEFITS, COMPENSATION, AND FINANCE
COMMITTEE MEETING**

November 14, 2023



MINUTES

October 12, 2023

**HFC BENEFITS, COMPENSATION, AND FINANCE
COMMITTEE MEETING**

November 14, 2023

HOBBY CENTER →

← ALLEY THEATRE

← WORTHAM THEATER

COMMITTEE BUSINESS

- A.** Consideration and possible recommendation of the annual election of Officers pursuant to the Houston First Corporation Bylaws.
- i. Michael Heckman, President & CEO
 - ii. Frank Wilson, Treasurer
 - iii. David Stephenson, Interim Corporate Secretary
 - iv. Frank Wilson, Investment Officer

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

November 14, 2023

COMMITTEE BUSINESS

- B.** Consideration and possible recommendation of the Houston First Corporation 2024 Budget.

**HFC BENEFITS, COMPENSATION, AND FINANCE
COMMITTEE MEETING**

November 14, 2023

Houstonfirst

STRATEGIC PILLARS

TRANSFORMATIONAL LEADERSHIP

Enhance and employ organizational relevance by inspiring, influencing, and leading key stakeholder groups in furtherance of HFC's mission and value for Houston.

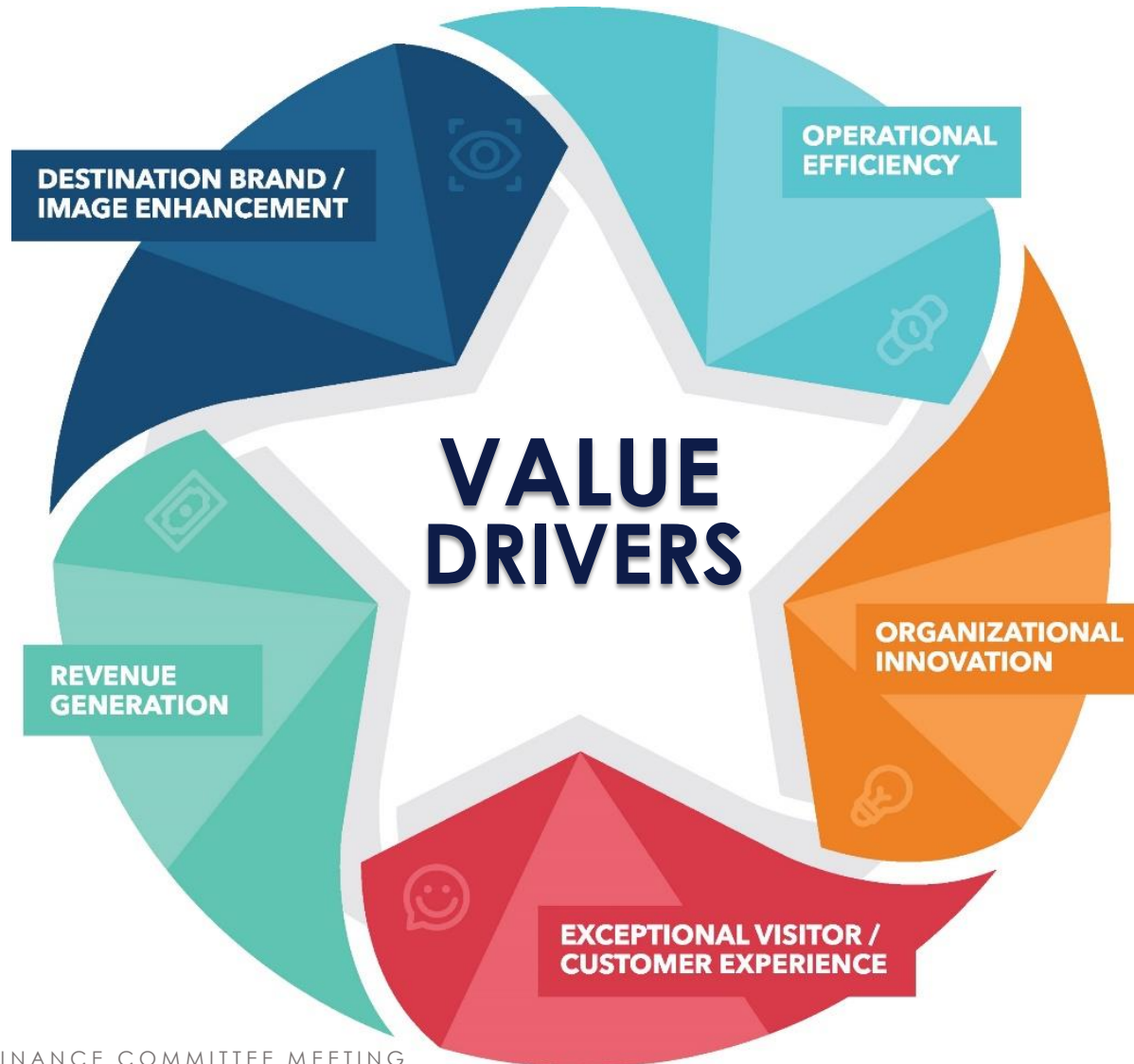
DESTINATION DEVELOPMENT

Serve as a catalyst for initiatives that strengthen Houston's global reputation, increase travel to the city, and improve HFC's economic impact to the community.

REVENUE DIVERSIFICATION & ASSET GROWTH

Advance new opportunities for additional revenue streams, asset growth, and financial mechanisms that strengthen HFC's financial outlook and viability.

CORE OF VALUE CREATION



CY 2023 BUDGET VS FORECAST

<i>(\$ in millions)</i>	2023 Budget	2023 Forecast*	CHANGE
<i>Operating Revenue</i>	\$108.1	\$116.9	\$8.8
<i>Non-Operating Revenue</i>	99.5	108.8	9.3
TOTAL REVENUE	\$207.5	\$225.7	\$18.2
<i>Operating Expense</i>	\$100.0	\$102.1	(\$2.1)
<i>Non-Operating Expense</i>	105.9	123.1	(17.2)
TOTAL EXPENSE	\$205.9	\$225.2	(\$19.3)
REVENUE IN EXCESS OF EXPENSE	\$1.61	\$.58	(\$1.0)

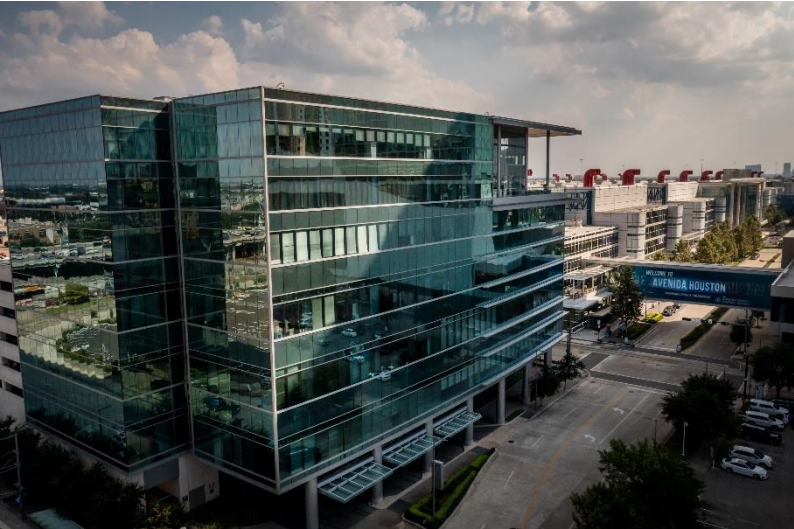
*In 2023 , instead of financing capital expense, all capital was funded from cash flow from operations. In 2022, capital projects of \$5.2 M were funded from cash flow.

FACTORS INFLUENCING CY 2023 BUDGET FORECAST



- **Hilton Americas Net Cash exceeding budget by \$2.68 M**, providing \$47.4 M versus \$44.7 M in Net Cash – based on stronger than budgeted recovery of ADR, occupancy and catering.
- **HOT** collection forecast to exceed budget by \$6.8 M to a record \$105.8 M, driven by increased ADR and improved occupancy throughout the Houston market.
- **Venue Revenue** outperforming budget by \$8.8 M. F & B contributing \$3.2 M of variance. Additionally, Facility Rental outperformed budget by \$719 K.
- **Strong management of expenses and cash management**, reducing debt by \$13 M. Capital expense of \$20.9 M funded from cash instead of borrowing.
- **\$1.1 M:** amount by which **Theater District Parking forecast to outperform budget** --due to pre-pandemic event calendars and attendance and slow return to the office.

CY24 STRATEGIC INVESTMENTS



\$2.9M 

**Advertising
& Promotion**

\$3.5M 

**Sales and
Marketing
Strategies**

+\$20.3M

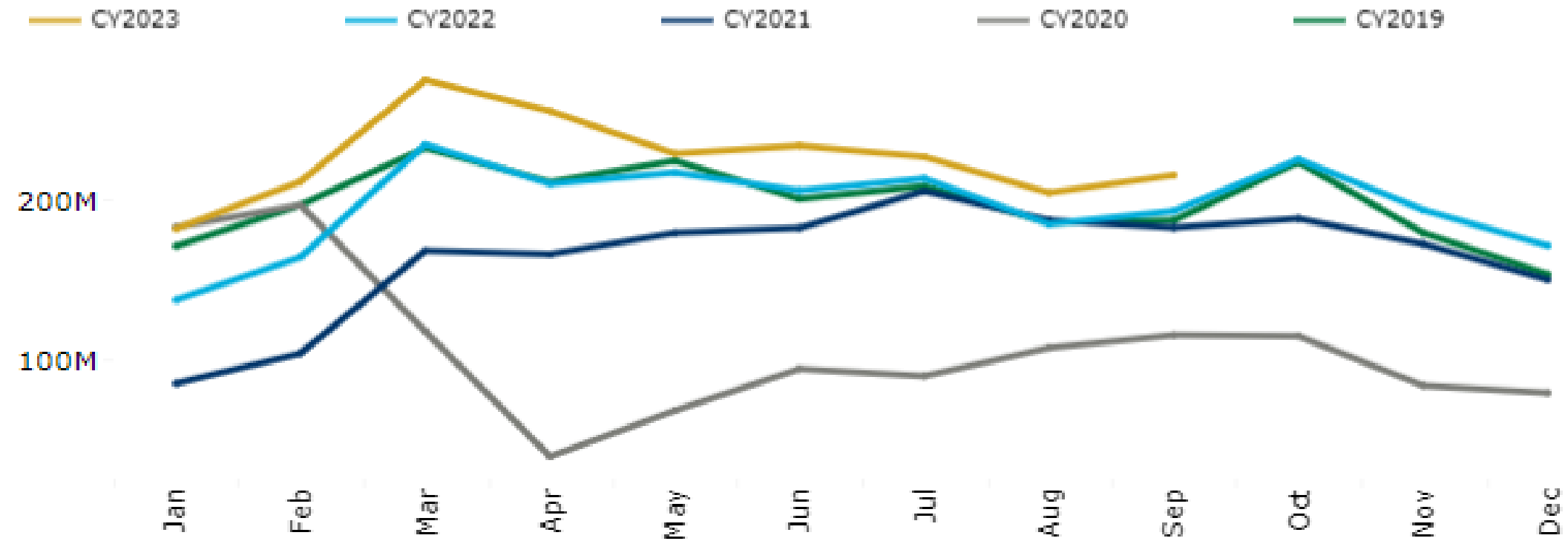
Capital Expenditures

\$200k

Houston Film Incentive

TOTAL HOTEL REVENUE TO THE MARKET

Room Revenue YOY Comparison



2024 PRIORITIES



- **Strengthen Houston's Brand Equity**
- **Foster Greater Synergy as a Destination**
- **Boost Economic Impact of Leisure Travel to Houston**
- **Accelerate Booking Pace for 2025 – 2027 Convention Business**
- **Develop Aggressive Convention Sales Strategies for Transformed Convention District**
- **Deliver Superior Convention Client Experiences**
- **Manage New Conditions Affecting Convention Sales**
- **Increase Travel Market Share from Mexico**

2024 PRIORITIES



- **Seize Emerging International Markets**
- **Promote Exceptional 360° Visitor Experiences**
- **Implement Phase 1: Convention District Transformation**
- **Enhance Destination Appeal at HFC Facilities**
- **Increase the Number of Houston TV & Film Projects**
- **Explore P3 Opportunities to Address Structural HFC Budget Challenges**
- **Pursue Excellence in Corporate Culture**

PROPOSED CY 2024 BUDGET



\$229.2M
TOTAL REVENUES

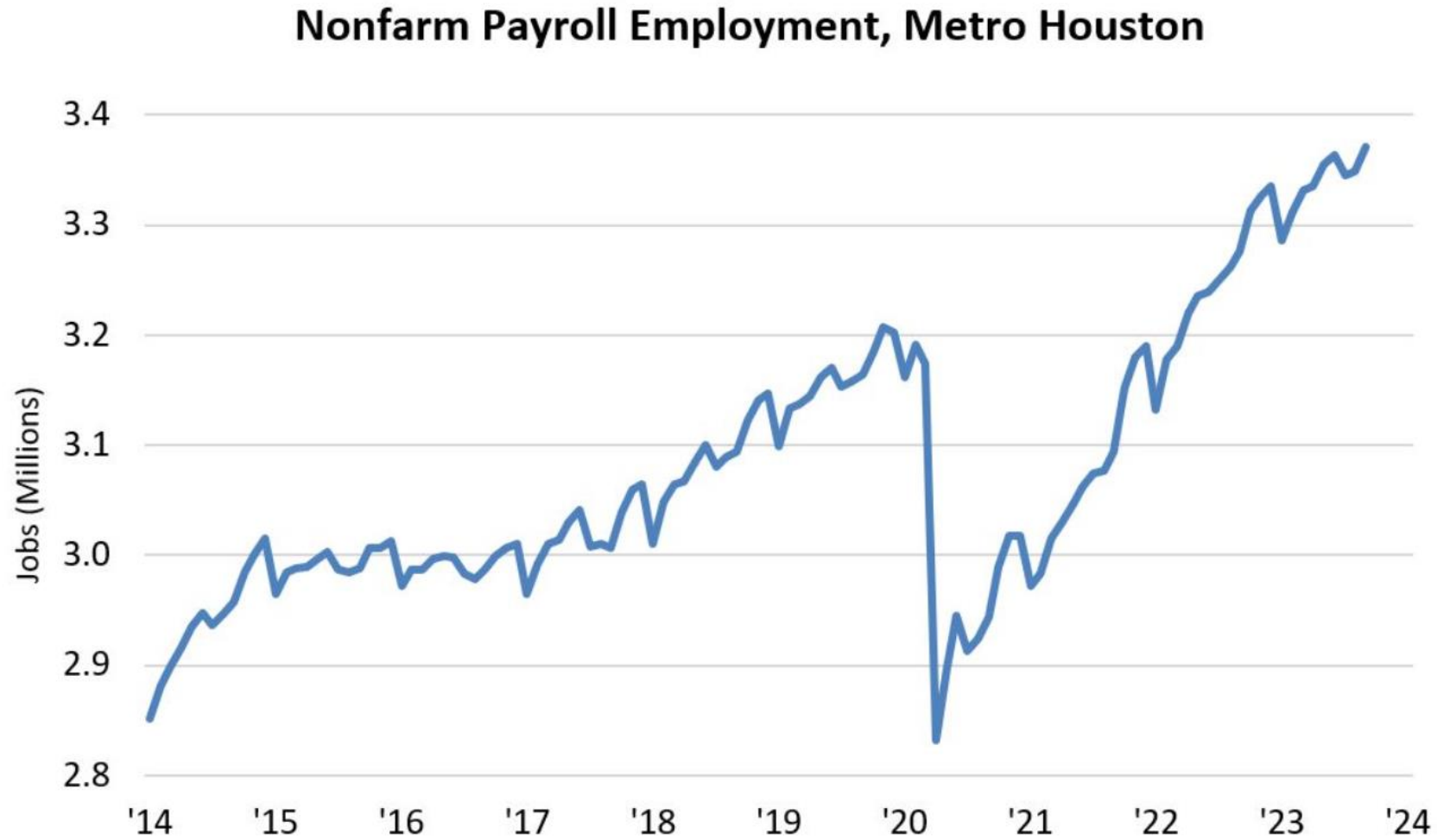
\$227.8M
TOTAL EXPENSES

\$20.3M
CAPITAL EXPENDITURES

ASSUMPTIONS:

- No recession in 2024
- Leisure travel continues pace
- Business travel continues improvement
- Hotel occupancy and rates improve
- Corporate meeting demand continues
- Return to offices slowly improves
- Concerts, sporting and other events drive parking
- Continued inflation pressure
- Rising interest rate environment

HOUSTON EMPLOYMENT



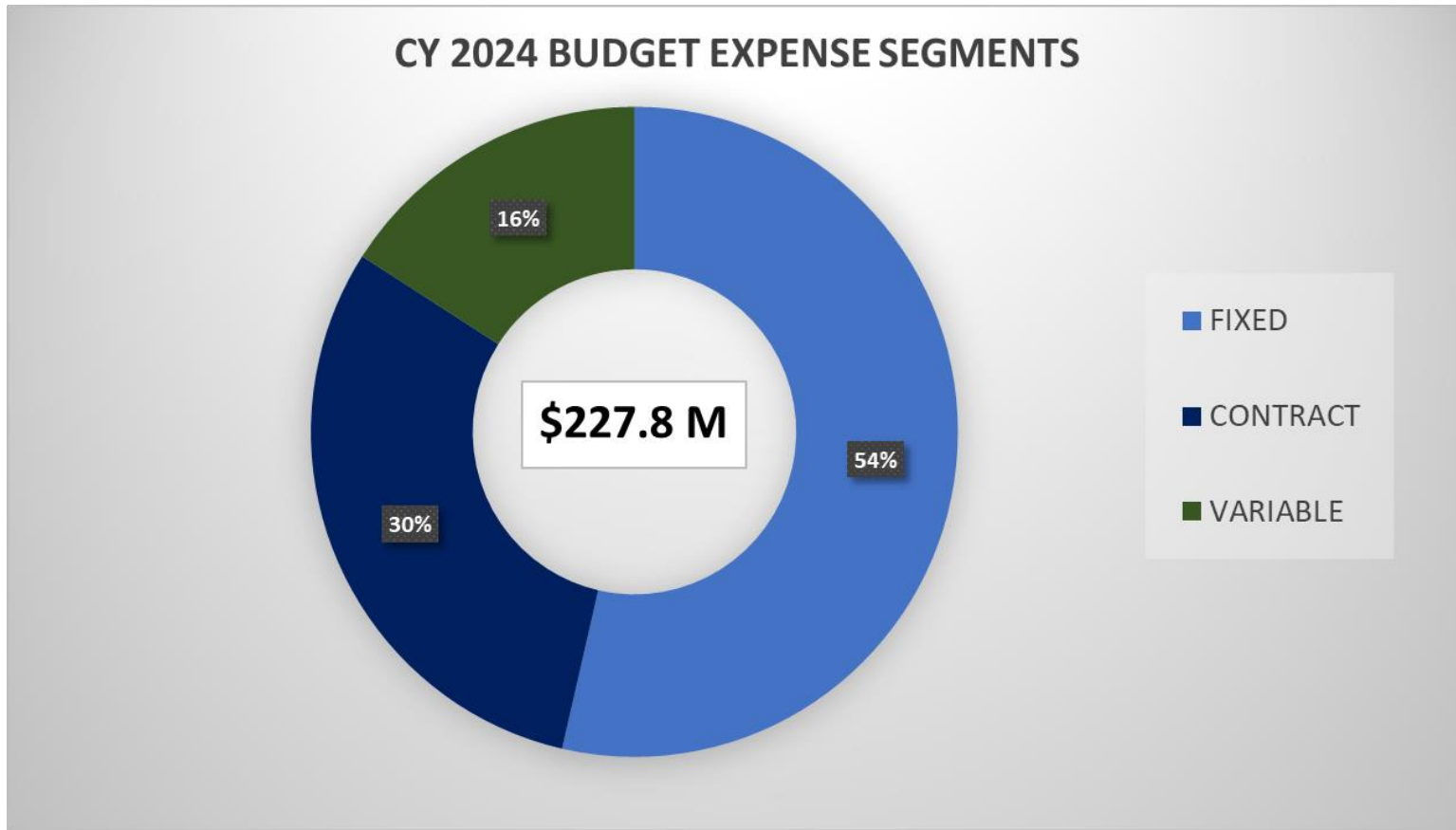
Source: Greater Houston Partnership

PROPOSED CY 2024 BUDGET SUMMARY

(\$ in millions)

	2023 Forecast Budget	2024 Proposed Budget	CHANGE
<i>Operating Revenue</i>	\$116.9	\$ 115.4	(\$1.5)
<i>Non-Operating Revenue</i>	108.8	113.8	5.0
TOTAL REVENUE	\$225.7	\$229.2	\$3.5
<i>Operating Expense</i>	\$102.1	\$120.4	\$18.3
<i>Non-Operating Expense</i>	123.1	107.4	(15.7)
TOTAL EXPENSE	\$225.2	\$227.8	\$2.6
REVENUE IN EXCESS OF EXPENSE	\$0.5	\$1.4	\$0.9

PROPOSED CY 2024 BUDGET SUMMARY

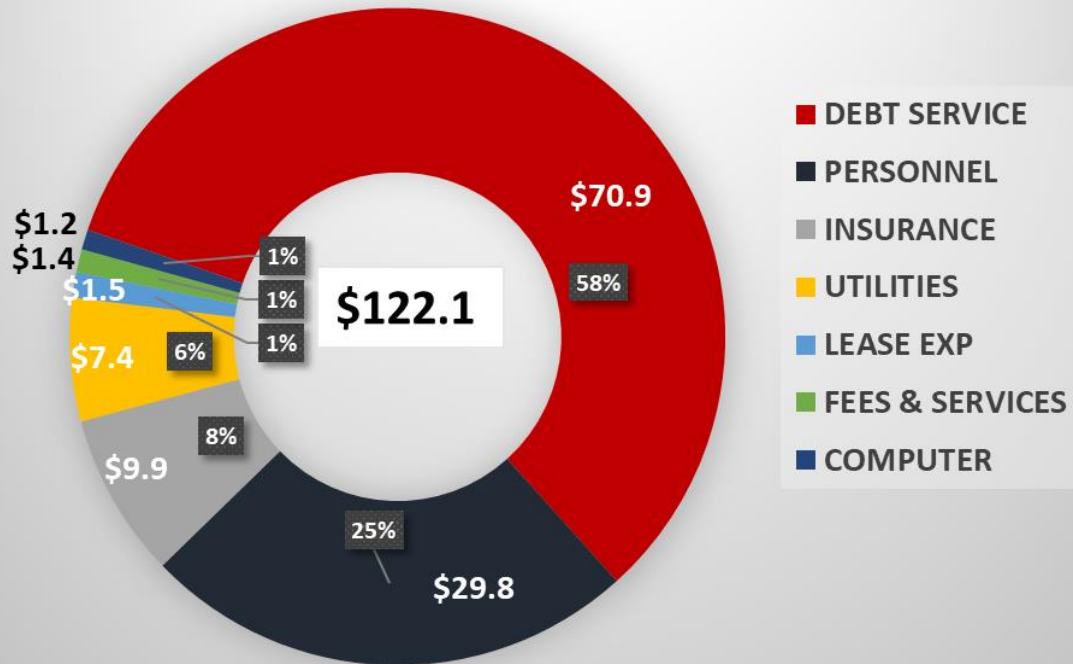


	2024 BUDGET	%
Fixed	\$122,093,547	54%
Contract	69,443,882	30%
Variable	36,271,665	16%
TOTAL	\$227,809,094	100%

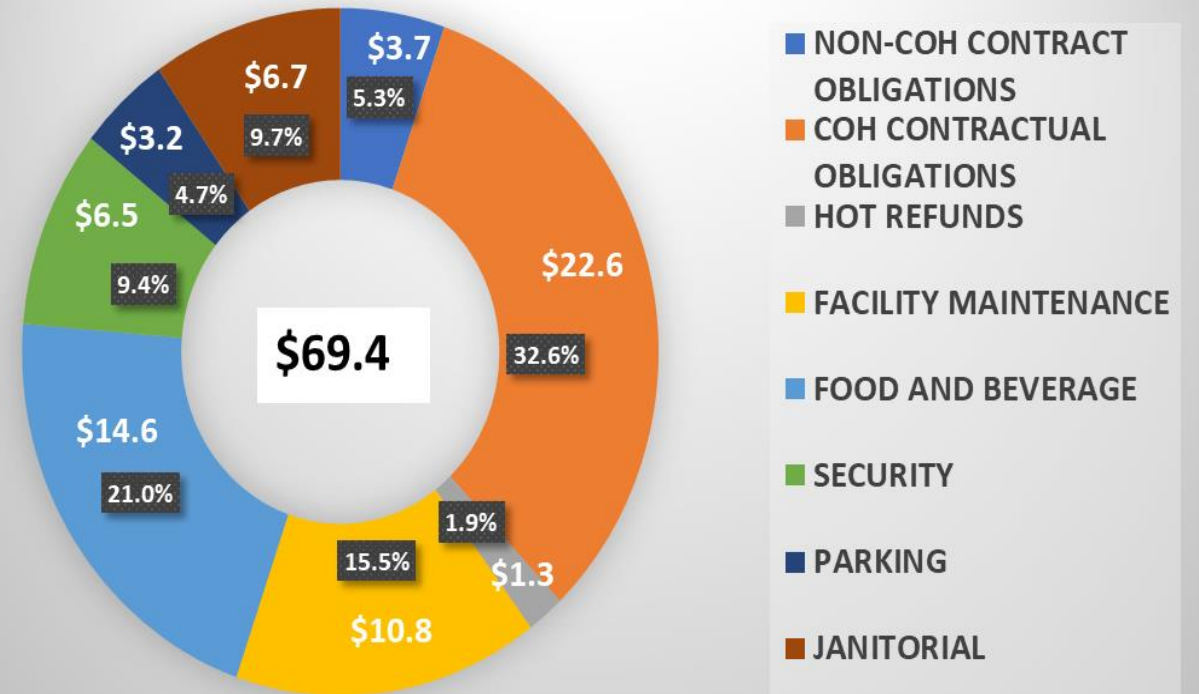
PROPOSED CY 2024 BUDGET HIGHLIGHTS

\$s in millions

FIXED EXPENSES

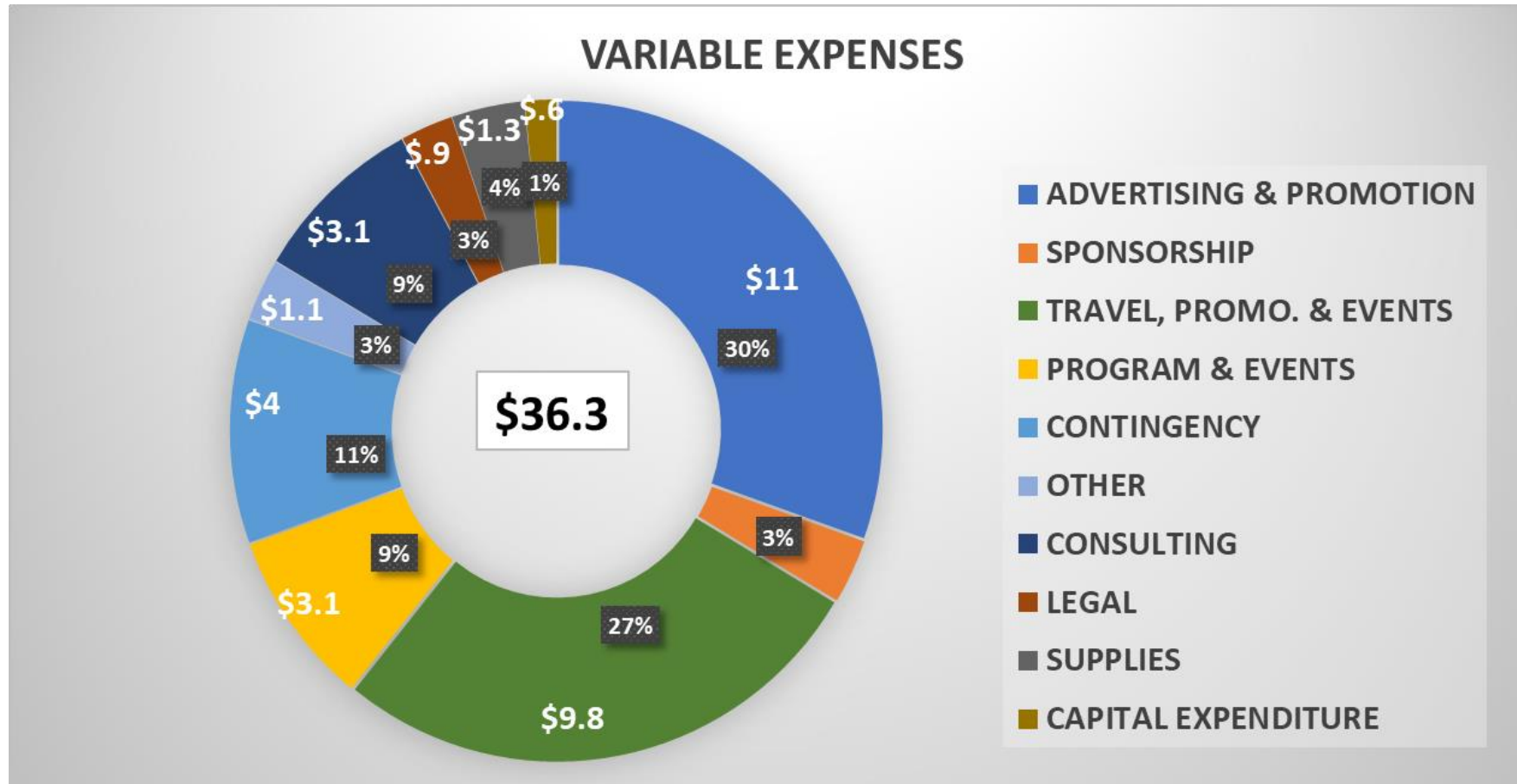


CONTRACT EXPENSES



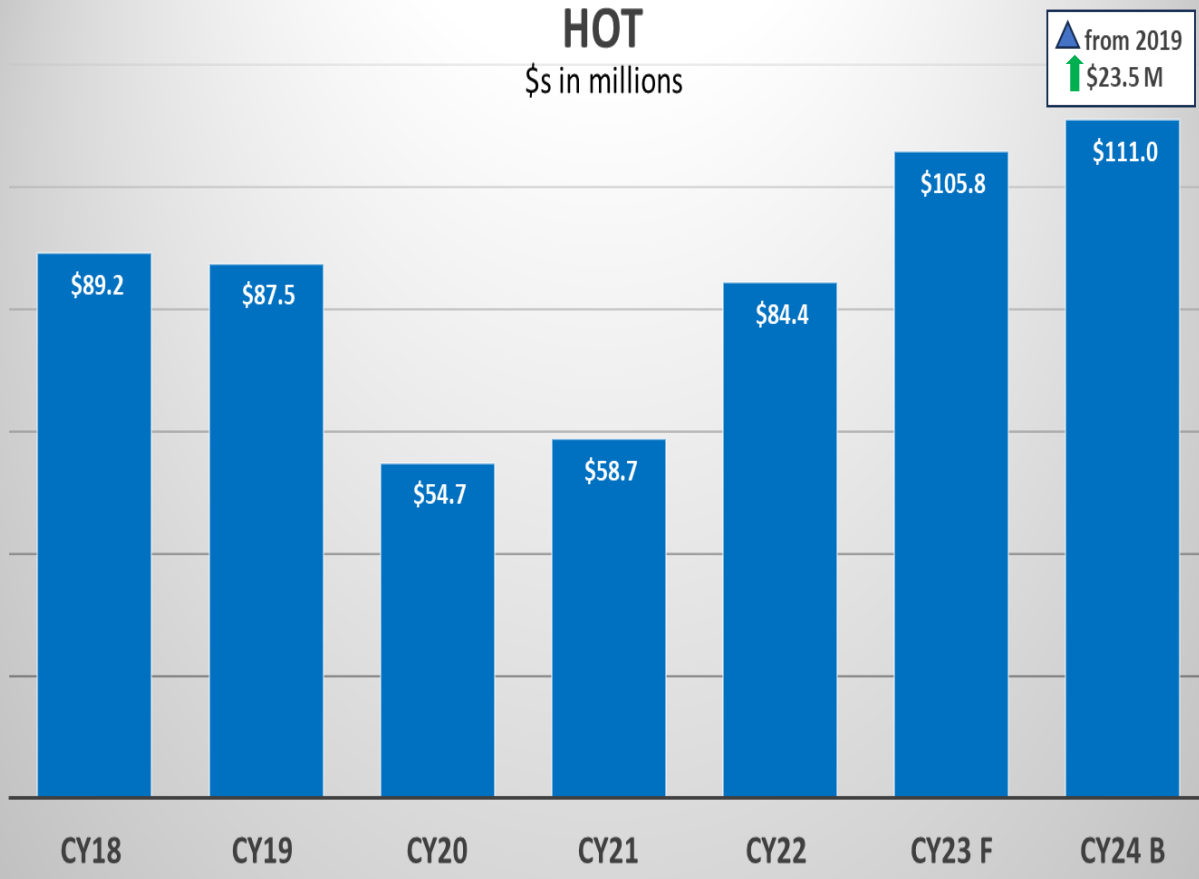
PROPOSED CY 2024 BUDGET HIGHLIGHTS

\$s in millions

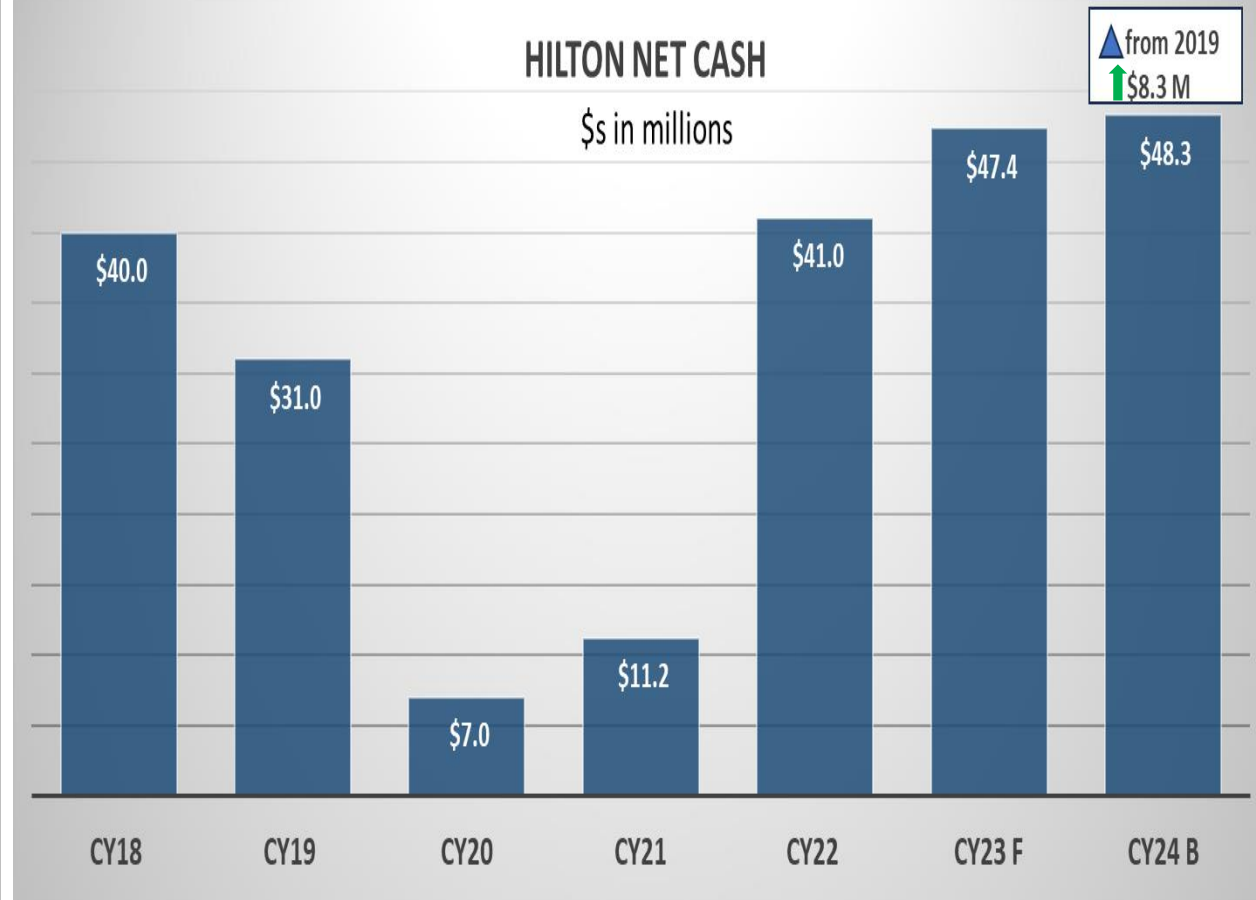


MAJOR REVENUE TRENDS

HOT
\$s in millions



HILTON NET CASH
\$s in millions

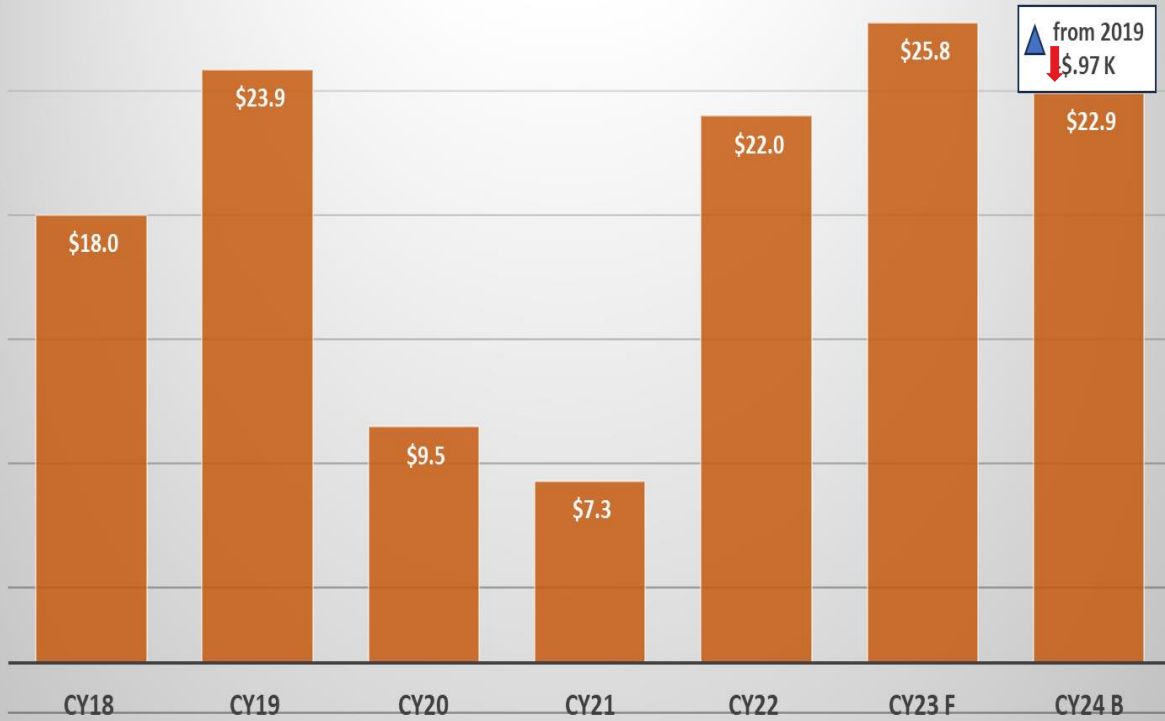


MAJOR REVENUE TRENDS

\$s in millions

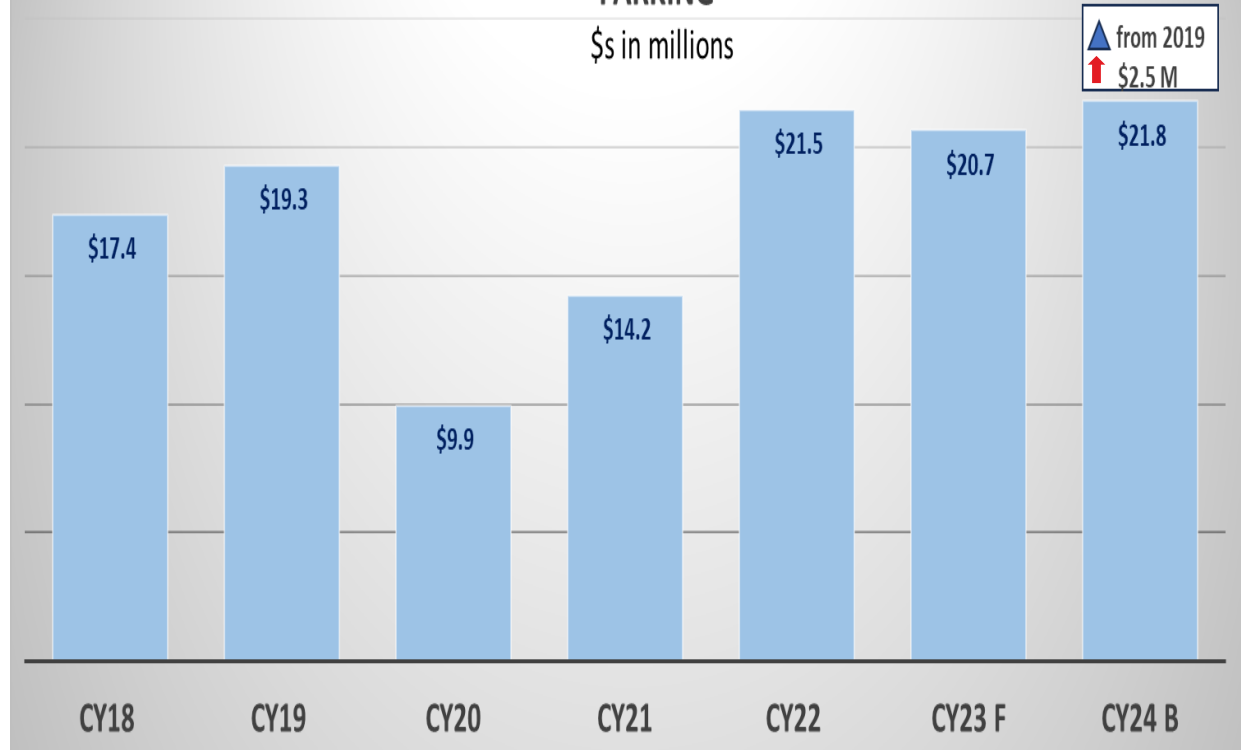
FOOD & BEVERAGE

\$s in millions



PARKING

\$s in millions

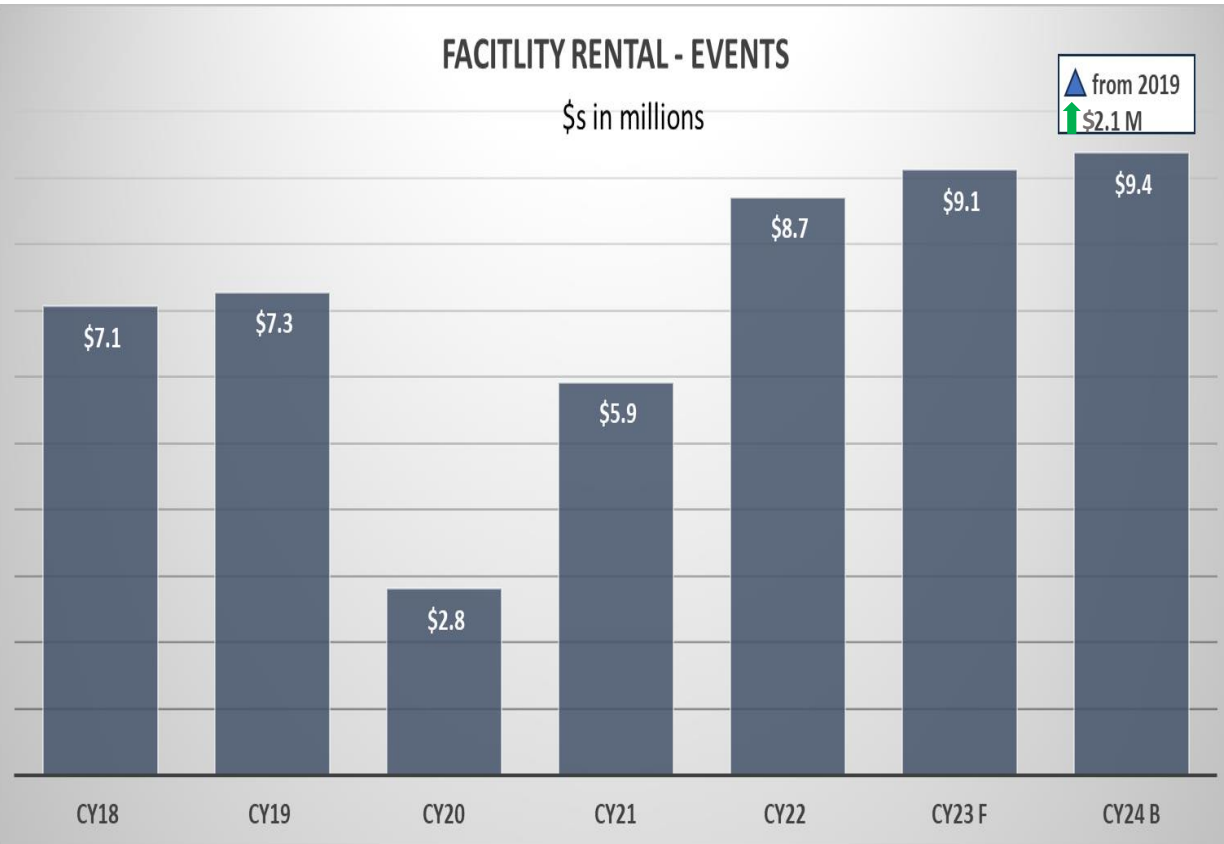


MAJOR REVENUE TRENDS

FACILITY RENTAL - EVENTS

\$s in millions

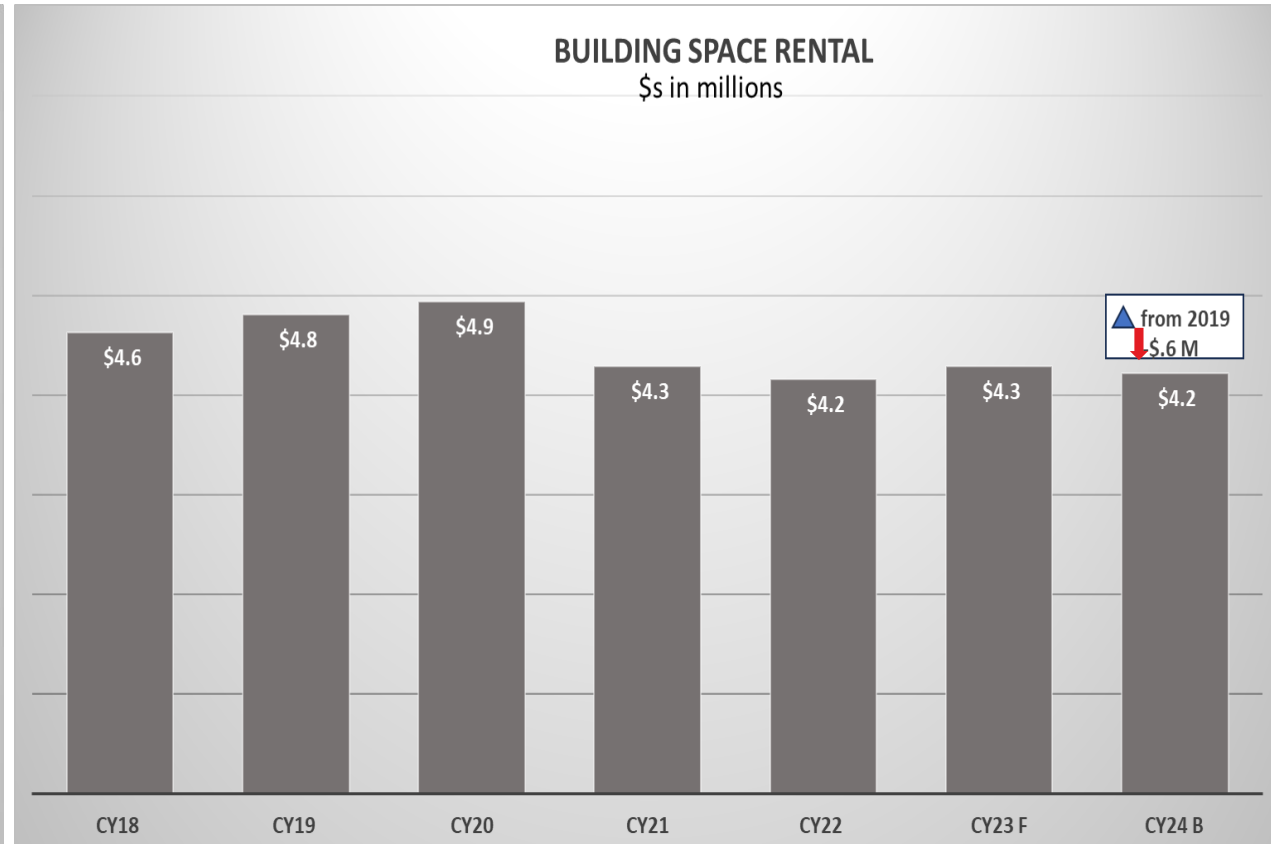
▲ from 2019
↑ \$2.1 M



BUILDING SPACE RENTAL

\$s in millions

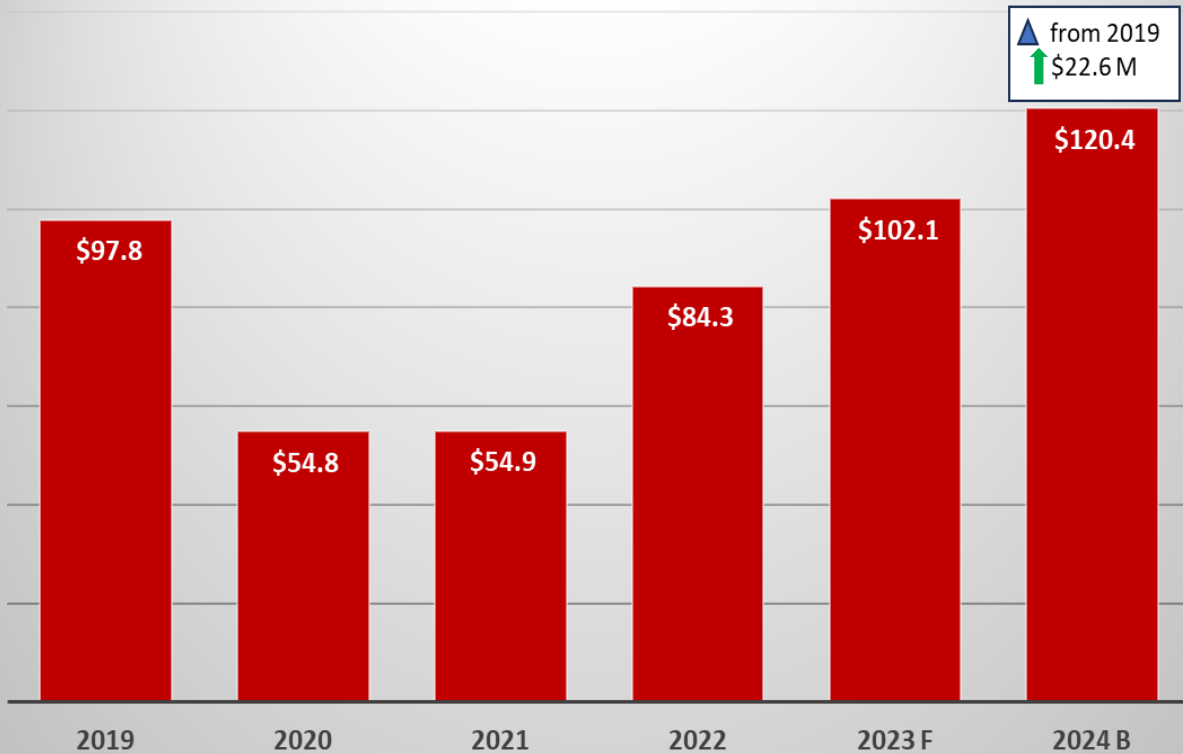
▲ from 2019
↓ \$0.6 M



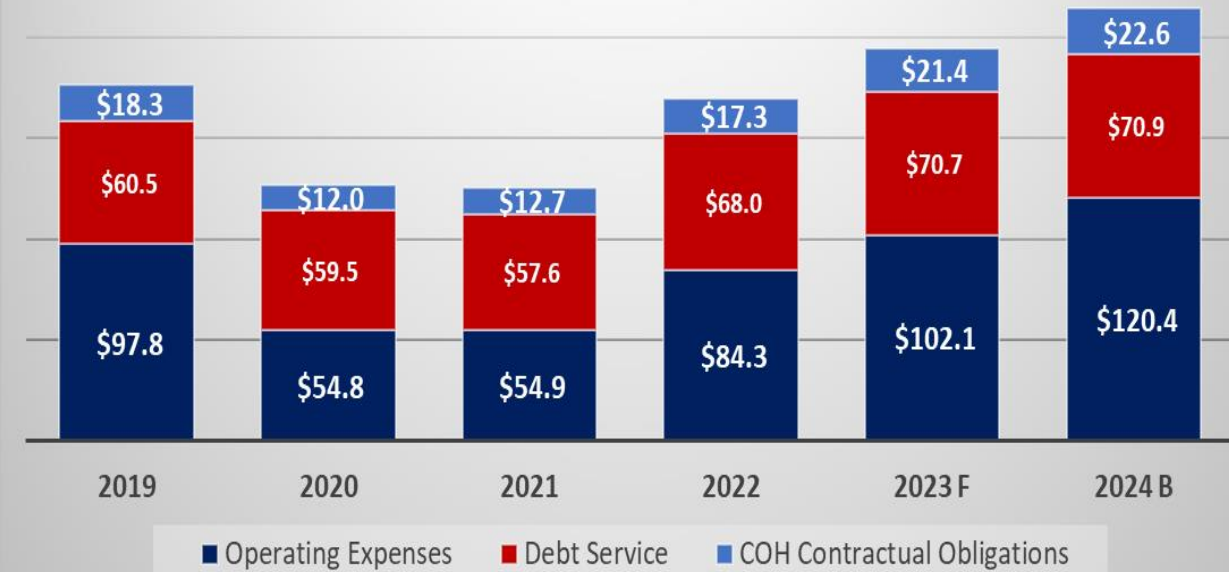
OPERATING EXPENSE TRENDS

\$s in millions

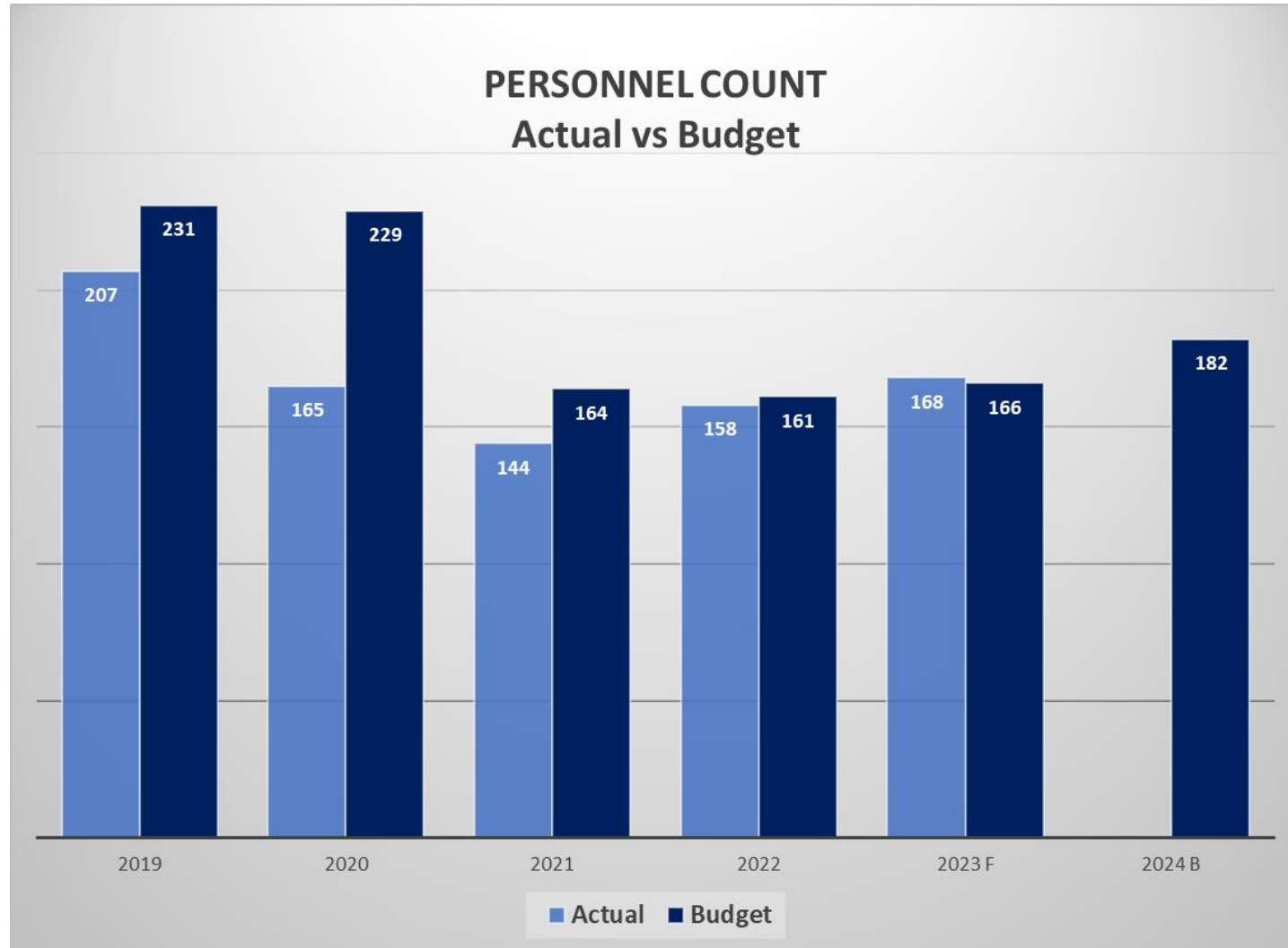
OPERATING EXPENSES



OPERATING & NON-OPERATING EXPENSES (EXCLUDES CAPITAL)



PROPOSED CY 2024 BUDGET HIGHLIGHTS

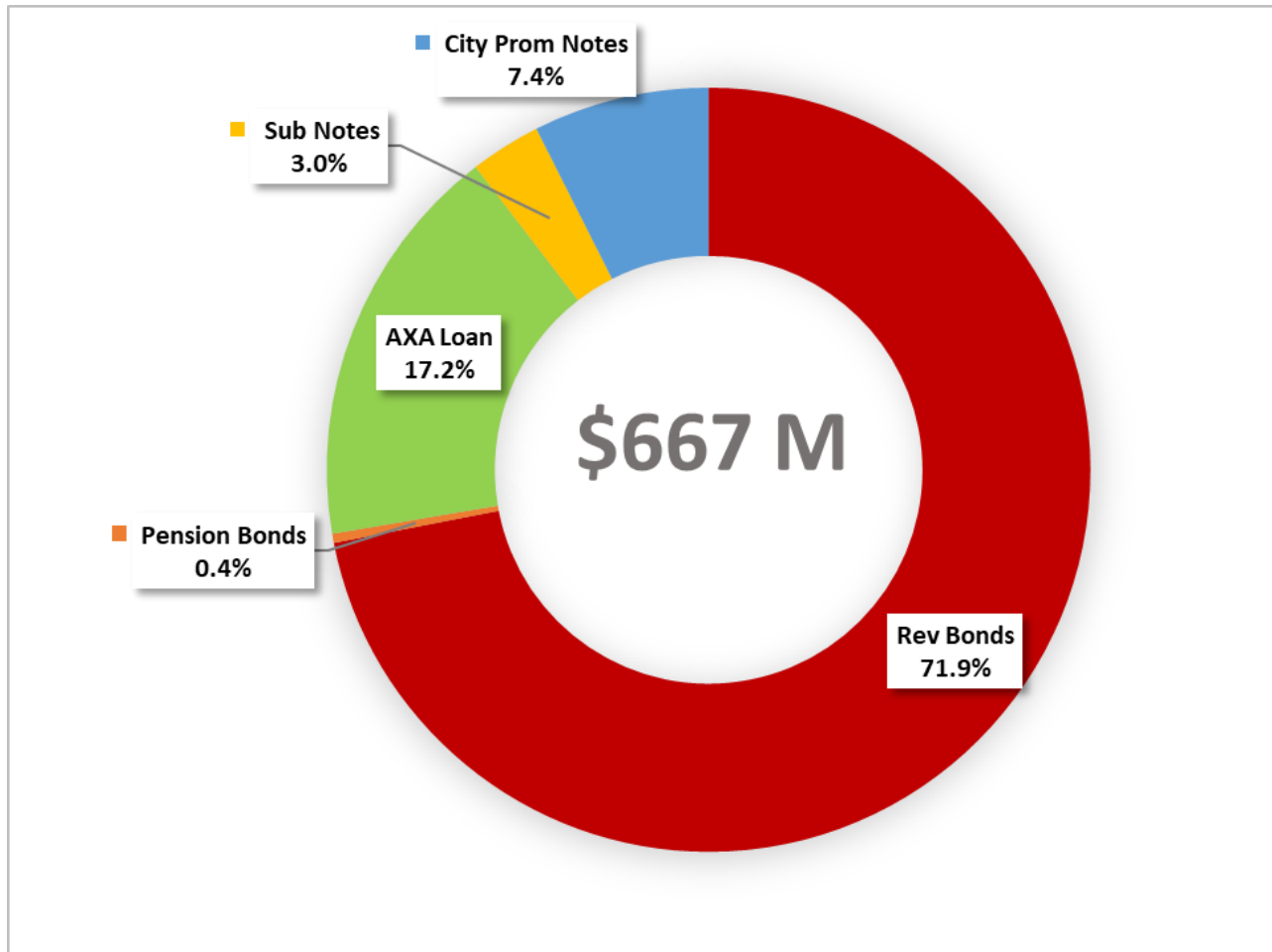


CONTRIBUTIONS TO COH & STAKEHOLDERS

Transfers to City	(\$ in 000s)
HAA (19.3% HOT)	\$20,844
Promotion	425
Protocol	470
Traffic Administration	242
Hobby Center HVAC	279
Annex Garage	325
Total	\$22,585

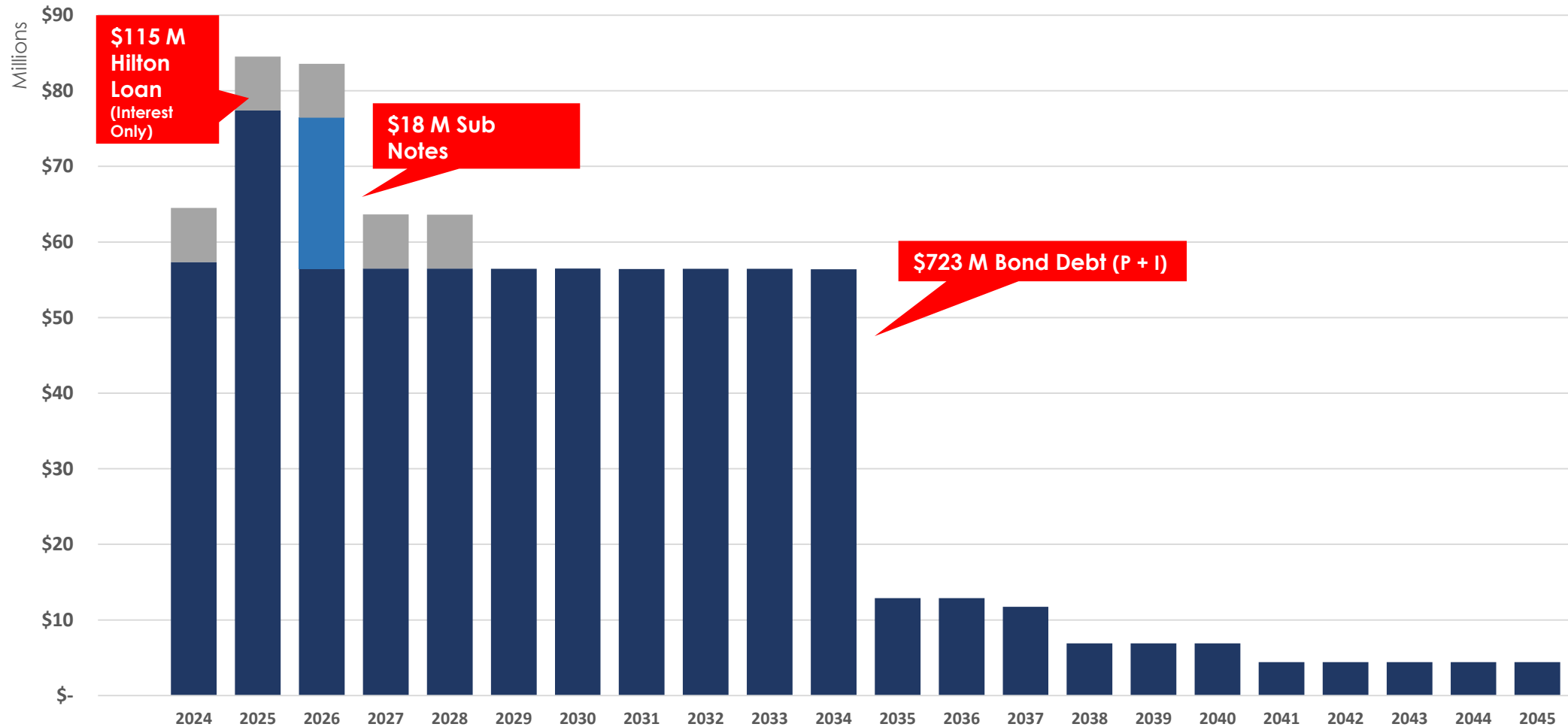
Transfers to Stakeholders	(\$ in 000s)
Discovery Green	\$1,372
Hobby Center	1,100
MATCH	450
Buffalo Bayou Partnership	570
Total	\$3,492

OUTSTANDING DEBT



Series	In 000's
2001B	\$ 209,859
2014	65,610
2015	98,760
2017	8,070
2019	70,740
2021	26,840
AXA Mortgage Loan	115,000
2019 5-year	1,100
2019 10-year	12,500
2021 10-year	20,000
2023 10-year Pension	16,080
2017 Sub. Lien Series A	20,000
2008A	2,380
2005	188
TOTAL:	\$ 667,128

ANNUAL C&E, HILTON AND HFC BOND DEBT SERVICE



PROPOSED CY 2024 BUDGET

OPERATING REVENUES AND EXPENSES

	CY22 Actuals	CY23 Orig Budget	CY23 Forecast	CY24 Budget	Variance h/(l) than CY23 Forecast
Venue Revenue	\$ 82,640,103	\$ 85,315,300	\$ 94,166,452	\$ 91,187,640	\$ (2,978,812)
Parking.	\$ 21,455,576	\$ 19,903,565	\$ 20,657,009	\$ 21,781,864	\$ 1,124,855
Miscellaneous	\$ 3,050,991	\$ 2,852,400	\$ 2,088,528	\$ 2,422,145	\$ 333,617
Operating Revenues	\$ 107,146,670	\$ 108,071,265	\$ 116,911,989	\$ 115,391,649	\$ (1,520,340)
Personnel	\$ 20,073,181	\$ 27,341,273	\$ 25,935,845	\$ 29,798,976	\$ 3,863,131
Advertising & Promotion	\$ 7,017,208	\$ 8,212,233	\$ 8,096,322	\$ 11,034,880	\$ 2,938,558
Travel, Promotion, and Events	\$ 4,760,636	\$ 3,457,040	\$ 4,684,024	\$ 9,850,577	\$ 5,166,553
Facility Maintenance	\$ 7,733,209	\$ 10,191,295	\$ 8,903,251	\$ 10,770,240	\$ 1,866,989
Food and Beverage	\$ 14,732,998	\$ 14,943,235	\$ 17,772,643	\$ 14,585,017	\$ (3,187,626)
Security	\$ 3,719,777	\$ 5,454,933	\$ 4,929,401	\$ 6,498,200	\$ 1,568,799
Utilities	\$ 5,415,341	\$ 5,767,522	\$ 5,915,035	\$ 7,406,685	\$ 1,491,650
Parking	\$ 2,127,272	\$ 2,424,329	\$ 2,460,642	\$ 3,246,426	\$ 785,784
Janitorial	\$ 5,733,903	\$ 6,534,287	\$ 6,797,957	\$ 6,710,543	\$ (87,414)
Insurance	\$ 5,395,159	\$ 6,411,273	\$ 7,722,873	\$ 9,888,272	\$ 2,165,399
Lease Expense	\$ 1,524,252	\$ 1,525,410	\$ 1,524,305	\$ 1,524,450	\$ 145
Consulting	\$ 2,040,926	\$ 2,943,600	\$ 2,502,085	\$ 3,140,450	\$ 638,365
Fees & Services	\$ 933,502	\$ 928,650	\$ 873,152	\$ 1,384,850	\$ 511,698
Computer Services	\$ 910,605	\$ 1,002,096	\$ 1,115,302	\$ 1,205,186	\$ 89,884
Legal Expense	\$ 545,416	\$ 830,000	\$ 951,231	\$ 950,000	\$ (1,231)
Other	\$ 1,001,367	\$ 947,482	\$ 835,740	\$ 1,106,054	\$ 270,314
Operating Expenses	\$ 84,339,609	\$ 100,007,442	\$ 102,060,811	\$ 120,419,586	\$ 18,358,775
Net Income From Operations	\$ 22,807,061	\$ 8,063,822	\$ 14,851,177	\$ (5,027,937)	\$ (19,879,115)

PROPOSED CY 2024 BUDGET

NON-OPERATING REVENUES AND EXPENSES

	CY22 Actuals	CY23 Orig Budget	CY23 Forecast	CY24 Budget	Variance h/(l) than CY23 Forecast
Hotel Occupancy Tax (Current & Delinquent)	\$ 84,367,831	\$ 99,000,000	\$ 105,752,649	\$ 111,000,000	\$ 5,247,351
Contributions	\$ 10,930,250	\$ -	\$ 20,000		\$ (20,000)
Net Available Pledged Rev. Transfer	\$ 1,118,028	\$ -	\$ 1,501,210	\$ 678,000	\$ (823,210)
Interest Income	\$ 718,601	\$ 515,969	\$ 1,565,237	\$ 2,146,200	\$ 580,963
Non-Operating Revenues	\$ 94,898,654	\$ 99,515,969	\$ 108,839,095	\$ 113,824,200	\$ 4,985,105
Sponsorship Expense	\$ 601,356	\$ 1,032,550	\$ 753,502	\$ 1,152,850	\$ 399,348
Non-COH Contractual Obligations	\$ 3,897,586	\$ 3,679,656	\$ 3,665,449	\$ 3,681,744	\$ 16,295
Programming & Events	\$ 1,838,968	\$ 2,985,000	\$ 2,285,176	\$ 3,150,000	\$ 864,824
Contingency	\$ -	\$ 4,000,000	\$ 2,000,000	\$ 4,000,000	\$ 2,000,000
Capital Spending	\$ 10,126,096	\$ 1,215,582	\$ 20,976,875	\$ 568,073	\$ (20,408,802)
Debt Service	\$ 67,952,796	\$ 70,879,200	\$ 70,695,368	\$ 70,885,128	\$ 189,760
COH Contractual Obligations	\$ 17,337,394	\$ 20,455,416	\$ 21,444,265	\$ 22,620,797	\$ 1,176,532
Hotel Tax Refunds	\$ 1,051,063	\$ 1,716,446	\$ 1,292,294	\$ 1,330,916	\$ 38,622
Non-Operating Expenses	\$ 102,805,259	\$ 105,963,850	\$ 123,112,928	\$ 107,389,508	\$ (15,723,421)
Total Revenue less Expenses	\$ 14,900,456	\$ 1,615,941	\$ 577,344	\$ 1,406,755	\$ 829,411
Capital - Prior Year Carry Forward		\$ 11,415,367	\$ -	\$ 5,028,512	\$ 5,028,512
Capital - Financed Projects	\$ 5,273,471	\$ 18,122,312	\$ 5,626,750	\$ 19,946,250	\$ 14,319,500
Disaster Expense	\$ 40,095	\$ -	\$ 147,334	\$ 178,600	\$ 31,266
Total Revenues	\$ 202,045,324	\$ 207,587,234	\$ 225,751,084	\$ 229,215,849	\$ 3,464,765
Total Expense	\$ 187,144,869	\$ 205,971,292	\$ 225,173,740	\$ 227,809,094	\$ 2,635,354
Net Profit (Loss)	\$ 14,900,456	\$ 1,615,941	\$ 577,344	\$ 1,406,755	\$ 829,411

PROPOSED CY 2024 BUDGET

MAJOR VARIANCES

REVENUE VARIANCES		
Hotel Occupancy Tax	+5.2 M	From \$105.7 M to \$111 M
Hilton Net Cash to HFC	+\$2 M	From \$46.3 M to \$48.3 M
Venue	-\$2.1 M	From \$22.1 M to \$20.0 M
Parking	+\$1.1 M	From \$20.7 M to \$21.8 M
Food & Drink Concession	-\$2.9 M	From \$25.8 M to \$22.9 M
EXPENSE VARIANCES		
Travel, Promo. & Events	+\$5.2 M	From \$4.7 M to \$9.8 M
Personnel	+\$3.8 M	From \$25.9 M to \$29.7 M
Advertising & Promotion	+\$2.9 M	From \$ 8.1 M to \$11 M
Facility Maintenance	+\$1.9 M	From \$ 8.9 M to \$10.8 M
Security	+\$1.5 M	From \$ 4.9 M to \$6.5 M

HoustonfirstSM

www.HoustonFirst.com