Houstonfirst

AGENDA

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE
September 21, 2021 – 8:30 A.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC BOARD ROOM

COMMITTEE MEMBERS:

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

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** – August 18, 2021

IV. **Committee Business**

A. Consideration and possible recommendation of the Houston First 2020 Annual Financial Audit.

B. Consideration and possible recommendation of an Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc.

C. Consideration and possible recommendation of actions necessary to effectuate the transfer of employees from Convention & Cultural Services, Inc. (CCSI) to Houston First Corporation effective January 1, 2022, including, but not limited to, (i) approval of a notice of termination of the existing Services Agreement between CCSI and Houston First; (ii) transfer of sponsorship to, and the assumption by, Houston First of each employee benefit plan, program, policy or arrangement sponsored by CCSI (other than the CCSI 401(k) Plan) as well as any trust agreements, insurance plans and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI, that are applicable to such transfer; and (iii) establishment of a deferred compensation 457(b) Plan for certain eligible employees as well as approving an agreement to administer the 457(b) Plan.

V. Presentations, Reports, and Updates

A. Five-Year Financial Forecast

VI. Adjourn

III. Minutes – August 18, 2021

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MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE
August 18, 2021 – 8:30 A.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC 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., posted a meeting at Partnership Tower, 701 Avenida de las Americas, Houston, Harris County, Texas 77010 on, Wednesday, August 18, 2021 commencing at 8:30 a.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 Committee Members were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice Chair), John Johnson, Ryan Martin, and David Mincberg.

The Chairman called the meeting to order at 8:32 a.m. and a quorum was established.

1. **Public Comments.** None.

2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of July 26, 2021 were approved as presented.

3. **Presentations and Reports.**

   A. 23rd World Petroleum Congress Update- Jeff Shellebarger, Chairman of the 23rd World Petroleum Congress (WPC) and Sallie Sargent, Chief Operating Officer, of WPC, gave an update on the status of the conference. Mr. Shellebarger stated that the organizing committee is in good shape despite the uncertainty surrounding COVID-19 and he thanked HFC for its generosity. He stated that the health and safety of all attendees is their highest priority as they continue to monitor the ongoing pandemic. WPC's financial position is stable due to a strong sponsorship position three years ago, he said. The organizing committee continues to work tirelessly to ensure the event is first class as well as building a strong brand around Houston. He further explained that the organizing committee is planning for 3,500 attendees, but will market for well above that number and hope to leverage the strong local audience of those who attended OTC. Additionally, WPC will showcase companies that produce alternative energy sources not seen in other parts of the world. Deliverables to HFC include repayment of a $4 million loan and capital cost in the amount of $92,000, repayment of pre-organization formation expenses and expenses under the HFC Services Agreement, as well a commitment to meet a 25% goal under the Supplier Diversity Program.

HFC President & CEO, Michael Heckman, stated that the WPC organizing committee is working closely with Roger Harris to track diversity spend. He also confirmed that HFC Board Member, Bobby Singh, is a part of the organizing committee and is closely monitoring diversity participation.

Mr. Shellebarger then presented the WPC budget in further detail.

There was further discussion among Committee Members regarding exhibition sales and registration. Sallie Sargent provided additional information on sales and ways to maximize the event footprint. Mr. Shellebarger also informed the Committee that WPC is prepared to adjust the conference by reducing the event from four days to three days and adding additional virtual components as necessary.

Jay Zeidman asked for additional information regarding the promotion of alternative energy. Mr. Shellebarger discussed the disconnect among countries surrounding carbon neutrality, energy demand, and the components needed to obtain certain environmental goals and why Houston would be a great place to showcase alternative technology.

Mr. Heckman thanked Mr. Shellebarger for his continued leadership and stated while the execution of WPC will not be what they had anticipated, the host committee has organized a great program and it is very important for Houston to host a global meeting.

The Committee Chair asked about possible scenarios for the event and stated what is most important to HFC is that the company not take a loss this year.

David Mincberg asked if management had further insight on hotel bookings, which they do not have at this time.

Mr. Shellebarger concluded the discussion by stating that the host committee remains optimistic that the event will be a great success because the demand for the global energy industry to come together remains.

B. Financial Report-Houston First Corporation Chief Financial Officer, Frank Wilson, discussed HFC's finances through June. He began his presentation with an update and stated that $4.2 million received by Convention & Cultural Services, Inc. from the Paycheck Protection Program has been forgiven. He also announced that HFC received a grant in the amount of $660,503 that will be used for capital projects in the Theater District. Additionally, he stated that the City of Houston bond refunding will result in $4.9 million in budget savings to HFC. Mr. Wilson informed the Committee that total revenues are $5.6 million below budget and expenses are $12.2 million below budget. Hotel occupancy taxes (HOT) are trending at $38.8 million through third quarter and will exceed budget due to leisure travel. Parking revenues are also exceeding budget due to increased activity in the convention district with events like Dr. Seuss, the UFC experience, Comicpalooza, and the Houston Astros home games.

Ryan Martin asked how management feels about the budget forecast through year-end. Mr. Wilson stated that any changes in budget are still dependent upon COVID-19. Mr. Heckman added that, while there has been an increase in activity in downtown Houston and arts groups will begin performing in September, a number of offices will not reopen to scale until 2022.

Cindy Decker stated that hotel occupancy in downtown Houston has been at 60% week-over-week so HOT collections will be near budget this year. She stated that business travel has increased slightly due to professionals in the finance, consulting, and IT industries. She further stated if hotel occupancy continues to improve, Houston could see record numbers in 2022.

Mr. Wilson continued with his financial report and discussed the financial highlights for the Hilton Americas-Houston Hotel that reflects continued improvement. He also stated that HFC hopes to finish the year with $31 million in reserves and does not anticipate that HFC will seek additional bank borrowing.

Alex Brennan-Martin asked when management might seek additional funding. Mr. Wilson stated that it is a possibility if there is a worsening Delta variant situation. He also explained that HFC is currently in the budget process and must assess how it will end the year.

Mr. Heckman stated that management will have more information in the coming month and be able to have a more strategic discussion.

John Johnson stated that management's ability to exceed budget revenues given the uncertainty surrounding COVID-19 shows great discipline and is commendable.

In conclusion, Mr. Wilson gave a brief preview of the HFC 2022 budget.

C. Staff Retention- Mr. Heckman stated that management is working to obtain data on market conditions and asked HFC Senior Vice President of Finance, Karen Williams, to give a brief update.

Ms. Williams explained that HFC has engaged Octagon Consulting to complete a market compensation survey with an equity analysis. She further explained that the firm will conduct a market study of all HFC positions compared to similarly situated businesses and conduct an analysis of pay equity based on ethnicity and gender. The firm will then make recommendations to management who will present the information to the HFC Board in six weeks.

5. **Adjournment**. The meeting was adjourned at 9:46 a.m.

IV. (A) Consideration and possible recommendation of the Houston First 2020 Annual Financial Audit.

Consideration and possible approval of the Houston First Corporation 2020 Annual Audit.

DESCRIPTION: Houston First Corporation (the "Corporation") entered into an External Audit Services Agreement with RSM US LLP to conduct the year-end audit of the Corporation's consolidated financials for the year ending December 31, 2020. Management now requests Board approval of the audit as presented.

Houston First Corporation

Report to the Board of Directors
September __, 2021

September __, 2021

Board of Directors
Houston First Corporation
Houston, Texas

Dear Members of the Board of Directors:

We are pleased to present this report related to our audit of the financial statements of Houston First Corporation (the Corporation) as of and for the year ended December 31, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and is not intended to be, and should not be, used by anyone other than this specified party. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Houston First Corporation.

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated March 15, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication, dated March 15, 2021, regarding the planned scope and timing of our audit and identified significant risks.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Following is a description of significant accounting policies or their application that were either initially selected or changed during the year: The Corporation early adopted Governmental Accounting Standards Board (GASB) Statement No. 87 for the year ended December 31, 2020. This new standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as revenues or expenses based on the payment provisions of the contract. As a result of the adoption of the pronouncement, the Corporation restated beginning net position in the amount of $14.9 million. The following are amounts reported as of December 31, 2020: As a lessee, the Corporation recorded an intangible right to use lease asset of $14.3 million with a related lease payable of $14.2 million. As a lessor, the Corporation recorded a lease receivable of $61.6 million offset by a deferred inflow of resources of $59.6 million. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Area	Comments
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of a significant written communication between our firm and management of the Corporation, the representation letter provided to us by management, is attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Corporation's December 31, 2021 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciable Life of Property and Equipment	The depreciable life of property and equipment is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including the estimated useful life and prior experience.	We concluded the estimates used by management are reasonable.
Leases	The policy requires recognition of certain assets and liabilities for leases that are considered long term and require a present value calculation using the incremental borrowing rate.	The calculation of the present value is made upon the execution of a lease agreement based on the rate of a recently executed financing agreement.	We concluded the estimates used by management are reasonable based on the present value calculations and related terms used.

Exhibit B—Significant Written Communication Between Management and Our Firm

Houston First Corporation

(A Component Unit of the City of Houston, Texas)

Financial Statements as of and for the
Year Ended December 31, 2020
and Independent Auditor's Report Thereon

Contents

Independent Auditor's Report

Board of Directors of
Houston First Corporation
Houston, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of Houston First Corporation (the Corporation), which comprise the Statement of Net Position as of December 31, 2020, and the related Statement of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, as listed on the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston First Corporation as of December 31, 2020 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 12, effective January 1, 2020, the Corporation adopted Statement No. 87 of the Governmental Accounting Standards Board, *Leases.* The implementation of Statement No. 87 restated beginning net position. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Antonio, Texas
September __, 2021

The following discussion of Houston First Corporation (the Corporation or HFC) should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. Historical results and trends that might appear should not be taken as indicative of future operations. The results of operations and financial condition of the Corporation, as reflected in the accompanying financial statements and related notes, are subject to management's evaluation and interpretation of business conditions, changing capital market conditions, and other factors that could affect the ongoing viability of the Corporation.

The Houston Convention Center Hotel Corporation (Hotel Corporation) was formed on behalf of the City of Houston, Texas (the City), in February 2000 pursuant to Chapter 431, Subchapter D, of the Texas Transportation Code, and Chapter 394 of the Texas Local Government Code. It was organized for the specific purpose of constructing, improving, enlarging, equipping, repairing, operating, and maintaining a convention center hotel (the Hotel) located near and connected to the George R. Brown Convention Center (the Convention Center). In this regard, the Hotel Corporation was responsible for overseeing the construction and development of the Hotel; a 1,600-space parking garage (the Parking Garage); and three skywalks connecting the Hotel, the Parking Garage, and the Convention Center (the Project). Construction was completed and the Project opened for business in December 2003 as the Hilton Americas–Houston (the Hilton). As of December 31, 2020, Hilton Management LLC managed the Hotel through a qualified management contract (the Management Agreement).

On June 1, 2011, the Houston City Council (the City Council) approved the consolidation of the City's Convention & Entertainment Facilities Department (the Department) into the Hotel Corporation (the Consolidation), effective July 1, 2011, in order to improve the coordination of the City's convention and entertainment services by bringing various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as the "Houston First Corporation," which assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. The Corporation has the authority to exercise all rights and privileges of a Texas nonprofit corporation and, as a governmental unit within the meaning of Chapter 101 of the Texas Civil Practice Remedies Code, its operations are governmental and not proprietary functions. The Corporation is governed by the board of directors appointed and approved by the Mayor and the City Council.

The City entered into a lease agreement and an interlocal agreement (the Consolidation Interlocal Agreement) with the Corporation, whereby the Corporation (a) leases all previously existing Department facilities and Department-managed facilities; (b) operates, manages, maintains, develops, and redevelops those existing facilities; (c) has been assigned and now administers all of the Department's obligations and responsibilities, as well as its revenue budgeted as part of the Department's budget, including, but not limited to, municipal HOT receipts, license fees, and concession revenues; and (d) as the City's agent, collects, administers, and audits HOT funds in accordance with terms of City ordinances. The Corporation also agreed to pay the City a one-time fee of $8,620,000 during the City's fiscal year ended June 30, 2012 from operating revenues of the Hotel. The Consolidation Interlocal Agreement's initial term expires on December 31, 2026, but will be extended automatically until June 30, 2041, unless canceled by either party on or before June 30, 2026.

On March 4, 2013, the Corporation formed Houston First Holdings, LLC, a wholly owned subsidiary of the Corporation, as a "special-purpose" entity for the purpose of owning, holding, selling, leasing, transferring, exchanging, operating, managing and otherwise dealing with the Hilton and its parking garage.

On June 18, 2014, the Corporation entered into a services agreement with the Greater Houston Convention and Visitors Bureau (the Bureau or GHCVB), which engaged the Corporation to provide marketing, advertising and promotional programs on behalf of the Bureau at a minimum of the same levels previously funded by the Corporation to the Bureau. The Bureau's employees have been added to the Corporation's existing personnel services contract effective July 1, 2014. The services agreement required the Corporation to amend its Certificate of Formation to increase the number of authorized board members from 11 to 13 to include 2 Bureau board members. The expenses incurred as a result of the services agreement are included in operating expenses as Visit Houston expenses.

On May 22, 2018, the City and the Corporation entered into the First Amendment to the lease agreement between the parties to amend and restate certain provisions pertaining to insurance, damage from casualty and City Council approvals, allocations and appropriations.

Overview of the Financial Statements

The Statement of Net Position presents information on all of the Corporation's assets, deferred outflows and inflows of resources and liabilities, with the difference reported as net position. Comparisons in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The Statement of Net Position can be found on page 10 of this report.

The Statement of Revenues, Expenses and Changes in Net Position report the Corporation's revenues, expenses, and resulting change in net position during the period reported, regardless of when cash is received or paid. Therefore, revenues and expenses are reported in the Statement of Revenues, Expenses and Changes in Net Position for some items that will affect cash flow in future fiscal years. The Statement of Revenues, Expenses and Changes in Net Position can be found on page 11 of this report.

The Statement of Cash Flows report how much cash was provided by, or used for, the Corporation's operations, financing and investing activities, and acquisition or retirement of capital assets. The Statement of Cash Flows can be found on pages 12-13 of this report.

The notes to the financial statements provide additional information that is essential for a complete understanding of the data in the financial statements described above. The notes to the financial statements can be found on pages 14-30 of this report.

Financial Highlights

COVID-19: On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. As a result of the pandemic and the various restrictions and guidelines related to controlling its spread, most event organizers and arts groups cancelled or postponed revenue-producing events and productions in the Corporation managed facilities for the remaining year. In addition, most business travel ceased for the remainder of the year. Most Houston businesses required employees to work from home. These conditions resulted in a significant reduction in planned revenues.

In response to the reduction in all of the major sources of revenue and the significantly reduced use of the managed facilities, the Corporation's Board of Directors adopted an emergency budget for the remainder of the calendar year. The reduced expenditure budget recognized a period of limited activity in all facilities managed by the Corporation. Personnel expenditure reductions were implemented and included both layoffs and furloughs, as well as salary reductions of remaining personnel.

The City, as the primary government of the Corporation, provided $15 million in financial assistance, as well as a commitment for a $20 million loan at rates more favorable than the Subordinated Note program.

The measures noted above, combined with existing reserves ensured the corporation had adequate funds to service debt and maintain the facilities.

Implementation of Governmental Accounting Standards Board (GASB) Statement No. 87: The Corporation implemented GASB 87 effective January 1, 2020; this had a major impact on the Corporation's assets, liabilities, deferred inflow of resources and net position. GASB 87 requires the net present value of the payment stream associated with the right to use an asset be included in the Statement of Net Position, whether as lessee or lessor. As a result of the implementation, the Statement of Net Position includes the following balances at December 31, 2020:

Current assets:	
Lease receivable	$1,883,567
Noncurrent assets:	
Lease receivable	$59,709,918
Right to use lease asset	14,260,245
Current liabilities:	
Current portion of the lease payable	2,212,206
Noncurrent liabilities:	
Lease payable	12,016,802
DEFERRED INFLOW OF RESOURCES:	
Deferred amounts from leases	59,551,231

In addition, GASB 87 required net position as of December 31, 2019 to be restated as follows:

Net position, as previously stated	$162,680,811
Effect of GASB Statement No. 87	(14,884,478)
Unrestricted net position, as restated	$147,796,333

CONDENSED STATEMENT OF NET POSITION INFORMATION
DECEMBER 31, 2020, AND 2019

	2020 (Restated)	2019
Current assets	$ 74,731,598	$ 141,874,193
Noncurrent assets	158,284,733	96,009,189
Capital assets	488,250,559	483,451,673
Total assets	$ 721,266,890	$ 721,335,055
Deferred outflow of resources	$ 4,093,272	$ 4,408,659
Current liabilities	$ 89,944,594	$ 124,848,281
Long-term liabilities	449,357,468	438,214,622
Total liabilities	$ 539,302,062	$ 563,062,903
Deferred inflow of resources	$ 59,551,231	$ -
Net investment in capital assets	$ 162,707,461	$ 140,129,459
Restricted for debt service	6,230,832	3,943,537
Restricted—other	-	217,627
Unrestricted	(42,431,424)	18,390,188
Net position	$ 126,506,869	$ 162,680,811

Net Position: The Corporation's net position decreased $36,173,942 to $126,506,869 at December 31, 2020, from $162,680,811 at December 31, 2019, representing a 22.24% decrease. Of this decrease, $23,760,841 is attributable to a decrease in liabilities offset by an increase in deferred inflow of resources of $59,551,231, as described below. In addition, implementation of GASB Statement No. 87 caused a $14,884,478 restatement in beginning net position.

Total assets decreased $68,164 to $721,266,890 at December 31, 2020, from $721,335,055 at December 31, 2019. This decrease was primarily the result of a decrease in cash and cash equivalents, accounts receivable, net and short-term equity in pooled investments in current assets of $62,321,643, caused by loss of revenues from the effects of the COVID-19 pandemic on the hospitality and convention industry. This was offset by an increase in lease receivable in noncurrent assets of $59,709,918 as a result of the implementation of GASB Statement No. 87, and an increase in property, plant and equipment, net as described below.

Total liabilities decreased $23,760,841 to $539,302,062 in 2020, from $563,062,903 in 2019. The majority of the change was attributable to a decrease in current portion of notes payable of $25,391,818 as described below.

Deferred inflow of resources increased to $59,551,231 in 2020, due to the implementation of GASB Statement No. 87.

Property, Plant and Equipment

Property, plant and equipment, net increased by $4,798,886 to $488,250,559 in 2020 from $483,451,673 in 2019. This increase was caused by acquisitions of $25,783,358, offset by depreciation expense of $20,984,472. Acquisitions were the result of continuing work on Hilton room refresh project and restoration work from Hurricane Harvey.

Debt Payment and Issuance

The Corporation made required principal payments totaling $11,300,000 and $10,920,000 in 2020 and 2019, respectively. In addition, in January 2020 the Corporation made additional principal payments totaling $32,000,000 on the 2017 Subordinate Lien Flexible Rate Notes, Series A.

In March 2020, the Corporation drew $20,000,000 on the 2017 Subordinate Lien Flexible Rate Notes, Series A. In July, the Corporation drew $1,000,000 on the 2019 Subordinate Lien Flexible Rate Notes, Series B. As of December 31, 2020, the Corporation had $55,000,000 available on the 2017 Subordinate Lien Flexible Rate Notes, Series A and $49,000,000 available on the 2019 Subordinate Lien Flexible Rate Notes, Series B.

The total notes payable balance includes the Corporation's allocable portion of the unamortized bond premiums, net of discounts, which totaled $26,064,615 and $29,693,354 at December 31, 2020 and 2019, respectively.

The Corporation funds 1/12th of the annual debt service payment each month so that, on September 1 of each year, the full amount will be available for payment. These funds, along with the required reserve funds are held by the City. Funds held by the City, listed as equity in pooled investments—restricted, are invested in the City's general investment pool. The amount of the investments held by the City was $23,932,368 and $22,946,278 at December 31, 2020 and 2019, respectively.

CONDENSED STATEMENTS OF CHANGES IN NET POSITION INFORMATION
DECEMBER 31, 2020 AND 2019

	2020 (Restated)	2019
OPERATING REVENUES:		
Hotel revenues	$ 27,677,033	$ 91,626,259
Venue revenues	19,683,056	24,674,003
Parking revenues	5,622,653	14,042,926
Other operating revenues	8,787,211	4,182,050
Total operating revenues	61,769,953	134,525,238
OPERATING EXPENSES:		
Hotel expenses	12,953,739	41,264,764
Venue expenses	26,863,305	31,363,911
Parking expenses	6,283,032	9,791,712
Visit Houston expenses	10,717,269	23,867,221
General and administrative	30,896,772	40,320,876
Enterprise development	2,644,797	4,375,535
Hurricane Harvey costs	345,289	294,706
Depreciation and amortization	20,984,471	17,715,532
Total operating expenses	111,688,674	168,994,257
OPERATING LOSS	(49,918,721)	(34,469,019)
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental revenue from primary government	60,712,154	154,617,775
Interlocal agreement expenses - primary government (sponsorship)	(3,233,955)	(5,789,215)
Interlocal agreement expenses - primary government	(10,972,376)	(18,328,517)
Interest expense	(16,369,249)	(19,126,549)
Interest income	1,562,180	2,119,022
Loss on capital assets disposal	(3,069,497)	3,857
Total nonoperating revenues	28,629,257	113,496,373
CHANGE IN NET POSITION	(21,289,464)	79,027,354
NET POSITION—Beginning of year,	147,796,333	83,653,457
NET POSITION—End of year	$ 126,506,869	$ 162,680,811

Operating Revenues

Total operating revenues for 2020 and 2019 were $61,769,953 and $134,525,238, respectively, which represents a 54.08% decrease of $72,755,285. The majority of the decrease in operating revenues for 2020 was attributable to the impact of the COVID-19 pandemic on the hospitality and convention industries.

Operating Expenses

Total operating expenses decreased $57,305,583 to $111,688,674 in 2020, from $168,994,257 in 2019. As discussed above, the decrease was due to the reduced use of the managed facilities and HFC's efforts to manage the effects of COVID-19 on the financial condition of the organization.

The Corporation's operating loss, which includes the noncash charge of depreciation, totaled $49,918,721 and $34,469,019, in 2020 and 2019, respectively.

Nonoperating Revenues (Expenses)

Intergovernmental revenue from Primary Government

In the Consolidation Interlocal Agreement, the City assigned to the Corporation the net available pledged revenues to fund operating expenses, capital expenditures, and for any other lawful purpose. The intergovernmental revenue represents the HOT and pledged parking revenues remaining after debt service and other debt-related expenses, and the revenue of other remaining Department fund balances.

In 2020, the intergovernmental revenue from Primary Government decreased $93,905,620 to $60,712,154 from $154,617,775 in 2019. This decrease was due to the combination of a reduction of HOT and pledged parking revenues caused by the pandemic combined with a reduction of other reimbursements from Primary Government for Hurricane Harvey related costs.

Interlocal Agreement Expenses to Primary Government

In the Consolidation Interlocal Agreement, the Corporation agreed to make certain payments to the City for obligations previously paid directly by the Department. At December 31, 2020, and 2019, these payments totaled $10,972,376, and $18,328,517, respectively. As the largest of these payments is based on HOT revenues, the majority of the decrease of $7,356,141 was directly related to the corresponding reduction in HOT revenues.

Interest Expense

Interest expense decreased $2,757,300 in 2020 to $16,369,249 in 2020 from $19,126,549 in 2019. The decrease was primarily due to the cost of issuance from new debt offerings in 2019.

Economic Factors and Next Year's Budget

The wide availability of vaccines has loosened the impact of COVID-19 to revenues in 2021 with several larger events being held in the summer of 2021, and leisure travel returning. Many Houston businesses have employees returning to work, some on a more hybrid model. However, COVID-19 variants are causing cancelations and postponement of large events. COVID-19 continues to impact the hospitality and convention industries into 2021 and, to a lesser extent, is expected to continue into 2022.

HFC has managed expenses in 2021, but will draw on the City's $20 million commitment, as well as draw on the available Subordinated Note program. Analysis of previous economic downturns reveals a three to four year time span for revenues to return to pre-downturn. As economic recovery continues, Management intends to monitor changes in economic conditions closely with a more fluid budget to accommodate changing conditions. However, the availability of the Subordinated Note Program will allow HFC to meet its debt obligations and operating expenses through 2023, when HFC expects to return to a balanced budget.

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)
STATEMENT OF NET POSITION
December 31, 2020

		2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	15,730,570
Accounts receivable, net		8,138,203
Notes receivable-current		250,000
Prepaid expenses and other current assets		6,175,056
Deposits held by others-current		3,044,919
Lease receivable		1,883,567
Short-term equity in pooled investments		39,509,283
Total current assets		74,731,598
NON-CURRENT ASSETS:		
Notes receivable		60,382,202
Equity in pooled investments-Restricted		23,932,368
Property, plant and equipment—net		488,250,559
Lease receivable		59,709,918
Right to use lease asset		14,260,245
Total non-current assets		646,535,292
Total assets		721,266,890
DEFERRED OUTFLOW OF RESOURCES:		
Deferred amounts from refunding of debt		4,093,272
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$	11,861,864
Accrued interest		4,810,743
Accrued expenses		5,041,136
Due to City of Houston		44,939,298
Subordinated management fee		773,711
Current portion of note payable		19,968,601
Current portion lease payable		2,212,206
Current portion of unearned revenue		337,035
Total current liabilities		89,944,594
LONG-TERM LIABILITIES:		
Notes payable		430,291,014
Unearned revenue		7,049,652
Lease payable		12,016,802
Total long-term liabilities		449,357,468
Total liabilities		539,302,062
DEFERRED INFLOW OF RESOURCES:		
Deferred amounts from lease		59,551,231
Total liabilities and deferred inflows of resources		598,853,293
NET POSITION		
Net investment in capital assets		162,707,462
Restricted for debt service		6,230,832
Unrestricted		(42,431,424)
Total net position	$	126,506,869

See notes to the financial statements.

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

	2020
OPERATING REVENUES:	
Hotel revenues	$ 27,677,033
Venue revenues	19,683,056
Parking revenues	5,622,653
Other operating revenues	8,787,211
Total operating revenues	61,769,953
OPERATING EXPENSES:	
Hotel expenses	12,953,739
Venue expenses	26,863,305
Parking expenses	6,283,032
Visit Houston expenses	10,717,269
General and administrative expenses	30,896,772
Enterprise development expenses	2,644,797
Hurricane Harvey costs	345,289
Depreciation and amortization	20,984,471
Total operating costs and expenses	111,688,674
OPERATING LOSS	(49,918,721)
NONOPERATING REVENUES (EXPENSES):	
Intergovernmental revenue from primary government	60,712,154
Interlocal agreement expenses—primary government (sponsorship)	(3,233,955)
Interlocal agreement expenses—primary government	(10,972,376)
Interest expense	(16,369,249)
Interest income	1,562,180
Loss on capital assets disposal	(3,069,497)
Total nonoperating revenues	28,629,257
DECREASE IN NET POSITION	(21,289,464)
NET POSITION—Beginning of year, as restated (Note 12)	147,796,333
NET POSITION—End of year	$ 126,506,869

See notes to the financial statements.

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020 AND 2019

	2020
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 65,043,897
Cash payments to suppliers for goods and services	(73,293,052)
Cash payments for personnel services contract	(33,230,615)
Cash from intergovermental payments from primary government	69,618,346
Cash payments for Interlocal agreement to the primary government	(10,972,376)
Cash payments for interlocal agreement to the primary government-sponsorships	(3,233,956)
Cash payments for Hurricane Harvey costs	(345,289)
Net cash provided by operating activities	13,586,955
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for interest	(2,624,933)
Net cash used in noncapital financing activities	(2,624,933)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for interest	(16,852,325)
Principal payment on notes payable	(43,300,000)
Proceeds from debt financing	21,000,000
Payment for deposits held by others	5,651,196
Acquisition of property, plant, and equipment	(36,885,868)
Net cash used in capital and related financing activities	(70,386,997)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	1,562,180
Purchase of investments	(34,993,678)
Proceeds from sales and maturities of investments	43,327,138
Net cash provided by investing activities	9,895,640
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,529,335)
CASH AND CASH EQUIVALENTS—Beginning of year	65,259,905
CASH AND CASH EQUIVALENTS—End of year	$ 15,730,570

(Continued)

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)
STATEMENTS OF CASH FLOWS—CONTINUED
YEAR ENDED DECEMBER 31, 2020

	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (49,918,721)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	20,984,471
Intergovernmental payments from the primary government	60,712,154
Interlocal agreement payments to the primary government	(13,362,249)
Interlocal agreement payments to the primary government (sponsorship)	(3,233,956)
Decrease in accounts receivable—net	3,690,387
Decrease in prepaid expenses and other assets	835,696
Increase in other assets	(2,203,769)
Decrease in accounts payable	(10,280,329)
Decrease in accrued expenses	(4,516,352)
Increase in due to primary government	11,296,065
Decrease in deferred revenue	(416,442)
	63,505,676
Net cash provided by operating activities	$ 13,586,955
NONCASH TRANSACTIONS:	
Fair market value adjustment related to investments	$ (114,642)

See notes to the financial statements.

Houston First Corporation
(A Component Unit of the City of Houston, Texas)

Note to Financial Statements

Note 1. Organization

Houston First Corporation (the Corporation or HFC) [formerly, Houston Convention Center Hotel Corporation (the Hotel Corporation)], a component unit of the City of Houston, Texas (the City), was formed on February 18, 2000, under the provisions of Chapter 431, Subchapter D of the Texas Transportation Corporation Act, and Chapter 394, Vernon's Texas Codes Annotated, Local Government Code. The purpose of the Hotel Corporation was to aid and act on behalf of the City in establishing, constructing, improving, enlarging, equipping, repairing, operating or maintaining (any or all) a 1,200-room convention center hotel in downtown Houston [such hotel to be within 1,000 feet of the George R. Brown Convention Center (the Convention Center)] (the Hotel) and a parking garage (the Parking Garage) for approximately 1,600 vehicles adjacent to the Hotel. The Hotel was completed in 2003 and opened on December 4, 2003.

On June 1, 2011, City's city council (the City Council) approved the consolidation of the City's Convention & Entertainment Facilities Department (the Department) into the Hotel Corporation (the Consolidation), effective July 1, 2011, in order to improve the coordination of the City's convention and entertainment services by bringing various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation," and Houston First Corporation assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. The Corporation has the authority to exercise all rights and privileges of a Texas nonprofit corporation and, as a governmental unit within the meaning of Chapter 101 of the Texas Civil Practice Remedies Code, its operations are governmental and not proprietary functions. The Corporation is governed by the board of directors appointed and approved by the mayor and City Council.

The Corporation (a) leases all previously existing Department facilities and Department-managed facilities; (b) operates, manages, maintains, develops and redevelops those existing facilities; (c) has been assigned and now administers all of the Department's obligations and responsibilities, as well as its revenue budgeted as part of the Department's budget, including, but not limited to, municipal HOT receipts, license fees and concession revenues; and (d) as the City's agent, collects, administers and audits HOT funds in accordance with terms of City ordinances. The Corporation currently has no employees but has entered into personnel services contracts to provide the personnel and expertise required to operate its facilities. The City has entered into an interlocal agreement with the Corporation (the Consolidation Interlocal Agreement), whereby the Corporation will pay $1,380,000 for each agreement year to lease all existing Department facilities and Department-managed facilities; provided, that, on each adjustment date, the rent described in this clause shall be adjusted to an amount equal to the lesser of (1) 105% of the rent in effect for the agreement year immediately preceding the adjustment date and (2) the product of the rent of effect for the agreement year immediately preceding the adjustment date multiplied by the adjustment factor. The Consolidation Interlocal Agreement's initial term expires on December 31, 2026, but will be extended automatically until June 30, 2041, unless canceled by either party on or before June 30, 2026.

The Corporation is presented as a discretely presented component unit of the City (legally separate from the City). Board members are appointed by the mayor of the City and confirmed by the City Council.

Note 1. Organization (Continued)

On March 4, 2013, the Corporation formed Houston First Holdings, LLC (HFH), a wholly owned subsidiary of the Corporation, as a "special-purpose" entity for the purpose of owning, holding, selling, leasing, transferring, exchanging, operating, managing and otherwise dealing with the property known as the Hilton Americas–Houston and its parking garage. The subsidiary is included in the financial statements of the Corporation as a blended component unit; accordingly, all intercompany accounts and transactions are eliminated.

On June 18, 2014, the Corporation entered into a Services Agreement with the Greater Houston Convention and Visitors Bureau (the Bureau), which engaged the Corporation to provide advertising and promotional programs on behalf of the Bureau at a minimum of the same levels as previously funded by the Corporation to the Bureau. The Bureau's employees have been added to the Corporation's existing personnel services contracts effective July 1, 2014. The Services Agreement required the Corporation to amend the Certificate of Formation to increase the number of authorized board members from 11 to 13. The expenses incurred as a result of the Services Agreement are included in operating expenses as Visit Houston expenses.

On May 22, 2018, the City and the Corporation entered into the First Amendment to the lease agreement between the parties to amendment and restate certain provisions pertaining to insurance, damage from casualty and City Council approvals, allocations and appropriations.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting—The financial statements of the Corporation have been prepared on the accrual basis of accounting, a flow of economic resources measurement focus. Under the measurement focus, resources are recognized in the period earned, and expenses are recognized in the period incurred.

The Corporation defines operating revenues and expenses consistent with the precepts of Statement of Government Accounting Standards No. 9. Generally, receipts collected or due from customers for providing services are considered operating revenues. The payments or amounts due to provide these services are considered operating expenses. All other receipts and payments are considered nonoperating. The significant accounting policies are described below.

Cash and Cash Equivalents—The Corporation defines cash and cash equivalents as cash and investments that are highly liquid, with less than three-month maturities when purchased.

Accounts Receivable—Accounts receivable are stated at the historical carrying amount net of an allowance for uncollectible accounts. An allowance for uncollectible accounts receivable has been established based on historical experience and any specific customer collection issues that have been identified. Uncollectible accounts receivable is written off when a settlement is reached for an amount that is less than the outstanding historical balance or when management has determined that the balance will not be collected. The allowance for doubtful accounts totaled $2,705,000 as of December 31, 2020.

Prepaid Expenses—Prepaid expenses include prepaid insurance, interest, and other miscellaneous prepaid expenses. Prepaid insurance is expensed on a straight-line basis over the period of the coverage.

Note 2. Summary of Significant Accounting Policies (Continued)

Other Assets—Other assets consist of the unamortized balance of prepaid rent that was paid by the Corporation to the City under the Consolidation Interlocal Agreement and the unamortized balance of rent concessions (see Note 9).

Investments—The Corporation participates in a City investment pool managed internally by City personnel. The Corporation also invest in the Texas Short-Term Asset Reserve Program (TexSTAR). TexSTAR was created in April 2003, under the Interlocal Cooperation Act of the State of Texas Article 4413 (32C), Vernon's Texas Civil Statutes, as amended. It is administered by First Southwest Asset Management, Inc., and JPMorgan Chase. The City's investment funds are administered using a pooling concept, which combines the monies of various City departments for investment purposes (the City's Investment Pools). The Corporation's pro rata share of participation in the City's Investment Pools is displayed in the statements of net position as "Equity in pooled investments" held by the City in accordance with the Governmental Accounting Standard Board (GASB) statement *Accounting Standards Codification on Accounting and Financial Reporting for Certain Investments for External Investment Pools* and are carried at fair value. The fair value adjustment is included as part of interest income. The Corporation is apportioned interest earnings from the City's investment pools based upon the Corporation's relative pro rata share of the applicable investment pool. All of the Corporation's funds in the City's investment pools are restricted for debt service and the TexSTAR investments are unrestricted.

Property, Plant and Equipment—Property, plant and equipment are recorded at original cost for items purchased. Capital assets are defined as assets with an initial cost of $1,000 or more for Hotel operation and $5,000 or more for others and an estimated useful life in excess of one fiscal year. Ordinary maintenance and repairs are charged to expense when incurred. Expenses related to the development of real estate are carried at cost, plus capitalized carrying charges.

Management reviews its long-lived assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future undiscounted cash flows (without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. The loss of capital assets recognized by the Corporation during the year ended December 31, 2020 totaled $3,069,000.

Depreciation—Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets, ranging from three to 40 years.

Capitalized Interest—The Corporation follows GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* and no longer capitalizes interest on construction projects.

Debt Issuance Costs/Notes Payable—Premiums and discounts included in notes payable are amortized as a component of interest expense over the applicable term using the effective interest method. Debt issuance costs are expensed when incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

Unearned Revenue—A parcel of land was conveyed to the Corporation by the City for the construction of the Hilton Parking Garage (the Parking Garage), which is attached to the Hotel. The cost of the land was included as unearned revenue at the City's recorded acquisition value of $3,144,362 at the date of transfer. In addition, the City made a grant to the Corporation in the amount of $10 million, which provides the City the right to use up to one-half of the spaces available in the Parking Garage and to share in the net income of the parking proceeds in perpetuity. This right was transferred to the Corporation upon formation.

The Corporation recognizes the unearned revenue as garage revenue ratably over the estimated 39-year useful life of the Parking Garage. Amortization of unearned revenue for the year ended December 31, 2020 totaled $337,035, which is included in garage revenues.

Revenue Recognition—Service and other sales revenues are recognized when services are rendered or when revenue is earned, net of sales tax.

Intergovernmental Revenue From Primary Government—As part of the Consolidation Interlocal Agreement, the City assigned to the Corporation the net available pledged revenues to pay for operating expenses, capital expenditures, and for any other lawful purpose, and they are shown as intergovernmental revenue from Primary Government. The amount of intergovernmental revenue from the City totaled $60,712,154 for 2020, and represents the HOT and parking revenues remaining after debt service of $16,413,358, other reimbursed expenses of $44,298,795.

Interlocal Agreement Expenses to Primary Government—As part of the Consolidation Interlocal Agreement, the Corporation agreed to make certain payments primarily for City obligations to the local arts previously paid directly by the Department. At December 31, 2020, the interlocal agreement expenses totaled $14,206,331 of which $10,972,376 and $3,233,955 were related to funding of the arts and sponsorship expense, respectively.

Income Taxes—The Corporation is exempt from federal income tax under Section 115 (1) of the Internal Revenue Code of 1986.

Effective for taxable years beginning on January 1, 2007, the State of Texas enacted the Revised Texas Franchise Tax, which imposes a tax at the entity level. The Corporation is exempt from the Revised Texas Franchise Tax.

Use of Estimates in Financial Statement Preparation—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported financial statement amounts, as well as disclosures. The Corporation's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

New Accounting Pronouncements—In June of 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB Statement No. 87 are effective for reporting periods beginning after June 15, 2021. The Corporation early adopted GASB Statement No. 87 effective January 1, 2020.

Note 2. Summary of Significant Accounting Policies (Continued)

In March of 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an LIBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Corporation has not yet determined effect on its financial position, results of operations or cash flows upon adoption.

In March of 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private and public-public partnership arrangements and provides guidance for availability payment arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation has not yet determined effect on its financial position, results of operations or cash flows upon adoption.

In May of 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides. The requirements of this statement are effective immediately. The impact is that the Corporation is allowed to delay the implementation dates of GASB Statements that have not been adopted.

In May of 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for Subscription based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance and consistency of information about SBITAs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Corporation has not yet determined effect on its financial position, results of operations, or cash flows upon adoption.

In June 2020, GASB issued Statement No 97 Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The objectives of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Corporation has not yet determined effect on its financial position, results of operations, or cash flows upon adoption.

Note 3. Cash and Cash Equivalents

The Corporation's cash and cash equivalents balance of $15,630,570 as of December 31, 2020, are maintained in cash, demand accounts, escrow, and money market mutual funds. The accounts that comprise this balance are described below:

Demand deposit accounts	$ 15,662,705
Cash on hand	67,865
Total	$ 15,730,570

The demand deposit accounts are either fully collateralized by the depository institution primarily in direct obligations of the U.S. government or its agencies, or insured by the Federal Deposit Insurance Corporation except for $581,659. The money market account is the sweep balance of one of the demand deposit accounts. It is held with a mutual fund managed by Bank of America and invests primarily in direct obligations of the U.S. government or its agencies.

Note 4. Equity in Pooled Investments

Short-Term Equity in Pooled Investments—As of December 31, 2020, the Corporation's pooled investments included $39,509,283, invested in the Texas Short-Term Asset Reserve Program (TexSTAR). TexSTAR was created in April 2003, under the Interlocal Cooperation Act of the State of Texas Article 4413 (32C), Vernon's Texas Civil Statutes, as amended. It is administered by First Southwest Asset Management, Inc., and JPMorgan Chase. The TexSTAR investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

As with all the investment pools, funds are readily available to support daily cash requirements, while maintaining yields slightly higher than standard bank deposit accounts.

Equity in Pooled Investments—Restricted—The City issued bonds in 2001, 2011, 2012, 2014, 2015, 2017and 2019, a portion of which was for the benefit of the Corporation to fund construction, interest, and operating expenses incurred during the construction of the Hotel, the Convention District Projects, and the Development and Funding Agreement discussed in Note 6. Certain proceeds were designated as debt service reserve funds to be used by the Corporation to service the debt during the initial months of the Hotel's operations and during periods of decreased operational liquidity. In addition, the Corporation makes monthly payments to the City to fund the semiannual bond payments made by the City. These funds are restricted as debt service funds. All above-referenced funds are held in the City's investment pools. The balance of such accounts at December 31, 2020 totaled $23,932,368.

The City of Houston Investment Pool consists of U.S. Treasury Notes, Agency Notes, Municipal Bonds, Certificates of Deposits, Money Market Funds and Mortgaged Backed Securities. Certain investment of the Corporation are commingled in this pool to gain operational efficiency. The City of Houston included the required risk disclosures for its Internal Investment Pool as part of the City's Comprehensive Annual Financial Report which is available on the City's website.

Note 4. Equity in Pooled Investments (Continued)

As of December 31, 2020, the Corporation's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

		Investment Maturities in Years	
	Fair Value	**Less than 1**	**1–5**
TexSTAR	$ 39,509,283	$ 39,509,283	$ -
Total	$ 39,509,283	$ 39,509,283	$ -

The Corporation's exposure to credit risk at December 31, 2020 is presented below by investment category as rated by Standard & Poor's:

	Fair Value	**Rating**
TexSTAR	$ 39,509,283	AAAm by Standard & Poor's
Total	$ 39,509,283	

Fair Value Measurements—The Corporation is required to disclose the fair value level of its investments within the fair value hierarchy established by GASB Statement No. 72. In the fair value hierarchy, there are three levels:

1. Level 1: inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
2. Level 2: inputs (other than quoted prices included within level one) that are observable for an asset or liability, either directly or indirectly
3. Level 3: unobservable inputs for an asset or liability

The Corporation invests in both the City's general pool and TexSTAR investment pool.

The City general pool investment is a Level 2 investment. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

TexSTAR is measured at net asset value. Under this method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third-party broker-dealers. When sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

Note 5. Deposits Held by Others

As discussed in Note 8, the Corporation closed a $125,000,000 mortgage loan with Variable Annuity Life Insurance Company, (VALIC), which is secured by a deed of trust on the Hilton, its parking garage, the improvements located thereon and certain personal property. In consideration of the Mortgage Loan, VALIC required the Corporation to fund certain reserves to be held with their agent. The reserves represent the subordinated management fee and the deferred fee from hotel operator, as discussed in Note 9, and a reserve for furniture, fixtures, and equipment replacement and renewal. As more fully described in Note 9, the termination of the former Hotel Management Agreement in 2014 caused a corresponding release of the subordinated management fee reserves. As of December 31, 2020, the deposits held by others included in the statement of net position totaled $3,044,919.

Note 6. Notes Receivable and Due From Affiliate

Development and Funding Agreement—On April 9, 2013, the Corporation entered into a Development and Funding Agreement with the Houston Center Hotel, LLC (Hotel Owner), for the development of an approximately 1,000-room new hotel facility located on the north end of the Convention Center. The Development & Funding Agreement called for the Corporation to purchase and convey the hotel site land to the Hotel Owner and, subject to certain benchmarks, loan $27 million to the Hotel Owner. The purchase price of the hotel site land and other closing cost totaled $32,153,221. The Hotel Owner was obligated to a) design, construct, operate and maintain the hotel facility and b) reimburse the Corporation annually for the hotel site land and the loan commencing on January 5th of the year following opening of the hotel facility.

The total receivable from the Hotel Owner to the Corporation was $58,136,102 as of December 31, 2020, with $250,000 reported in current other assets in the balance sheets. The note does not bear interest.

Buffalo Bayou Partnership—the Corporation entered into an earnest money contract (the Contract) with Buffalo Bayou Partnership (the Seller). The Seller agreed to sell to the Corporation certain real estate that called for all building and improvements on the property to be modified in accordance with the Contract. Prior to closing, the Seller agreed to receive and the Corporation agreed to advance the purchase price to construct, restore and rehabilitate the Improvements located on the land. On September 17, 2018, the Corporation paid the purchase price of $2,499,765 to allow the Seller to complete the design and construction of the Project. The Seller did not complete the improvements. Accordingly, the Corporation as the buyer and the Seller agreed to execute a termination agreement of the Contract along with the associated note for the repayments of $2,499,765.

During fiscal year 2020, the Seller initiated the repayment of the purchase price. Total receivable from the Seller was $2,496,100 as of December 31, 2020

Note 6. Notes Receivable and Due From Affiliate (Continued)

The scheduled payments on the loan are as follows:

	Total Payments
Years Ending December 31:	
2021	$ 294,601
2022	295,502
2023	296,420
2024	297,357
2025	2,048,313
2026-2030	3,256,593
2031-2035	6,783,556
2036-2040	7,813,352
2041-2045	7,846,279
2046-2050	9,882,666
2051-2055	10,422,873
2056-2060	10,258,587
2061-2065	1,136,102
	$ 60,632,202

Note 7. Property, Plant and Equipment—Net

The changes in the Corporation's property, plant and equipment for the year ended December 31, 2020, were as follows:

	2019	Additions	Retirements and Reclassifications	2020
Property, plant and equipment not subject to depreciation:				
Land	$ 14,824,298	$ -	$ -	$ 14,824,298
Work in process	13,163,945	1,453,946	(9,474,010)	5,143,881
Total property, plant, and equipment not subject to depreciation	27,988,243	1,453,946	(9,474,010)	19,968,179
Property, plant and equipment subject to depreciation:				
Buildings	574,159,500	32,841,699	(801,757)	606,199,442
Furnishings and equipment	48,830,849	961,723	(6,480,445)	43,312,127
Total property, plant and equipment subject to depreciation	622,990,349	33,803,423	(7,282,202)	649,511,569
Less accumulated depreciation for:				
Hotel and garage buildings	(129,235,365)	(18,451,905)	801,757	(146,885,513)
Furnishings and equipment	(38,291,554)	(2,532,567)	6,480,445	(34,343,676)
Total accumulated depreciation	(167,526,919)	(20,984,473)	7,282,202	(181,229,189)
Total property, plant and equipment, net	$ 483,451,673	$ 14,272,896	$ (9,474,010)	$ 488,250,559

Note 8. Notes Payable

The Corporation's notes payable and related premium for the year ended December 31, 2020 were as follows:

	January 1, 2020	Retirements/ Amortization	Additions	December 31, 2020	Short Term Payable
Notes payable:					
Notes payable—City of Houston	$ 321,495,000	$ (43,300,000)	$ 21,000,000	$ 299,195,000	$ 19,967,601
Premium—net of discount	29,693,354	(3,628,739)	-	26,064,615	-
Total notes payable-City of Houston	351,188,354	(46,928,739)	21,000,000	325,259,615	19,967,601
Note payable—VALIC	125,000,000	-	-	125,000,000	-
Total notes payable	$ 476,188,354	$ (46,928,739)	$ 21,000,000	$ 450,259,615	$ 19,967,601

Payment of the Corporation's notes payable to the City is based on the amortization of the City hotel-allocated bonds and HFC-allocated bonds. The VALIC loan requires monthly interest payments only until maturity on May 1, 2024. Subsequent to year-end but prior to issuance of this report, the Corporation renewed the VALIC loan. (See Note 13.)

Scheduled principal and interest payments on debt are summarized as follows:

Years Ending December 31:	Total Principal	Interest	Total
2021	$ 17,195,000	$ 18,841,853	$ 36,036,853
2022	18,900,000	18,139,531	37,039,531
2023	143,795,000	13,926,811	157,721,811
2024	37,390,000	10,690,665	48,080,665
2025	16,155,000	9,478,558	25,633,558
2026-2030	91,785,000	38,226,445	130,011,445
2031-2035	70,180,000	16,081,393	86,261,393
2036-2040	21,395,000	4,044,500	25,439,500
2041-2044	7,400,000	755,000	8,155,000
	$ 424,195,000	$ 130,184,756	$ 554,379,756

Note 8. Notes Payable (Continued)

On April 3, 2013, the Corporation closed a $125,000,000 mortgage loan with VALIC, which is secured by a deed of trust on the Hilton, its parking garage, the improvements located thereon and certain personal property. The proceeds were used to further economic development in and around the Convention Center and the Hilton, including a new 1,000-room convention center hotel, and to fund the Convention District Projects including a new 1,900-space parking garage and certain other residential and retail opportunities to be located on the north end of the Convention Center. The initial loan advance of $50,000,000 was funded on April 4, 2013, at an initial interest rate of 3.90%. In March 2014, an additional $30,000,000 was drawn and bears interest at 4.78%. In July 2014, the final draw of $45,000,000 was funded and bears interest at 4.81%. The interest rates are effective through maturity.

In August 2014, the City issued $73,725,000 of Convention & Entertainment Facilities Department HOT and Special Revenue Refunding Bonds, Series 2014. This issue included $52,195,000 of Serial Bonds with stated interest rates between 2% and 5% maturing in various amounts from 2015 to 2032, and $21,530,000 of Term Bonds with stated interest rates of 5% maturing in various amounts from 2033 to 2039. The true interest cost was 4%. Proceeds were used to (a) refund the City's Outstanding Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012, (b) finance certain project costs and (c) pay the costs of issuance of the bonds. Net present value savings totaled $4.6 million or 11% of the refunded bonds.

On March 19, 2015, the City issued $132,590,000 of Convention & Entertainment Facilities Department HOT and Special Revenue Refunding Bonds, Series 2015. This issue included $99,620,000 Serial Bonds with stated interest rates between 2.0% and 5.0% maturing in various amounts from 2015 to 2035, and $32,970,000 of Term Bonds with stated interest rates between 4.0% and 5.0% maturing in various amounts from 2035 to 2044. The true interest cost was 3.3%. Proceeds were used to (a) refund a portion of the City's outstanding Convention & Entertainment Facilities Department HOT and Special Revenue Refunding Bonds, Series 2011, (b) refund outstanding commercial paper, (c) finance certain project costs and (d) pay the costs of issuance of the bonds. Of the $132,590,000, the City loaned the Corporation $99,620,000. Net present value savings totaled $9.2 million or 13.1% of the refunded bonds.

On November 16, 2017, the City issued $12,030,000 of Convention & Entertainment Facilities Department HOT and Special Revenue Refunding Bonds, Series 2017. This issue has a stated interest rates of 2.55% maturing in 2033. Proceeds were used to refund the City's outstanding Convention & Entertainment Facilities Department HOT and Special Revenue Refunding Bonds, Series 2011B. Net present value savings totaled $1.9 million or 16.50% of the refunded bonds.

On November 16, 2017, the City issued $75,000,000 of Convention & Entertainment Facilities Subordinate Lien HOT and Parking Revenue Flexible Rate Notes, Series A (Credit Facility Series A). As of December 31, 2020, the outstanding balance was $20,000,000. The taxable variable rate is equal to 100% LIBOR plus1.08%. The tax-exempt variable rate is equal to 65.01% LIBOR plus 0.69%. The commitment fee is equal to 0.20%.

On April 9, 2019, the City issued $106,320,000 of Convention & Entertainment Facilities Department HOT and Special Revenue and Refunding Bonds, Series 2019. This issue has a stated interest rates of 4% and 5% maturing in 2036. Proceeds were used to (a) refund the City's outstanding Convention & Entertainment Facilities Department HOT and Special Revenue Refunding Bonds, Series 2001 C-1 and 2001 C-2, (b) finance certain Hurricane Harvey related project costs, and (c) pay the costs of issuance of the bonds. Net present value savings totaled $5.6 million or 8% of the refunded bonds.

Note 8. Notes Payable (Continued)

On May 2, 2019, the City closed on a $50 million Subordinate Lien Hotel Occupancy Tax and Parking Revenue Flexible Rate Notes, Series B (Credit Facility Series B). As of December 31, 2020 there were $1,000,000 draws on this note and $49,000,000 is available. Interest is variable at the greater of JPMorgan prime or the adjusted one month LIBOR rate plus a spread based upon the rating of the existing senior lien Hotel Occupancy Tax and Parking Revenue Bonds. The commitment fee is equal to 0.1% and the notes terminate on May 2, 2026.

On May 3, 2019, the City loaned the Corporation $12,500,000, which was used to help finance project costs related to Hurricane Harvey. The notes bear interest at the rate equal to a) the rate of the City's commercial paper program or other debt instrument issued by the City, or b) the rate equal to the interest earned on pool cash depending on how the City funds the notes. The interest rate on the note was 2.134% on December 31, 2019, and the note matures on September 1, 2030.

On December 12, 2019 the City loaned the Corporation an additional $8,900,000 to finance project costs related to Hurricane Harvey. Interest will accrue based on the rate received on the City's commercial paper Series E line, which was 1.30% at December 31, 2019. The note matures on March 1, 2024.

Of the total $299,195,000 notes payable to the City, $256,795,000 of the principal balance relates to the City's fixed rate bonds and carries interest rates ranging from 2.0% to 5%; $21,000,000 related to the flexible rate notes and the remaining $21,400,000 related to the notes from the City. Interest presented on the above payment schedule is calculated on the stated interest rate on the fixed-rate bonds and the interest rate on the variable rate notes as of December 31, 2020.

Hotel Management Agreement—The Corporation entered into a hotel management agreement (the Management Agreement) on March 21, 2001, with the Hilton Hotels Corporation (the Hotel Operator). The Management Agreement had a term of 15 years and commenced with the opening of the Hotel.

Note 9. Commitments and Contingencies

On October 1, 2014, the Corporation executed a Management Agreement Termination Agreement (the Termination Agreement) to terminate the Management Agreement described above and executed a new Management Agreement (the New Management Agreement) with the Hotel Operator for the Hilton, with an effective date of January 1, 2014. In connection with the Termination Agreement, the Hotel Operator released the Corporation from repayment of the unamortized inducement fee from the original agreement, and the Corporation disbursed the accrued subordinated management fee. The New Management Agreement is effective for 15 years and, consistent with the original Management Agreement, the New Management Agreement provides for a base management fee of $1,900,000 and a subordinated management fee of $850,000 (collectively referred to as the Management Fees). The Management Fees adjust annually based on the percentage change in the competitive set's prior 12-month revenue per available room with the base fee to commence adjustment effective January 1, 2015 and the subordinate fee to commence adjustment effective January 1, 2017. The subordinate fee is also subject to sufficient operating cash flows (as defined) and any unpaid subordinated fees will accrue. Upon termination of the New Management Agreement, any unpaid subordinated fees will be due and payable.

Hurricane Harvey—Under the Consolidation Interlocal Agreement, the Corporation is responsible for rebuilding and repairing the leased facilities in the event of a damage from casualty. The majority of these costs have been reimbursed by the City based on approval of claims and obligation of such funds by FEMA with only $1,137,981 remaining in the combined commitment at December 31, 2020.

Note 9. Commitments and Contingencies (Continued)

Pension—Since March 2015, the City has been involved in a lawsuit with the Houston Municipal Employees Pension System (HMEPS) the subject of which is the determination of whether employees of certain local government corporations and not-for-profit entities are employees of the City for purposes of the pension. If HMEPS prevails, the City may be subject to additional funding requirements which could result in those costs being passed on to the Corporation, the amount of which cannot be determined at this time. Management believes such cost could be material to the financial statements. The City has appealed and intends to continue to vigorously defend this litigation.

Hilton Room Refresh—The Corporation has undertaken a project to refresh the rooms at the Hilton Americas-Houston. Each of the 1,237 rooms are being updated to include substantial redesign of the bathrooms and improvements to amenities. At December 31, 2020, the project was approximately 100% complete with a remaining obligation of approximately $44,761.

Guarantee—Every three years, the World Petroleum Council (Council) organizes the World Petroleum Congress as the principal meeting place for a global discussion of oil and gas issues. Following a 12-month campaign period, the City of Houston was selected by its fellow Council members to host the 23rd World Petroleum Congress in December 2021. The WPC Organizing Committee (the Organizing Committee) was established as a 501(c)(6) nonprofit corporation to assist with the organization, administration, management, promotion and operations relating to hosting the event. To induce the Council to execute the agreement with the Organizing Committee, the Corporation agreed to guarantee the full payment and performance of all liabilities, obligations and duties imposed upon the Organizing Committee. As of December 31, 2020 there has been no call on the guarantee. The Corporation is unable to estimate the potential liability, if any.

Note 10. Risk Management

As the owner of the Hotel operated as the Hilton, and as a local government corporation, the Corporation maintains, or has maintained on its behalf, various policies and/or insurance programs to cover the various risks of loss to which it is exposed. Through commercial policies, the following coverages have been secured: property, general liability, umbrella liability, auto and theft. In lieu of a workers' compensation policy, the Hilton has procured a nonsubscriber program administered by a third-party administrator. Due to the division of responsibilities, the Corporation maintains separate policies for directors and officers, employment practices liability, crime and property.

The Corporation is a defendant in various pending lawsuits arising out of the conduct of its business. Management does not believe that the outcome of any of these matters will have a material adverse effect on the Corporation's financial position, results of operations, or cash flows.

Note 11. Convention Services Agreements

The Corporation has agreements with various hotels to rebate their HOT. The purpose of these agreements is to encourage the development of hotels in the City's central business district, promote local economic development and stimulate business and commercial. These agreements vary based on the hotel's proximity to the Convention Center and other criteria determined by the Corporation and require a room block agreement. The room block agreement grants the Corporation access to a specified number of room nights for use with city wide events.

The agreement with Hampton Inn Homewood Suites requires that 100% of their HOT paid will be paid back to them. The hotel has agreed to provide HFC with room blocks for various events in exchange for the agreement. The agreement with and Hampton Inn Homewood Suites is valid until April 1, 2023.

Note 11. Convention Services Agreements (Continued)

The agreements with JW Marriott, Aloft Houston Downtown, LeMeridian and Alessandra state that 50% of their HOT paid will be paid back to them. The agreements with JW Marriot, Aloft Houston Downtown, LeMeridian and Alessandra will expire on September 1, 2021, December 1, 2023, October 1, 2032 and October 1, 2024, respectively. All hotels have agreed to provide HFC with room blocks for various events in exchange for this agreement.

The Corporation paid the following under the aforementioned agreements. Such amounts are included in venue expenses for the year ended December 31, 2020.

JW Marriott	$ 284,013
Hampton Inn Homewood Suites	322,241
Aloft Houston	73,048
Alessandra	-
LeMeridian	84,262
Total	$ 763,564

Note 12. Leases

On January 1, 2020, the Corporation implemented GASB Statement No. 87, Leases, to match July 1, 2020 implementation of the City of Houston, the Corporation primary government. This change in accounting principle required retrospective application to prior periods resulting in the restatement of net position at the beginning of the year. A summary of the restated balance is as follows:

	As Previously Reported	GASB Statement No. 87 Impact	Restatement Reported
Lease receivable	$ -	$ 61,593,486	$ 61,593,486
Right to use lease asset	-	14,536,130	14,536,130
Other assets—net	14,884,478	(14,884,478)	-
Lease payable	-	14,229,008	14,229,008
Deferred inflow from lease	-	59,551,234	59,551,234
Net Position	162,680,811	(14,884,478)	147,796,333

As Lessor—The Corporation leases retail, office, rehearsal and equipment space in its managed facilities to others. The majority of these facilities are subleased from the City of Houston. These leases have terms between 22 months and 60 years, with payments required monthly, semiannually or annually. In addition to the above payments, the Corporation receives variable payments for common area maintenance, percentage of sales, pro-rata operating expenses and various utility reimbursements associated with the spaces that are not included in the measurement of lease receivable.

Note 12. Leases (Continued)

The total amount of inflows of resources recognized for the period ending December 31, 2020 is follows:

	Inflows
Lease revenue	$ 3,055,206
Interest income	1,022,483
Other variable	779,212

The Corporation did not recognized revenue associated with residual value guarantees and termination penalties.

Below is a schedule of future payments that are included in the measurement of the lease receivable:

Year	Principal	Interest	Total
2021	$ 1,883,568	$ 2,020,911	$ 3,904,479
2022	1,948,963	1,949,905	3,898,868
2023	2,024,904	1,886,290	3,911,194
2024	2,119,222	1,819,174	3,938,396
2025	2,176,764	1,748,481	3,925,245
2026-2030	12,297,319	7,575,692	19,873,011
2031-2035	15,793,189	5,225,307	21,018,496
2036-2040	13,939,641	2,537,358	16,476,999
2041-2045	7,552,504	951,752	8,504,256
2046-2050	1,784,856	91,338	1,876,194
2051	72,555	2,445	75,000
Total	$ 61,593,485	$ 25,808,653	$ 87,402,138

As Lessee—The Corporation leases facilities and equipment from others. These leases have terms between 3 years and 6 years requiring monthly or annual payments.

As of December 31, 2020, the total amount of Right to use lease assets by major class, and the related accumulated amortization, disclosed separately from other capital assets is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leased assets being amortized:				
Leased—equipment	$ 419,496	$ -	$ -	$ 419,496
Leased—real estate	16,252,603	-	-	16,252,603
Total leased assets being amortized	16,672,099	-	-	16,672,099
Less accumulated amortization				
Leased—equipment	(90,053)	-	-	(90,053)
Leased—real estate	(2,321,800)	-	-	(2,321,800)
Total accumulated amortization	(2,411,853)	-	-	(2,411,853)
Total, net of accumulated amortization	$ 14,260,246	$ -	$ -	$ 14,260,246

Note 12. Leases (Continued)

The real estate right to use lease asset above is leased from the City of Houston and parts of these facilities are leased to others, as noted above. The amount of lease expenses recognized for variable payment not included in the measurement of the lease liability are $0.0 for the period ending December 31, 2020. The Corporation did not recognized other payments attributable to residual value guarantees or termination penalties not previously included in the measurement of the lease liability.

As of December 31, 2020, the principal and interest requirements to maturity for the lease liability is as follows:

	Principal	Interest	Total
Year Ending December 31:			
2021	$ 2,212,206	$ 502,095	$ 2,714,301
2022	2,273,797	422,319	2,696,116
2023	2,339,890	341,238	2,681,128
2024	2,382,783	256,506	2,639,289
2025	2,427,427	170,023	2,597,450
2026	2,592,905	80,618	2,673,523
Total	$14,229,008	$ 1,772,799	$16,001,807

Note 13. Subsequent Events

On March 1, 2021 and July 1, 2021, the Corporation drew $10,000,000, respectively, from the City loan to support recovery activities related to Hurricane Harvey. The City loan has a variable interest rate, which is at 1.340% for the outstanding draws. The note matures on September 1, 2027.

On April 28, 2021, the Corporation drew $6,000,000 from Convention & Entertainment Facilities Subordinate Lien HOT and Parking Revenue Flexible Rate Notes, Series A.

Payroll Protection Program (PPP) loan: On April 19, 2021, the Corporation received funding from the U.S. Small Business Administration (SBA) for a PPP loan for $2,601,405. The proceeds are being used to fund payroll costs at the Hilton Americas-Houston in 2021.

Shuttered Venue Operators Grant: On July 21, 2021, the Corporation received a $660,503 Shuttered Venue Operators Grant from the SBA. The purpose of this grant is to offset economic hardships caused by COVID-19 on venue operators.

Note 14. COVID

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. As a result of the pandemic and the various restrictions and guidelines related to controlling its spread, most event organizers and arts groups canceled or postponed revenue-producing events and productions in the Corporation managed facilities for the remaining year. In addition, most business travel ceased for the remainder of the year. Most Houston businesses required employees to work from home. These conditions resulted in a significant reduction in planned revenues.

Note 14. COVID (Continued)

In response to the reduction in all of the major sources of revenue and the significantly reduced use of the managed facilities, the Corporation's Board of Directors adopted an emergency budget for the remainder of the calendar year. The reduced expenditure budget recognized a period of limited activity in all facilities managed by the Corporation. Personnel expenditure reductions were implemented and included both layoffs and furloughs, as well as salary reductions of remaining personnel.

The City, as the primary government of the Corporation, provided $15 million in financial assistance, as well as a commitment for a $20 million loan at rates more favorable than the Subordinated Note program.

IV. (B) Consideration and possible recommendation of an Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc.

<u>Consideration and possible approval of an Insurance Brokerage and Risk Management Services Agreement with Arthur J. Gallagher Risk Management Services, Inc.</u>

DESCRIPTION: On June 22, 2021, Houston First Corporation ("HFC") issued an Insurance Brokerage and Risk Management Services Request for Proposals ("RFP") from experienced and highly-qualified insurance brokerage firms able to provide comprehensive insurance marketing, risk management, claims management, and related services for HFC, Convention & Cultural Services, Inc., Houston First Holdings LLC, the Greater Houston Convention and Visitors Bureau, and Comicpalooza.

HFC received a total of three proposals from Arthur J. Gallagher Risk Management Services, Inc., Higginbotham, and USI Southwest, Inc. Upon review and scoring of all proposals received, the firm that received the highest score was Arthur J. Gallagher Risk Management Services, Inc. ("Gallagher"). Gallagher will enter into an Insurance Brokerage and Risk Management Services Agreement ("Agreement") with HFC for a term of five years in the amount of $387,000. Gallagher has also agreed to meet a 35% diversity goal under the Agreement.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to an agreement for Insurance Brokerage and Risk Management Services:

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

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

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

IV. (C) Consideration and possible authorization of actions necessary to effectuate the transfer of employees from Convention & Cultural Services, Inc. (CCSI) to Houston First Corporation effective January 1, 2022, including, but not limited to, (i) approval of a notice of termination of the existing Services Agreement between CCSI and Houston First; (ii) transfer of sponsorship to, and the assumption by, Houston First of each employee benefit plan, program, policy or arrangement sponsored by CCSI (other than the CCSI 401(k) Plan) as well as any trust agreements, insurance plans and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI, that are applicable to such transfer; and (iii) establishment of a deferred compensation 457(b) Plan for certain eligible employees as well as approving an agreement to administer the 457(b) Plan.

Consideration and possible authorization of actions necessary to effectuate the transfer of employees from Convention & Cultural Services, Inc. (CCSI) to Houston First Corporation effective January 1, 2022, including, but not limited to, (i) approval of a notice of termination of the existing Services Agreement between CCSI and Houston First; (ii) transfer of sponsorship to, and the assumption by, Houston First of each employee benefit plan, program, policy or arrangement sponsored by CCSI (other than the CCSI 401(k) Plan) as well as any trust agreements, insurance plans and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI, that are applicable to such transfer; and (iii) establishment of a deferred compensation 457(b) Plan for certain eligible employees as well as approving an agreement to administer the 457(b) Plan.

Houston First management recommends that the corporation, in conjunction with Convention & Cultural Services, Inc. ("CCSI"), take all necessary actions to effectuate the transfer of CCSI employees to Houston First on January 1, 2022. Such actions are necessary in preparation for the City's settlement of its lawsuit with the Houston Municipal Employees Pension System ("HMEPS"). When the lawsuit between the City and HMEPS is settled, all current CCSI employees will be legally HMEPS' members and the employees, as well as Houston First, will begin contributing to HMEPS. At this time, a settlement has not been reached and it is unknown when any such contributions will begin, but no contributions are anticipated earlier than January 1, 2022. However, in an abundance of caution, effectuating the transfer of the employees on January 1 will facilitate the contribution process once a settlement has been reached.

Management is requesting authorization to take all steps to execute the transfer of the employees to Houston First, inclusive of, but not limited to, the following parameters:

- Providing a notice of termination on behalf of Houston First to CCSI of the Services Agreement;
- Authorizing the issuance of Employment Letters to all CCSI employees;
- Accepting the transfer of sponsorship, and the assumption of, each employee benefit plan, program or arrangement sponsored by CCSI, including, but not limited to, the CCSI Cafeteria Plan (Section 125 Plan), CCSI Health Reimbursement Arrangement, Health and Dental Plans, Vision Plan, and Life Insurance Plans (other than the CCSI 401(k) Plan) as well as any trust agreements, insurance plans, and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI or required to facilitate payroll, that are applicable to such transfer; effective January 1, 2022;
- Establishing a deferred compensation plan 457(b) Plan for certain eligible employees as well as approving an agreement to administer the 457(b) Plan;
- Adopting the CCSI Paid Time Off Policy, as well as any other applicable policy; and
- Authorizing the approval of such other notices, contracts or agreements as may be advisable or required to facilitate the transfer of the CCSI employees to Houston First.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to the transfer of the CCSI employees to Houston First:

RESOLVED, that the Board of Directors of Houston First Corporation hereby approves and authorizes the issuance of Employment Letters to all CCSI employees and the transfer of such CCSI employees to Houston First, effective January 1, 2022; and further authorizes Houston First management to effectuate such transfer, in accordance with the above parameters, by directing management to take any and all actions as may be necessary or required to adopt applicable CCSI policies such as the Paid Time Off Policy, execute and deliver notices and documents, including without limitation, any amendments or assignments to such documents that are deemed required by the Chairperson, President, or General Counsel, as they may determine to be in the best interest of Houston First (the "Documents"), and to execute such Documents; each acting alone hereby is, severally and without the necessity for joinder of any other person, authorized, empowered and directed for and on behalf of Houston First to execute and deliver the Documents in a form as approved by either the Chairperson or the President, or any Authorized Person (defined below), such approval to be conclusively established by the execution and delivery of the Documents by any Authorized Person; and

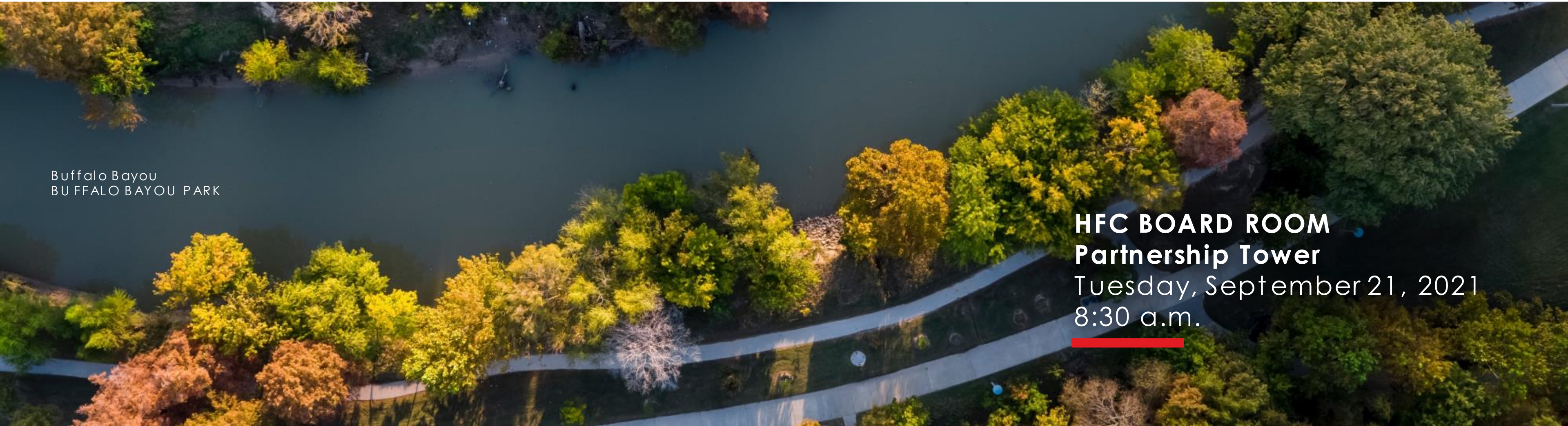
FURTHER RESOLVED, that each of the Chairperson, President, and General Counsel of Houston First are each hereby designated by the Board as an "Authorized Person" for purposes of this resolution and with respect to the Documents to be executed hereunder; and

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

Houstonfirst

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING



HFC BOARD ROOM
Partnership Tower
Tuesday, September 21, 2021
8:30 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 sign-in sheet at the front of the room.

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING
September 21, 2021

Houstonfirst

Walking Molecular Flower, James Surls
RICE UNIVERSITY

MINUTES

August 18, 2021

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING
September 21, 2021

Houstonfirst


McGovern Centennial Gardens
HERMANN PARK

COMMITTEE BUSINESS

A. Consideration and possible approval of the Houston First 2020 Annual Financial Audit.

PRESENTERS

FRANK WILSON
Chief Financial Officer, HFC

KAREN TANG
Assistant Controller, HFC

JOEL PEREZ
Partner, Audit Services — RSM

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING
September 21, 2021

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OPERATING UNITS

INCLUDED

- Leased Assets
  (operations formerly included in CEFD)
- Hilton Americas-Houston Hotel
- Visit Houston
  (operations formerly included in GHCVB)

EXCLUDED

- Convention and Entertainment Facilities Department (CEFD) debt and fixed assets
- Greater Houston Convention and Visitors Bureau remaining operations

NET POSITION

TOTAL ASSETS DECREASED $68,000 OVER 2019

- **Current assets decreased by $67M**
  (majority of change is Cash and cash equivalents down $49.5M)
- **Non-current assets increased by $67M**
  ($59M is due to New GASB statement related to leases)

TOTAL LIABILITIES DECREASED $23.7M OVER 2019

- **Principal payments –** $43.3M offset by
- **New money borrowings:** 2020 Note withdraw – $20M

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RESULTS OF OPERATIONS

- OVERALL NET LOSS – $21.3M
- $100.3M decrease from 2019
- The majority of the decrease was attributable to COVID-19's impact on operations in 2020
- Also, in 2020, the Corporation received $41M in reimbursement from the City of Houston related to Hurricane Harvey compared to $82M in 2019

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REVENUES IN 2020

(FROM HIGH TO LOW)

Intergovernmental revenue from Primary Government (HOT, Pledged Parking, Harvey reimbursements, less CEFD debt service)	**$60.7M**
Hotel revenue	**$27.7M**
Venue revenue	**$19.7M**
Avenida Parking revenue	**$5.6M**

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EXPENSES IN 2020
(FROM HIGH TO LOW)

General and Administrative (indirect marketing, management fees, rebates, legal, information technology)	**$30.9M**
Venue expenses (maintenance, personnel, janitorial, utilities)	**$26.9M**
Hotel expenses (cost of goods sold, direct costs related to Hilton)	**$13.0M**
Visit Houston expenses (destination marketing, tourism, destination sales)	**$10.7M**

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REVENUE VARIANCE

- **Intergovernmental revenue from Primary Government —** decreased $93.9M due to the decrease of both HOT and City reimbursement related to Hurricane Harvey.

- **Hotel revenue (Hilton America's revenue) —** decreased $64M due to the COVID-19

EXPENSE FLUCTUATION

EXPENSES DECREASED:

- Expenses were reduced in every category due to COVID-19 (Hotel and event cancellation, staffing reduction, and assistance from PPP loans)

EXPENSES INCREASED:

- Depreciation expense increased $3.3M — Fixed Asset balance increased due to Hotel renovation project completeness and work on Harvey restoration

Houstonfirst

THE POWER OF BEING UNDERSTOOD

HOUSTON FIRST CORPORATION

Report to the Members of the Benefits, Compensation and Finance Committee and the Board of Directors

Audit for the Year Ended December 31, 2020

September 21, 2021

RSM

With you today

Kristi D. Sharp

Partner

Joel Perez

Partner

Margie Oyedepo

Manager

Stephen Yoe

Managing Partner
(Subcontractor)

Tino Robledo

Senior Director

To the Members of the Benefits, Compensation and
Finance Committee and the Board of Directors
Houston First Corporation
Houston, Texas

Dear Members:

We are pleased to present this report related to our audit of the financial statements of Houston First Corporation (the Corporation) as of and for the year ended December 31, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

This report is intended solely for the information and use of the members of the Benefits, Compensation and Finance Committee, Board of Directors and management of the Corporation and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Houston First Corporation.

RSM

Agenda

Overview of Benefits, Compensation and Finance (BCF) Committee communications to auditor

- Communication on issues of concern
- Questions on financial reporting or financial statement disclosures
- Concerns about accuracy of financial information being provided by management
- Concerns about fraud or misappropriation of assets
- Concerns about management integrity
- Concerns about the accounting for specific transactions
- Among other matters

Overview of management responsibilities

- Perform monthly accounting and reporting
- Reconcile all accounts as of year-end
- Assure the general ledger is complete
- Establish a system of internal control
- Provide auditor with draft financial statements that comply with GASB Standards
- Prepare the Management's Discussion and Analysis section of the financial statements
- Among others

RSM

Overview of independent auditor's responsibilities

- Conduct audit of the financial statements in compliance with auditing standards
- Design risk-based audit approach and perform audit procedures
- Based on results of audit procedures, determine if the financial statements are fairly presented
- Issue independent auditor's report
- Communicate results of the audit to those charge with governance

RSM

Audit overview and scope

- The Corporation's financial statements
  - Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
  - Our responsibility is to express an opinion on the financial statements based on our audit.
  - Scope of the audit:
    - Includes examining evidence, on a test basis, supporting the amounts and disclosures included in the financial statements
    - Includes an assessment of the internal control structure for purposes of auditing the amounts and disclosures in the financial statements, but not for providing an opinion on internal control
    - Includes an assessment of accounting principles, significant estimates made by management and disclosures to the financial statements
  - Objective of financial statement audit—to report whether the financial statements are fairly presented in conformity with required standards

Results of the independent audit

- Financial statement audit results:
  - Opinion on the financial statements: **Unmodified**
  - The **financial statements are presented fairly**, in all material respects, in conformity with accounting principles generally accepted in the United States of America
  - **Emphasis of matter** – As described in Note 12, effective January 1, 2020, the Corporation adopted Statement No. 87 of the Governmental Accounting Standards Board, *Leases.* The implementation of Statement No. 87 restated beginning net position. Our opinion is not modified with respect to this matter.
  - **No reportable deficiencies** on internal control were noted

Required communications

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated March 15, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication, dated March 15, 2021, regarding the planned scope and timing of our audit and identified significant risks.

Required communications (continued)

Accounting Policies and Practices

Preferability of Accounting Policies and Practices
Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies
Following is a description of significant accounting policies or their application that were either initially selected or changed during the year: The Corporation early adopted Governmental Accounting Standards Board (GASB) Statement No. 87 for the year ended December 31, 2020. This new standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as revenues or expenses based on the payment provisions of the contract. As a result of the adoption of the pronouncement, the Corporation restated beginning net position in the amount of $14.9 million. The following are amounts reported as of December 31, 2020:

As a lessee, the Corporation recorded an intangible right to use lease asset of $14.3 million with a related lease payable of $14.2 million.

As a lessor, the Corporation recorded a lease receivable of $61.6 million offset by a deferred inflow of resources of $59.6 million.

Required communications (continued)

Accounting Policies and Practices (continued)	**Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Required communications (continued)

Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of a significant written communication between our firm and management of the Corporation, the representation letter provided to us by management, is attached as Exhibit A.

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Required communications (continued)

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Corporation's December 31, 2021 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciable Life of Property and Equipment	The depreciable life of property and equipment is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including the estimated useful life and prior experience.	We concluded the estimates used by management are reasonable.
Leases	The policy requires recognition of certain assets and liabilities for leases that are considered long term and require a present value calculation using the incremental borrowing rate.	The calculation of the present value is made upon the execution of a lease agreement based on the rate of a recently executed financing agreement.	We concluded the estimates used by management are reasonable based on the present value calculations and related terms used.

Role of subcontractor—Yoe CPA, LLC

- In an effort to partner with and assist the Corporation in its responsibility to foster the development and growth of diverse companies, we have teamed up with Yoe CPA, LLC, a subcontractor to RSM. This firm is a diverse company and is classified as a HUB enterprise.
- Yoe CPA, LLC service team included Stephen Yoe and Victor Bustamante.
- Yoe CPA, LLC worked side-by-side with RSM service team throughout the audit.
- Yoe CPA, LLC was issued RSM laptops to facilitate integration of the two firms and provide for a seamless client service experience.
- Areas primarily worked on included the following:
  - Investments
  - Capital assets
  - Long-term debt
  - Revenues
  - Expenses

QUESTIONS AND ANSWERS

THANK YOU FOR YOUR TIME AND ATTENTION

RSM US LLP

1330 Post Oak Blvd, Suite 2400
Houston, Texas 77056
713 625 3500

800 274 3978
www.rsmus.com

COMMITTEE BUSINESS

B. Consideration and possible approval of an Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc.

PRESENTER

MITCH MIZSKOWSKI
Purchasing Agent

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING
September 21, 2021

Houstonfirst

GOALS & OBJECTIVES

Houston First Corporation ("HFC") requests proposals from experienced, highly-qualified insurance brokerage firms able to provide comprehensive insurance marketing, risk management, claims management, and related services for HFC, Convention and Cultural Services, Inc. ("CCSI"), Houston First Holdings LLC ("HFH"), the Greater Houston Convention and Visitors Bureau ("GHCVB"), and Comicpalooza LLC (collectively, the "Affiliated Entities").

PROCESS OF SELECTION

JUNE	JULY	AUGUST	SEPTEMBER
☑ **6/22** RFP Issue Date	☑ **7/13** Pre-Bid Meeting	☑ **8/13** Submission Committee Meeting	☑ **9/21** Selection Committee Recommendation
	☑ **7/28** Submission Deadline		☐ **9/23** HFC Board Recommendation

SOLICITATION MEDIA ADVERTISEMENT

Notice of Solicitation:

- B2G Notifications
- City Council Members
- HFC Board Members
- Community Stakeholders

PUBLICATIONS ADVERTISED

HOUSTON BUSINESS JOURNAL

¡QUE ONDA! MAGAZINE
A Hispanic News & Entertainment Publication

Defender Network.com

SELECTION COMMITTEE

ELIZABETH WOODS

Director of Finance
Hilton Americas-Houston

LISA SMITH

Director of Budgets & Accounts Payable
Houston First Corporation

JOHN GONZALEZ

Senior Vice President & General Manager
Houston First Corporation

KAREN WILLIAMS

Senior Vice President of Finance
Houston First Corporation

SELECTION CRITERIA

TRANSMITTAL LETTER:	10
EXPERIENCE:	20
ESSENTIAL PERSONNEL:	15
MARKETING SERVICES:	25
PRICING:	20
DIVERSITY:	10

PROPOSERS

	Gallagher	Higginbotham	USI
SCORE	352.0	251.0	314.0
PRICE	$387,000	$2,750,000	$750,00
DIVERSITY	36%	36%	35%

MANAGEMENT RECOMMENDATION:

Approval of Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc.

COMMITTEE BUSINESS

C. Consideration and possible authorization of actions necessary to effectuate the transfer of employees from Convention & Cultural Services, Inc. (CCSI) to Houston First Corporation effective January 1, 2022, including, but not limited to, (i) approval of a notice of termination of the existing Services Agreement between CCSI and Houston First; (ii) transfer of sponsorship to, and the assumption by, Houston First of each employee benefit plan, program, policy or arrangement sponsored by CCSI (other than the CCSI 401k Plan) as well as any trust agreements, insurance plans and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI, that are applicable to such transfer; and (iii) establishment of a deferred compensation 457(b) Plan for certain eligible employees as well as an agreement to administrate the 457(b) Plan.

PRESENTER

MICHAEL HECKMAN
President & CEO

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING
September 21, 2021

Houstonfirst

CCSI TO HFC TRANSITION

Requested action by HFC Board:

- Authorize a notice of termination of Services Agreement between HFC and CCSI;
- Authorize the issuance of employment letters to all CCSI employees;
- Accept the assignment and transfer of all benefit plans, trust agreements, and contracts associated with the employment, effective 1/1/2022
- Establish a deferred compensation 457(b) Plan as well as an agreement to administer the Plan;
- Adopt the CCSI Paid Time Off policy, as well as any other applicable policy; and
- Authorize the approval of such notices, contracts, or agreements to facilitate transfer of CCSI employees to HFC.

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COMMITTEE UPDATE

B. Five-Year Financial Forecast

PRESENTER

Frank Wilson
Chief Financial Officer

HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING
September 21, 2021

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MAJOR REVENUES & EXPENSES

YTD AS OF AUGUST 31, 2021

MAJOR REVENUES	2020 Actual	2021 Budget	2021 Actual	Over (Under) Budget ($)	Over (Under) Budget (%)
Hotel Occupancy Tax Collections*	$44,710,000	$38,875,000	$37,890,000	($985,000)	-2.5%
Hilton Americas Net Cash	$7,000,000	-$915,000	$2,184,375	$3,099,375	338.7%
GRB Facility Rental	$1,693,702	$2,585,817	$2,567,415	($18,402)	-0.7%
GRB Food and Beverage Revenue	$8,890,157	$5,481,535	$2,966,436	($2,485,099)	-45.9%
Parking Revenue-Avenida	$2,636,256	$1,965,401	$4,167,930	$2,202,529	112.1%
Parking Revenue-Theater District	$3,118,043	$3,277,633	$2,413,026	($864,607)	-26.4%

MAJOR EXPENSES	2020 Actual	2021 Budget	2021 Actual	Over (Under) Budget ($)	Over (Under) Budget (%)
Personnel	$12,307,830	$12,619,709	$9,470,071	($3,149,638)	-25.0%
Security Contract	$2,310,486	$2,872,593	$1,976,144	($896,449)	-31.2%
Bldg. Maintenance Contract	$1,985,110	$1,822,628	$1,560,233	($262,395)	-14.4%
Parking Contract	$1,311,903	$1,351,714	$960,004	($391,710)	-29.0%
Janitorial Contract	$1,894,521	$2,015,815	$1,267,168	($748,647)	-37.1%
GRB Food and Beverage	$5,760,436	$4,305,695	$2,356,101	($1,949,594)	-45.3%

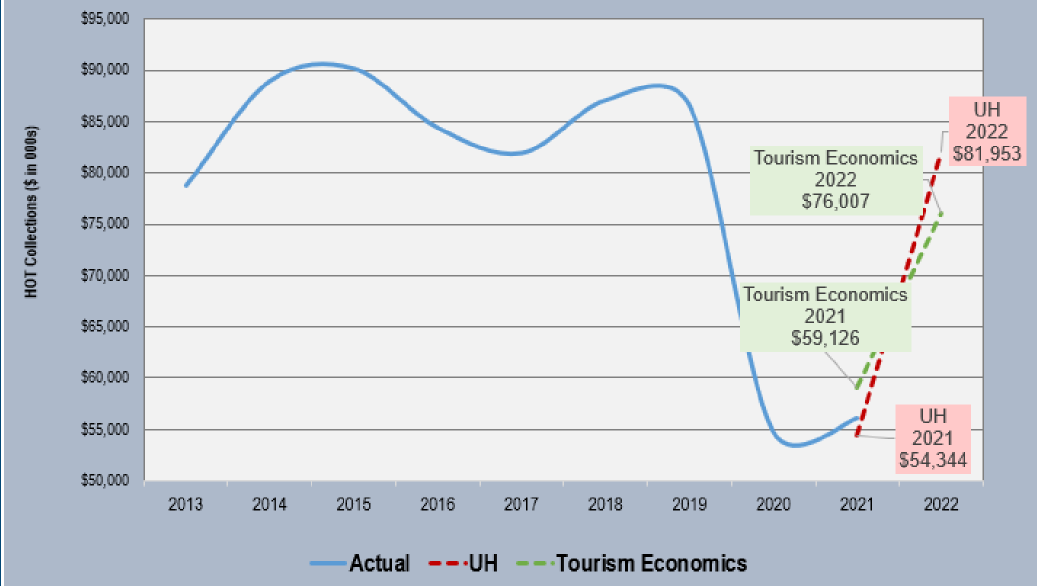
HISTORICAL HOT AND 2021 FORECAST

HISTORICAL HOT REVENUE

	Actual ($ in 000s)	%y/y
2004	43,110	6.2%
2005	44,877	4.1%
2006	54,519	21.5%
2007	59,262	8.7%
2008	66,439	12.1%
2009	57,617	-13.3%
2010	54,525	-5.4%
2011	60,801	11.5%
2012	69,392	14.1%
2013	78,777	13.5%
2014	88,979	13.0%
2015	90,183	1.4%
2016	84,395	-6.4%
2017	81,927	-2.9%
2018	87,080	6.3%
2019	86,458	-0.7%
2020	54,750	-36.7%
2021	56,057	2.4%

[1] 2021 Forecast assumes fourth quarter revenue is $17,166

CONSULTANT FORECASTS 2020 - 2022 ADJUSTED FOR REBATES



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5-YR REVENUE FORECAST ASSUMPTIONS

- Pandemic hospitalizations and deaths decline and infection curve flattens.
- Business travel begins meaningful recovery by Q2 or Q3 2022.
- Leisure travel continues and Houston tourism continues to improve.
- Hotels see continued improvement in occupancy and ADR.
- Group meeting cancelations diminish and attendance gradually improves to 2019 levels by year end 2022.
- Downtown office occupants return to in-person work and parking in 2022.
- Big Seven Arts Groups resume performances and event parking recovers.
- Extreme weather event does not cause closure of revenue generating facilities.

5-YR HOT FORECAST

PRELIMINARY 5-YEAR HOT FORECAST

$000s

	2019 Actual	2020 Actual	2021 F	2022 F	2023 F	2024 F	2025 F	2026 F
Total HOT	$87,480	$54,750	$56,057	$83,640	$97,920	$103,891	$110,128	$111,129
% Change		-37.4	2.8%	48.5%	17.0%	6.2%	6.0%	.91%

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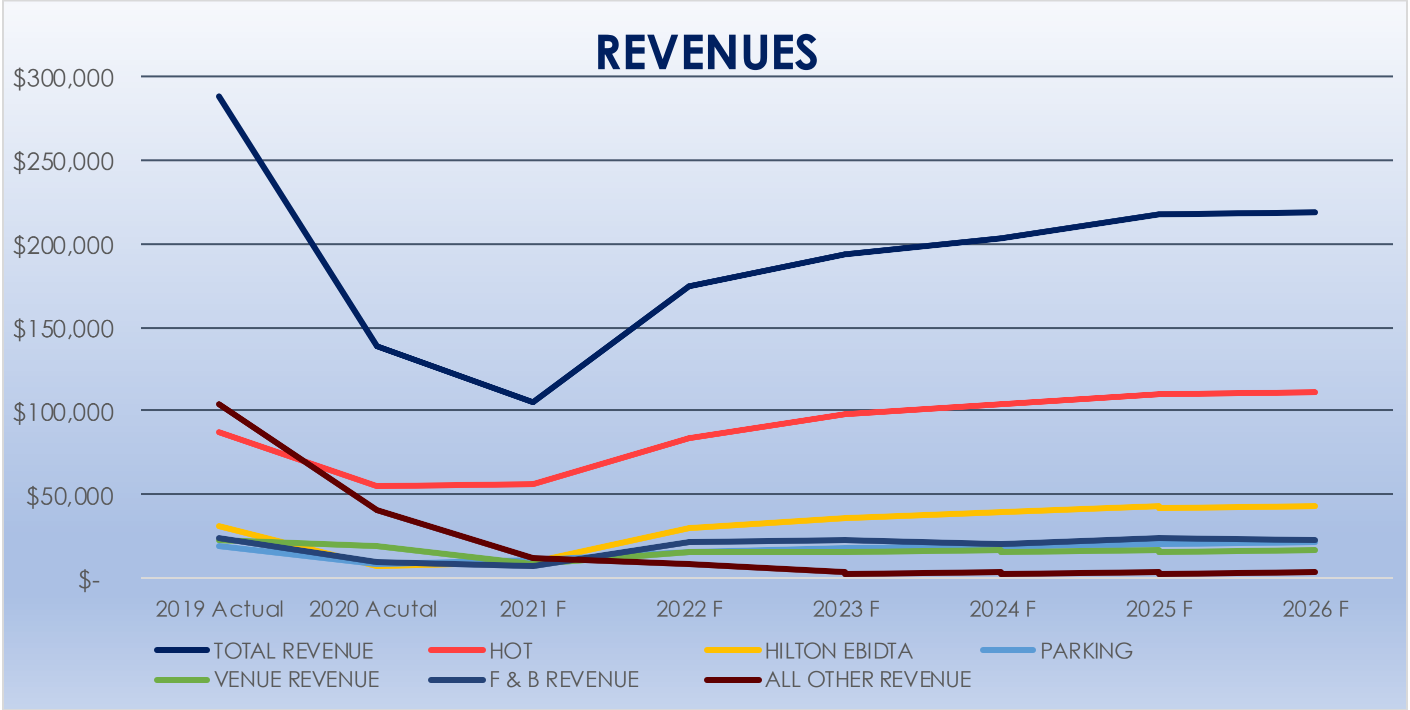
5-YR REVENUE FORECAST

$000s

BASELINE



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5-YR REVENUE FORECAST

($000s)

	2019 Actual	2020 Actual	2021 F	2022 F	2023 F	2024 F	2025 F	2026 F
HOT	$ 87,480	$ 54,750	$ 56,057	$ 83,640	$ 97,920	$ 103,891	$ 110,028	$ 111,129
HILTON EBIDTA	31,000	7,000	10,000	30,000	35,820	40,000	42,813	43,412
PARKING	19,282	9,927	11,106	16,043	18,400	19,596	20,576	21,193
VENUE REVENUE	17,332	11,586	8,676	15,817	15,817	16,608	17,272	17,445
F & B REVENUE	23,874	9,491	7,083	21,026	23,205	20,200	24,148	23,407
ALL OTHER REVENUE*	108,193	46,050	12,242	8,481	3,000	3,150	3,308	3,473
TOTAL REVENUE**	$ 287,161	$ 138,804	$ 105,164	$ 175,007	$ 194,162	$ 203,445	$ 218,145	$ 220,059
% Change		-51.7%	-24.2%	66.4%	10.9%	4.8%	7.2%	.09%

* Includes extraordinary contributions of $11.5 for capital in 2021 and $7.4 M in 2022

** Includes $103.7 M of FEMA reimbursement in 2019 and $40.7 M in 2020

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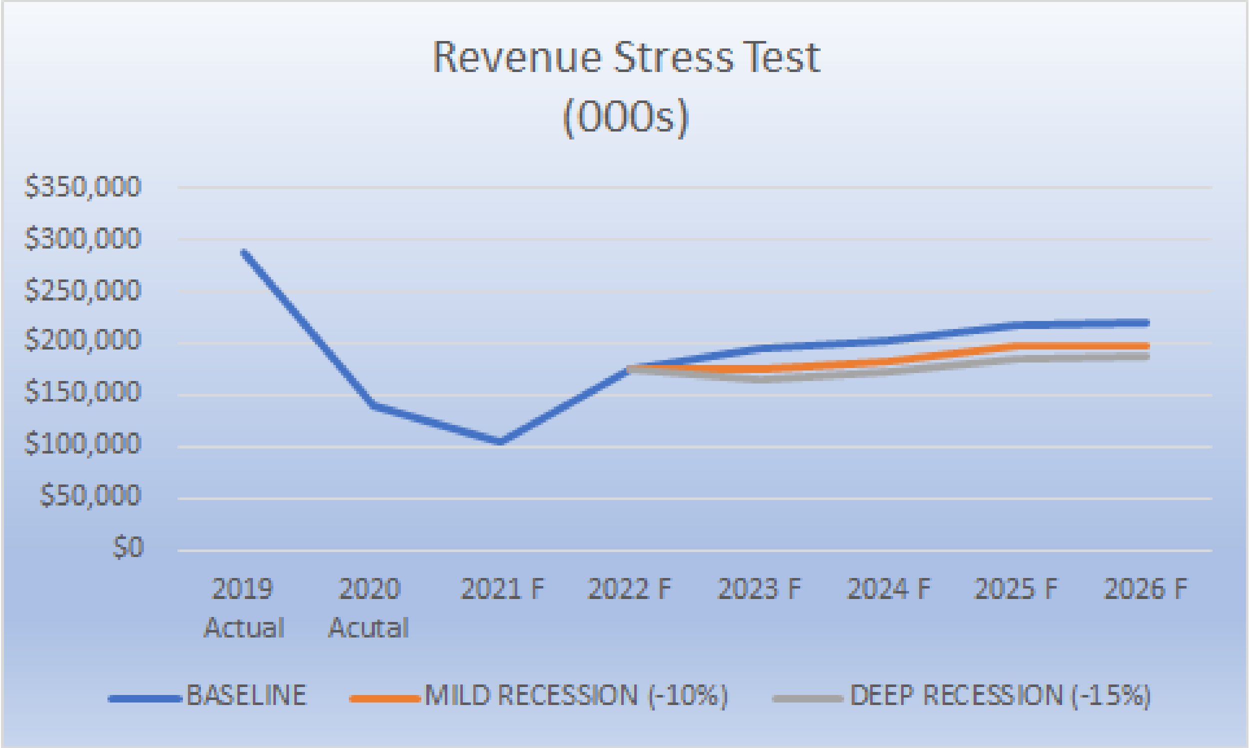
5-YR REVENUE FORECAST



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