

# MINUTES

## 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**

*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, Tuesday, September 21, 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), Sofia Adrogué, John Johnson, Ryan Martin, and Mayor Pro-Tem Dave Martin.*

The Committee Chair called the meeting to order at 8:34 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 August 18, 2021 were approved as presented.

Sofia Adrogué and Mayor Pro-Tem Dave Martin arrived late and did not participate in the vote.

3. **Committee Business.**

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

HFC Chief Financial Officer, Frank Wilson, introduced, HFC Controller, Stephany Bland, and HFC Assistant Controller, Karen Tang, as members of the Finance team responsible for overseeing the HFC 2020 annual audit.

Ms. Tang then provided a brief overview of HFC’s 2020 financials. She then introduced Joel Perez of RSM US LLP to discuss the results of the audit.

Mr. Perez thanked the HFC Finance team for their assistance in completing the audit. He then introduced several members of the RSM audit team before proceeding with his report. Mr. Perez began with a discussion of the goals and

objectives of the audit and his role as auditor. He also informed the Committee that the audit does not include looking at every transaction, but rather the financial components and risk associated with them. He then provided several highlights related to HFC's 2020 financials. Mr. Perez stated that RSM issued an unmodified opinion and the results reflect no material misstatements or deficiencies in internal controls by HFC. He further explained that the audit process was more challenging this year due to the early adoption of new accounting policies related to GASB No. 87. Mr. Perez then introduced Margie Oyedepo to provide the required communications as part of the audit process.

Ms. Oyedepo also thanked the HFC Finance team for their help throughout the audit process. She then discussed all required communications. She stated that there were no unusual transactions and no audit adjustments. There were also no uncorrected misstatements or disagreements with management and the overall audit was consistent with last years' results.

Stephen Yoe of Yoe CPA, LLC then discussed his role as a diverse partner working with RSM. Mr. Yoe thanked HFC for the opportunity to participate in the audit engagement. Mr. Yoe explained that he worked side by side with the RSM team, who provided him with two new laptops to complete several key components of the audit. He concluded his remarks by stating that his experience has been rewarding both financially and professionally because it has prepared his firm for more complex accounting efforts.

Mayor Pro-Tem Martin stated that the audit includes great historical information on the relationship between HFC and the City of Houston (City).

Alex Brennan-Martin thanked all those involved with the audit process and congratulated the team on a job well done.

The Committee had further discussion regarding the audit results.

Following a motion duly second, a recommendation of the Houston First Corporation 2020 Annual Financial Audit was approved unanimously.

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.*

Frank Wilson discussed the solicitation process for an experienced insurance broker. He stated that HFC received three proposals and the incumbent firm, Arthur J. Gallagher Risk Management Services, Inc., received the highest score.

Mayor Pro-Tem Martin discussed the nature of insurance and bidding on a product you do not yet have.

HFC General Counsel, Lisa Hargrove, explained that the solicitation is governed by Texas law and will only allow HFC to accept a flat fee so a number of firms did not participate in the solicitation because they are not allowed to accept commissions or limit the number of hours worked on a monthly basis. She also stated that the current representative from Gallagher, Mike Kessler, has been a

great person to work with and is extremely responsive to requests of HFC management.

HFC Diversity Specialist Manager, Roger Harris, discussed the diversity goal under the contract and explained that he increased the previous goal of 33% to 35%.

Following a motion duly seconded, a recommendation of the Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc. was approved unanimously.

- 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.

HFC President & CEO, Michael Heckman, provided a brief overview of the ongoing litigation between the City and the Houston Municipal Employee Pension System (HMEPS). The Texas Supreme Court ruled that Convention & Cultural Services Inc. (CCSI) employees are members of the pension system, but it is unclear when the matter will be settled between the City and HMEPS and the amount due, if any, is assessed. Mr. Heckman stated that HFC is in communication with the City and the City Attorney and has requested several months' notice to complete the administrative steps necessary to effectuate the transfer of all CCSI employees to HFC, effective January 1, 2022. Mr. Heckman also explained that HFC Vice President of Public Affairs, Jonathan Newport, will host meetings with staff to effectively communicate the transition and answer any questions regarding employee benefits.

Lisa Hargrove then went into further detail of the administrative steps necessary to effectuate the transfer of all employees to HFC.

John Johnson encouraged management to be mindful of communications with staff and the use of the word "termination."

Mr. Heckman stated that he is very sensitive to the challenges faced by HFC staff and wants to address any rumors or gossip regarding the transition.

Sofia Adrogué stated that the employee meetings could also be a good opportunity for team building.

There was further discussion among the Committee regarding employee communications and professional financial resources as needed.

Following a motion duly seconded, the Committee recommended the 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 unanimously.

#### 4. **Presentations and Reports.**

- A. **Five-Year Financial Forecast.** Frank Wilson provided a brief presentation that began with a discussion of HFC revenues and expenses through August 2021. He then provided the historical trend for hotel occupancy taxes (HOT) based on information provided by Dr. Bill Gilmer of the University of Houston. He then asked HFC Vice President of Business Intelligence and Market Strategy, Cindy Decker, to discuss hotel trends.

Ms. Decker stated that hotels have seen a steady increase in occupancy and ADR and occupancy levels in the downtown market are consistently over 50%. According to Ms. Decker, Houston is now top five in RevPar and has also seen the most increase in supply. With regard to business travel, Houston previously ran at 30% and is currently trending between 10% and 12%, but Ms. Decker is optimistic there will be continued improvement.

Mr. Wilson then continued with his report and a discussion of the HOT forecast over the next five years. He also briefly discussed the budget process and priorities for 2022.

The Committee discussed the positive outlook for HOT over time.

5. **Adjournment.** The meeting was adjourned at 10:07 a.m.