Houstonfirst

AGENDA

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
June 20, 2019 – 3:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC BOARD ROOM

BOARD MEMBERS:

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

In accordance with the 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

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

I. Call to Order

II. Public Comments

III. Minutes – May 16, 2019

IV. Presentations, Reports, and Updates
   A. Report by Houston First Chairman
   B. HFC President & CEO Update
   C. CFO Update

V. Board Business – Consent Agenda

A. Consideration and possible approval of the Houston First 2018 Annual Audit.
B. Consideration and possible approval of sponsorship agreements with RCM Entertainment, L.P., d/b/a Lone Star Sports & Entertainment for the AdvoCare Texas Kickoff and AdvoCare Texas Bowl games.
C. Consideration and possible approval of a 2021 Convening Leaders Host City Agreement with the Professional Convention Management Association ("PCMA"), inclusive of Event Budget, for the 2021 PCMA Annual Meeting.
D. Consideration and possible approval of an agreement with the International Association of Exhibitions and Events ("IAEE") for the 2023 Annual Meeting & Exhibition to be held in Houston, Texas, inclusive of the Event Budget.
E. Consideration and possible approval of a Valet Parking Services Agreement with Sovereign Services of Houston, Inc. at the Hilton Americas-Houston Hotel.
F. Consideration and possible approval of reallocated funding for Harrison Kornberg Architects LLC, and ARUP, Texas Inc., a joint venture, for two new task orders for the continued repair and replacement of damages to the Wortham Theater and District Parking Garage due to Hurricane Harvey.
G. Consideration and approval of funding for remediation and any required repairs to the Avenida South Garage resulting from the Memorial weekend fire incident.

VI. Executive Session:

"Pursuant to Tex. Gov. Code 551.071 and 551.074, the Board of Directors will convene in a closed session to consult with Houston First attorneys to seek advice on certain legal matters in which the duty of the attorney is governed by the State Bar of Texas Rules of Professional Conduct and to deliberate certain personnel matters, including the appointment, employment and duties of the President and Chief Executive Officer of the Greater Houston Convention & Visitors Bureau.

VII. Board Business Continued

H. Consideration and approval of search criteria for the guidance and selection of candidates for the position of President and Chief Executive Officer of the Greater Houston Convention & Visitors Bureau.

VIII. Adjournment

III. Minutes – May 16, 2019

Houstonfirst.

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
May 16, 2019 – 3:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC BOARD ROOM

The Board of Directors ("Board") of Houston First Corporation (the "Corporation" or "HFC"), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV'T. CODE ANN. §394.001 et seq., held a meeting at Partnership Tower, 701 Avenida de las Americas, Houston, Harris County, Texas, 77010, on Thursday, May 16, 2019, commencing at 3:00 p.m.

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

The following Board Members participated in the meeting: David Mincberg (Chair), Desrye Morgan (Vice Chair), Elizabeth Brock, Nicki Keenan, Paul Puente, Alex Brennan-Martin, Reginald Martin, Ryan Martin, Gerald Womack, Bobby Singh, Jay Zeidman, Council Member David Robinson, Ex-officio, and Council Member Dave Martin, Ex-officio.

The Chairman of the Board called the meeting to order at 3:05 p.m. and a quorum was established. Chairman Mincberg announced new Board Members, Reginald Martin and Tom Segesta, and thanked outgoing Board Members, Katy Caldwell and Jay Tatum for their service. He also recognized Council Member Robert Gallegos.

1. **Public Comments**. None.

2. **Review and approval of minutes from prior meeting**. Following a motion duly seconded, the meeting minutes of April 18, 2019 were approved as presented.

3. **Presentations and Reports**.

   A. Report by Houston First Chairman. Chairman Mincberg explained in an attempt to streamline Board business, HFC is adopting a Consent Agenda. He further explained that he is open to any input regarding the new meeting structure and encouraged Board Members to attend committee meetings to participate in discussions regarding topics of interest.

Chairman Mincberg asked that Board Members submit requests to HFC staff in writing and carbon copy Brenda Bazan. Similarly, HFC staff is instructed to report any requests made in-person or via phone to their immediate supervisor.

He also announced that the tentative date for the HFC Board Retreat will take place in June, but he will inform the Board once the dates have been finalized.

Chairman Mincberg discussed a recent event held for the African American Mayor's Association. He also congratulated staff on the tremendous success of Comicpalooza. Chairman Mincberg announced that approximately 46,000 people attended Comicpalooza representing 46 states and 16 countries, due in large part to Game of Thrones star, Emilia Clarke.

In conclusion, Chairman Mincberg informed the Board that he and Peter McStravick had the opportunity to meet with representatives of the Consumer Advisory and Innovation Board. He further explained that the goal of the meeting was to provide a candid assessment of improvements for HFC, and while they did receive some suggestions, it was very gratifying to hear the tremendous praise of the HFC team.

B. HFC Acting CEO Update. Chairman Mincberg announced Peter McStravick will continue his role as acting President & CEO until such time Brenda Bazan returns.

Peter McStravick reported that the monthly purchase order presentation has been modified and includes two new entries.

Mr. McStravick provided a brief financial report and announced that HFC is overbudget as a matter of timing. The Hilton Americas-Houston Hotel ("Hotel") is ahead in revenues, but HFC does not anticipate this pace on growth to continue. HFC is optimistic that the Hotel will finish the year $1 million over budget. Mr. McStravick also announced that HFC will receive a FEMA reimbursement in the next 30 days.

Mr. Gerald Womack stated that transparency is important, particularly with finances and requested that a written financial report be distributed to the Board for review prior to meetings.

Mr. McStravick continued his report with a construction update related to the Hurricane Harvey Recovery Project. According to Mr. McStravick, Wortham Theater will be substantially complete by the end of May.

He also announced that HFC intends to reduce operating expenses for the last six months of the year by 6% and has already implemented a profit improvement plan for all HFC departments. Additionally, HFC is looking into business strategies and methods to create additional revenue streams and hopes to continue the discussion at the upcoming Board retreat.

Mr. McStravick informed the Board of heightened cyber security measures due to a recent cyber theft attempt of $3.5 million and a malware attack of computer systems in the Tourism Department. As a result, all employees are required to complete mandatory Cyber Security Training.

Mr. McStravick recognized Michael Heckman and his team for a tremendous job with Comicplooza.

He also announced that the Sales Department is doing well and the National Rifle Association has signed a definite agreement for 2026.

Mr. McStravick provided a brief update of the Tourism Summit and recognized Jorge Franz and the Tourism Department for a job well done.

He also informed the Board that all talking points should be addressed with either himself or Brenda as Carolyn Campbell is temporarily unavailable.

Lastly, Mr. McStravick announced that the Apollo 11 Moon Landing commemorative pins were available and programming will take place in 6-8 weeks for the 50th Anniversary Celebration.

4. **Board Business—Consent Agenda**.

A. *Consideration and possible approval of a Parking Operations & Management Services Agreement with Winpark Management LLC.*

Vice Chair, Desrye Morgan, requested that item 4A be discussed separately as the Theater and Convention District Operations Committee was unable to have a discussion because they failed to establish a quorum.

Mitch Miszkowski discussed the Parking Operations & Management Services solicitation process. HFC received a total of five proposals and all five companies participated in interviews with the selection committee. The company that received the highest score was Winpark Management LLC. Mr. Miszkowski discussed the value-added enhancements to the agreement that would reduce HFC's expenses. Mr. Miszkowski recognized Drew Riley of Winpark Management LLC and members of his team.

Board Members asked about the diversity participation under the agreement and Roger Harris stated that he felt the 20% diversity goal set for this contract is appropriate as the previous contract goal was too high.

Bobby Singh asked HFC staff to address some of the differences that the new project team could bring to parking and management operations and Christophe Malsang explained that Winpark has better systems in place to track ticketing and potentially generate revenues for HFC parking facilities.

Council Member Dave Martin asked if the HFC Board was given an opportunity to review the scoring matrix.

A motion was made to approve the Parking Operations & Management Services Agreement with Winpark Management LLC. The motion passed with a vote of 8 in favor. Nicki Keenan was not present for the vote.

B. *Consideration and possible approval setting a guaranteed maximum amount for DPR Construction for the Guestroom Renovation Project for the Hilton Americas Houston Hotel.* [This item was taken out of turn] The motion passed unanimously on the Consent Agenda.

5. **Executive Session**.

Executive (closed) session pursuant to Texas Government Code Section 551.074 for the purpose of consultation with Houston First Counsel regarding the positions of Chief Sales and Marketing Officer, Chief Destination Officer, President, and Chief Executive Officer.

The Board entered Executive Session at 3:31 p.m. and returned at 4:08 p.m. No action was taken.

6. **Adjournment**. The official business of the Board is concluded at 4:23 p.m., but the Board Members are invited to attended a Reception immediately following on level 2 of Partnership Tower for the outgoing Board Members.

V. A – Houston First 2018 Annual Audit

Houston First Corporation

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

Financial Statements as of and for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Houston First Corporation
Houston, Texas

We have audited the accompanying financial statements of Houston First Corporation and its subsidiary (the "Corporation"), which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 net position of Houston First Corporation as of December 31, 2018 and 2017, and the results of their operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

June 20, 2019

The following discussion of Houston First Corporation (the "Corporation") 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, 2018 and 2017, Hilton Management LLC managed the Hotel through a qualified management contract (the "Management Agreement").

For the years ended December 31, 2018 and 2017, the combination of interest earned from investments and net revenues from the operations of the Hilton were sufficient to fund expenses of the Hilton, pay the monthly debt service expense of the Hilton, and fund the remaining obligations between the Hilton and the City.

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 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 City has entered into an interlocal agreement (the "Consolidation Interlocal Agreement") with the Corporation, whereby the Corporation will lease all existing Department facilities and Department-managed facilities. 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") 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 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 two Bureau board members. The expenses incurred as a result of the services agreement are included in operating expenses as Visit Houston expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statements of Net Position present 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 Statements of Net Position can be found on page 12 of this report.

The Statements 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 Statements of Revenues, Expenses, and Changes in Net Position for some items that will affect cash flow in future fiscal years. The Statements of Revenues, Expenses, and Changes in Net Position can be found on page 13 of this report.

The Statements of Cash Flows report how much cash was provided by, or used for, the Corporation's operations, investing activities and acquisition or retirement of capital assets. The Statements of Cash Flows can be found on pages 14-15 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 16–32 of this report.

NET POSITION

Total Net Position at December 31, 2018 was $83,653,457, a 14.47% increase from December 31, 2017. Total Net Position at December 31, 2017 was $73,078,192, a 51.99% decrease from December 31, 2016.

The Corporation's Net Position increased $10,575,265 to $83,653,457 at December 31, 2018 from $73,078,192 at December 31, 2017. Of this increase, $15,602,244 is attributable to a increase in assets offset by an increase in liabilities of $4,742,849, as described below.

The Corporation's Net Position decreased $79,137,499 to $73,078,192 at December 31, 2017 from $152,215,691 at December 31, 2016. Of this decrease, $1,819,474 is attributable to a decrease in assets combined with an increase in liabilities of $77,223,555, as described below.

CONDENSED STATEMENTS OF NET POSITION
DECEMBER 31, 2018, 2017 AND 2016

	December 31, 2018	**December 31, 2017**	**December 31, 2016**
Current assets	$ 89,821,532	$ 115,135,428	$ 119,893,248
Noncurrent assets	92,420,951	90,238,084	90,699,410
Capital assets	439,927,783	401,194,510	397,794,838
Total assets	$ 622,170,266	$ 606,568,022	$ 608,387,496
Deferred outflow of resources	$ 4,171,840	$ 4,455,970	$ 4,550,440
Current liabilities	$ 89,711,827	$ 97,554,150	$ 58,152,920
Long-term liabilities	452,976,822	440,391,650	402,569,325
Total liabilities	$ 542,688,649	$ 537,945,800	$ 460,722,245
Net position	$ 83,653,457	$ 73,078,192	$ 152,215,691

Total Assets increased $15,602,244 to $622,170,266 at December 31, 2018, from $606,568,022 at December 31, 2017. This increase was primarily the result of an increase in capital assets offset by a decrease in cash and cash equivalents from the permanent work phase of the Harvey recovery efforts.

Total Assets decreased $1,819,474 to $606,568,022 at December 31, 2017, from $608,387,496 at December 31, 2016. This decrease was primarily the result of a decrease in accounts receivable and equity in pooled investments, offset by an increase in cash and cash equivalents and capital assets.

Total Liabilities increased $4,742,849 to $542,688,649 in 2018, from $537,945,800 in 2017. The change was caused by drawing down the remaining balance of the Parking Revenue Flexible Rate Notes, offset by principal payments to the City of Houston for the HFC allocated bonds, and a decrease in accounts payable and accrued liabilities. See the "Debt Issuance" section below for the details of the changes in each of the bonds that comprise the notes payable to the City.

Total Liabilities increased $77,223,555 to $537,945,800 in 2017, from $460,722,245 in 2016. The change was mostly attributable to new debt issued in 2017, offset by principal payments to the City of Houston for the HFC allocated bonds, premium amortization, and an increase in current liabilities caused by disaster expenses incurred by Hurricane Harvey. See the "Debt Issuance" section below for the details of the changes in each of the bonds that comprise the notes payable to the City.

Debt Payment and Issuance

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 rate 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 16.5% 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. The balance of these notes as of December 31, 2018 and 2017 was $75,000,000 and $50,210,000, respectively.

The Corporation made principal payments totaling $9,565,000 and $21,830,000 in 2018 and 2017, respectively. The total notes payable balance includes the Corporation's allocable portion of the unamortized bond premiums, net of discounts, which totaled $15,110,892 and $16,968,553 at December 31, 2018 and 2017, respectively.

The Corporation funds 1/12th of the annual principal payment each month so that, on September 1 of each year, the full principal 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 $18,645,229 and $18,756,244 at December 31, 2018 and 2017, respectively.

CONDENSED STATEMENTS OF CHANGES IN NET POSITION
DECEMBER 31, 2018, 2017, AND 2016

	December 31, 2018	December 31, 2017	December 31, 2016
OPERATING REVENUES:			
Hotel revenues	$ 96,388,440	$ 85,212,181	$ 91,282,156
Venue revenues	22,338,128	21,894,656	17,322,227
Parking revenues	14,394,721	11,112,728	8,280,885
Other operating revenues	3,667,437	3,164,259	3,107,604
Total operating revenues	136,788,726	121,383,824	119,992,872
OPERATING EXPENSES:			
Hotel expenses	38,223,923	34,737,078	39,011,230
Venue expenses	29,376,279	31,071,598	30,436,248
Parking expenses	8,589,231	8,697,558	9,573,253
Visit Houston expenses	24,077,586	25,585,747	24,482,295
General and administrative	46,334,068	42,545,839	42,356,188
Enterprise Development	4,004,519	4,145,342	4,009,565
Hurricane Harvey costs	7,485,821	60,289,168	-
Depreciation and amortization	16,877,114	16,254,144	11,585,818
Total operating expenses	174,968,541	223,326,474	161,454,597
OPERATING LOSS	(38,179,815)	(101,942,650)	(41,461,725)
NONOPERATING REVENUES (EXPENSES):			
Transfers from primary government	89,370,399	67,132,522	72,152,657
Sponsorship expense	(7,357,990)	(16,685,953)	(7,834,968)
Transfers to primary government	(18,546,544)	(17,584,302)	(18,064,748)
Interest expense	(15,808,703)	(9,036,968)	(8,512,175)
Interest income	1,097,918	452,502	527,872
Loss on capital assests disposal	-	(1,472,650)	-
Total nonoperating revenues	48,755,080	22,805,151	38,268,638
CHANGE IN NET POSITION	10,575,265	(79,137,499)	(3,193,087)
NET POSITION—Beginning of year	73,078,192	152,215,691	155,408,778
NET POSITION—End of year	$ 83,653,457	$ 73,078,192	$ 152,215,691

1. Operating Revenues

Total Operating Revenues for 2018 were $136,788,726, which represents a 12.69% increase of $15,404,902. The majority of the increase in Operating Revenues for 2018 was attributable to an increase in Hotel Revenue caused by an increase in occupancy and revenue per available room, combined with an increase in Parking Revenue. The Parking Revenue increase was due to the realization of the convention district parking garages in full operation and a full convention and show season.

Total Operating Revenues for 2017 and 2016 were $121,383,824 and $119,992,872, respectively, which represents a 1.16% increase of $1,390,952. The majority of the increase in Operating revenues for 2017 was attributable to an increase in Venue and Parking Revenues (Convention District parking garages) offset by a decrease in Hotel Revenue caused by weakness in the local economy.

2. **Operating Expenses**

Total Operating Expenses decreased $48,357,933 to $174,968,541 in 2018, from $223,326,474 in 2017. The decrease is primarily due to the disaster expenses from Hurricane Harvey, offset by an increase in General and Administrative Expenses and Hotel Expenses.

Total Operating Expenses increased $61,871,877 to $223,326,474 in 2017, from $161,454,597 in 2016. The increase was primarily due to disaster expenses from Hurricane Harvey.

Hotel

Hotel Expenses increased $3,486,845 to $38,223,923 in 2018 from $34,737,078. This increase correlates with an increase in room and food and beverage revenue.

Hotel Expenses decreased $4,274,152 to $34,737,078 in 2017 from $39,011,230 in 2016. This decrease was primarily driven by variable costs, which correlate with the decrease in room and food and beverage revenue.

General and Administrative

General and Administrative Expenses increased $3,788,229 to $46,334,068 in 2018 from $42,545,839 in 2017. The increase from 2016 to 2017 was nominal. The majority of the increase from 2017 to 2018 was caused by a one-time payment of $1,667,441 to early terminate a long-term lease of office space. In addition, the Hilton realized a Work Opportunity Tax credit for payroll taxes in 2017.

Hurricane Harvey Costs

The properties damaged as a result of Hurricane Harvey are the Theater District Garages, Wortham Theater Center, and Jones Hall. The Theater District Garages and Jones Hall were temporarily closed, but reopened in November and October 2017, respectively. Wortham Theater was reopened in September 2018. The majority of these costs are subject to reimbursement from the City of Houston, which is filing claims with Federal Emergency Management Agency (FEMA), and from insurance proceeds.

To mitigate the potential financial impact of future disasters, the Corporation purchased additional stand-alone insurance covering the City-owned leased assets. The cost of this additional coverage is $3,239,305 with an effective date of April 2019. In addition, the Corporation has budgeted $2,700,000 for immediate mitigation efforts to protect vulnerable assets, while coordinating with FEMA for permanent mitigation.

Hurricane Harvey Costs decreased in 2018 by $52,803,347 to $7,485,821 in 2018, compared with $60,289,168 in 2017. The costs incurred in 2017 were for non-capitalizable recovery expenses, as compared to 2018 which primarily were costs related to permanent work. The costs increased $60,289,168 in 2017 from zero in 2016.

Depreciation

There was no significant change in Depreciation Expense from 2017 to 2018. Depreciation Expense increased $4,668,326 to $16,254,144 in 2017, from $11,585,818 in 2016. The increase was mostly due to the depreciation of the George R. Brown Convention Center (GRB) expansion and new garage, which were put in service in late 2016.

The Corporation's Operating Loss, which includes the noncash charge of depreciation, totaled $38,179,815, $101,942,650, and $41,461,725 in 2018, 2017, and 2016, respectively.

3. Nonoperating Revenues (Expenses)

Transfers 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 transfers represent the HOT and pledged parking revenues remaining after debt service and other debt-related expenses, and the transfer of other remaining Department fund balances.

For 2018, the amount transferred from the Department was $89,370,399, an increase of $22,237,877 from 2017. Also included in the 2018 transfer was $14,427,915 for the Corporation's portion of insurance proceeds from Harvey and other claims. For 2017, the amount transferred from the Department was $67,132,522, a decrease of $5,020,135 from 2016.

The change for all years is in direct correlation with HOT revenues and parking revenues from Theater District parking garages at the City.

Sponsorship Expense

Sponsorship Expense decreased $9,327,963 in 2018 to $7,357,990 in 2018 from $16,685,953 in 2017. This expense increased $8,850,985 to $16,685,953 in 2017 from $7,834,968 in 2016. The decrease in 2018 and the increase in 2017 was primarily due to the Corporation's support for the Super Bowl event in 2017.

Transfers 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, 2018, 2017, and 2016, these payments totaled $18,546,544, $17,584,302, and $18,064,748 respectively. As the largest of these payments is based on HOT revenues, the increase of $962,242 in 2018 and the decrease of $480,446 in 2017 were directly related to the corresponding change in HOT revenues for those respective years.

Interest Expense

Interest Expense increased $6,771,735 in 2018 to $15,808,703, from $9,036,968 in 2017. The increase was primarily due to the Corporation's implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* which eliminated the capitalization of interest. Interest expense related to debt issued in November 2017 is recognized for the whole year of 2018 compared to 1.5 months in 2017 which contributes to the increase.

Interest Expense increased $524,793 in 2017 to $9,036,968 in 2017, from $8,512,175 in 2016. The increase was primarily due to the increase in notes payable and the cost of issuance from new debt offerings in 2017.

4. Completion of Construction Projects

In December of 2016, the Corporation concluded a major 36-month redesign and reconfiguration of the Convention District. The construction project was undertaken to create a space where people would congregate, one that would complement and integrate the nearby green space and one that would overcome the car-centric design prevalent in Houston. The approximately $172 million of projects included enhancements to the George R. Brown Convention Center, the streetscape directly in front and an office building and garage.

George R. Brown Convention Center

This approximately $48.5 million project created a 100,000-square-foot first floor concourse and atrium-like lobby. Highlighted by floor to ceiling glass walls looking out onto Discovery Green, the new space is not only functional for meetings, registration and events, it also provides literal transparency, allowing those inside to see the beauty of the park, the new Avenida Houston plaza, and the Downtown skyline, and those outside to see into the building and its activity. The project also connects the Convention Center via sky bridge to the new Marriott Marquis, creating a focal point between the Marquis and the 1,200-room Hilton Americas.

Avenida Houston

Outside of the Convention Center, the project created a new pedestrian plaza that spans the five blocks in front of the GRB. This area, and the broader area surrounding Discovery Green, is now called Avenida Houston. This was accomplished by eliminating several lanes of traffic in front of the Convention Center. The plaza is designed to tell the story of Houston's industrial and natural history, while creating the public square that the city has long needed. Within the landscaped plaza is the Wharf, an intimate special event space overlooking Discovery Green and the new *Wings Over Water* sculpture. The plaza space includes five new restaurants, four of which occupy space in the GRB.

Partnership Tower and Avenida North Garage

Located immediately north of the GRB, the ten-story, 139,000-square-foot Partnership Tower office building was designed to house the organizations responsible for marketing and promoting Houston. The building was substantially completed in September 2016.

With the office building, Houston First's goal was to encourage synergy between the major groups representing Houston that would result in improved promotion of the city. Tenants include the Greater Houston Partnership, the Hotel and Lodging Association of Greater Houston, the Harris County - Houston Sports Authority, Houston First and the Greater Houston Convention and Visitors Bureau. The building cost $41 million and the attached garage cost $59.3 million.

A 1,900-car garage connected to the east side of the Partnership Tower serves the building itself, the GRB, the Marriott Marquis and the broader Avenida Houston. The garage was built with a transit center to accommodate buses that once dropped off convention attendees in front of the GRB. A similar transit center is also now at the south end of the GRB in the Avenida South garage. Both transit centers offer covered direct access to the GRB. METRO's new southeast rail line serves both sides of the Partnership Tower along Rusk and Capitol streets.

The aforementioned projects combined with the financing assistance to Houston Convention Center Hotel, LLC were funded by $198 million from debt issuance and $36.1 million of cash from operations as described in Note 9. These investments were made in order to enhance the value of the City's Convention District, now rebranded as Avenida Houston, and to improve the marketability of Houston as a tourist and convention destination. All or most of these projects culminated in early February 2017, when Houston hosted Super Bowl LI. The new assets were integral in hosting a successful event during which over 150,000 out-of-town visitors enjoyed a full week of celebration where they experienced the hospitality of the culinary and cultural capital of the South.

HOUSTON FIRST CORPORATION

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

STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 33,523,925	$ 37,227,796
Cash and cash equivalents—restricted	715,898	4,675,000
Accounts receivable—net	10,341,603	10,159,885
Prepaid expenses and other assets	5,848,480	6,295,950
Deposits held by others—current	8,551,389	5,468,164
Short-term equity in pooled investments	30,840,237	51,308,633
Total current assets	89,821,532	115,135,428
NON-CURRENT ASSETS:		
Notes receivable	58,386,102	58,636,102
Equity in pooled investments—restricted	18,645,229	18,756,244
Property, plant, and equipment—net	439,927,783	401,194,510
Other assets—net	15,389,620	12,845,738
Total non-current assets	532,348,734	491,432,594
TOTAL ASSETS	622,170,266	606,568,022
DEFERRED OUTFLOW OF RESOURCES—Deferred amounts from debt refunding	4,171,840	4,455,970
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	37,369,834	47,493,602
Accrued interest	3,278,210	2,925,157
Accrued expenses	9,140,929	5,844,676
Due to City of Houston	25,953,618	27,766,612
Subordinated management fee	850,000	850,000
Current portion of notes payable	12,702,793	12,257,660
Current portion of unearned revenue	416,443	416,443
Total current liabilities	89,711,827	97,554,150
LONG-TERM LIABILITIES:		
Notes payable	445,253,100	432,330,893
Unearned revenue	7,723,722	8,060,757
Total long-term liabilities	452,976,822	440,391,650
Total liabilities	542,688,649	537,945,800
COMMITMENTS AND CONTINGENCIES (Notes 8, 10, 11 and 12)		
NET POSITION		
Net investment in capital assets	107,994,717	80,544,811
Restricted for debt service	366,708	167,081
Restricted—other (Note 2)	715,898	4,675,000
Unrestricted	(25,423,866)	(12,308,700)
TOTAL NET POSITION	$ 83,653,457	$ 73,078,192

See notes to the financial statements.

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES:		
Hotel revenues	$ 96,388,440	$ 85,212,181
Venue revenues	22,338,128	21,894,656
Parking revenues	14,394,721	11,112,728
Other operating revenues	3,667,437	3,164,259
Total operating revenues	136,788,726	121,383,824
OPERATING EXPENSES:		
Hotel expenses	38,223,923	34,737,078
Venue expenses	29,376,279	31,071,598
Parking expenses	8,589,231	8,697,558
Visit Houston expenses	24,077,586	25,585,747
General and administrative expenses	46,334,068	42,545,839
Enterprise development expenses	4,004,519	4,145,342
Hurricane Harvey costs	7,485,821	60,289,168
Depreciation and amortization	16,877,114	16,254,144
Total operating costs and expenses	174,968,541	223,326,474
OPERATING LOSS	(38,179,815)	(101,942,650)
NONOPERATING REVENUES (EXPENSES):		
Transfers from primary government	89,370,399	67,132,522
Sponsorship expense	(7,357,990)	(16,685,953)
Transfers to primary government	(18,546,544)	(17,584,302)
Interest expense	(15,808,703)	(9,036,968)
Interest income	1,097,918	452,502
Loss on capital assests disposal	-	(1,472,650)
Total nonoperating revenues	48,755,080	22,805,151
INCREASE (DECREASE) IN NET POSITION	10,575,265	(79,137,499)
NET POSITION—Beginning of year	73,078,192	152,215,691
NET POSITION—End of year	$ 83,653,457	$ 73,078,192

See notes to the financial statements.

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 148,484,093	$ 130,010,384
Cash payments to suppliers for goods and services	(100,297,653)	(93,386,639)
Cash payments to employees for services	(58,422,134)	(57,398,212)
Cash transfers from the City per agreements	87,593,367	90,400,645
Cash payments to the City per agreements	(18,546,544)	(17,584,302)
Cash payments for sponsorships	(7,357,990)	(16,685,953)
Cash payments for Hurricane Harvey costs	(14,955,935)	(42,370,394)
Net cash provided by (used in) operating activities	36,497,204	(7,014,471)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES—		
Payments for interest	(5,548,500)	(5,548,500)
Net cash used in non-capital financing activities	(5,548,500)	(5,548,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for interest	(11,480,680)	(5,382,328)
Principal payment on note payable	(9,565,000)	(21,830,000)
Proceeds from debt financing	24,790,000	62,240,000
Payment for debt issuance costs	-	(366,336)
Payment for deposits held by others	(3,083,225)	1,899,342
Acquisition of property, plant, and equipment	(60,950,101)	(20,031,161)
Net cash (used in) provided by capital and related financing activities	(60,289,006)	16,529,517
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	1,097,916	156,472
Purchase of investments	(57,470,218)	(69,503,674)
Proceeds from sales and maturities of investments	78,049,631	72,491,528
Net cash provided by investing activities	21,677,329	3,144,326
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,662,973)	7,110,872
CASH AND CASH EQUIVALENTS—Beginning of year	41,902,796	34,791,924
CASH AND CASH EQUIVALENTS—End of year	$ 34,239,823	$ 41,902,796

(Continued)

HOUSTON FIRST CORPORATION
(A Component Unit of the City of Houston, Texas)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (38,179,815)	$ (101,942,650)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	16,877,114	16,254,144
(Increase) decrease in accounts receivable—net	(181,718)	8,963,595
Decrease (increase) in prepaid expenses and other assets	447,470	(599,104)
(Increase) in other assets	(2,293,882)	(625,637)
Increase (decrease) in accounts payable	3,218,888	(3,182,563)
Increase in accrued expenses	2,727,463	405,615
(Decrease) increase in due to primary government	(1,812,993)	22,994,591
(Decrease) increase in accounts payable related to Hurricane Harvey costs	(7,470,114)	17,918,775
Nonoperating income (expenses):		
Transfers from City	89,370,399	67,132,522
Other City obligations	(18,510,583)	(17,310,771)
Sponsorship expense	(7,357,990)	(16,685,953)
Decrease in deferred revenue	(337,035)	(337,035)
Net cash provided by (used in) operating activities	$ 36,497,204	$ (7,014,471)
NONCASH TRANSACTIONS—Fair market value adjustment related to investments	$ (200,468)	$ (172,008)

See notes to the financial statements.

(Concluded)

1. ORGANIZATION

Houston First Corporation (the "Corporation") (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 various 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.

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 and all intercompany accounts and transactions are eliminated in consolidation.

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 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.

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 paragraphs 16-19 and 31. 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, including restricted cash and cash equivalents, as cash and investments that are highly liquid, with less than three-month maturities when purchased. Restricted cash and cash equivalents of $715,898 and $4,675,000 as of December 31, 2018 and 2017, respectively, represents monies expected to be utilized for tenant allowance. Such amounts are also recorded as other restricted net assets in the Statements of Net Position.

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 are 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 $1,201,028 and $505,785 as of December 31, 2018 and 2017, respectively.

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.

Investments—The Corporation participates in a City investment pool managed internally by City personnel. The 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 Standards Board (GASB or the "Board") 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.

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 10).

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. Expenditures 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. There were no impairment charges recognized by the Corporation during the years ended December 31, 2018 and 2017.

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 capitalizes interest expense on qualifying construction in progress expenditures based on an imputed interest rate estimating the Corporation's average cost of borrowed funds. Such capitalized interest becomes part of the cost of the related asset and is depreciated over its estimated useful life. The Corporation recorded capitalized interest totaling $0 and $4,757,058 for the years ended December 31, 2018 and 2017, respectively. Management elected to implement GASB 89, *Accounting For Interest Cost Incurred Before The End of A Construction Period,* in 2018. (see *New Accounting Pronouncements* section).

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.

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 cost of $3,144,362. 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 years ended December 31, 2018 and 2017 totaled $337,035, which is included in Parking revenues.

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

Transfers 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 "Transfers from primary government." The amount transferred from the Department was $89,370,399 and $67,132,522 for 2018 and 2017, respectively, and represents the HOT and parking revenues remaining after debt service and other related expenses were paid.

Transfers to Primary Government—As part of the Consolidation Interlocal Agreement, the Corporation agreed to make certain payments to the City for obligations previously paid directly by the Department. As of December 31, 2018 and 2017, these payments totaled $18,546,544 and $17,584,302, 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 amounts of assets and liabilities, 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*. 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 Statement No. 87 are effective for reporting periods beginning after December 15, 2019. The Corporation has not yet determined the impact of this pronouncement on its financial position, results of operations, or cash flows upon implementation.

In April of 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Corporation has determined there will be no effect on its financial position, results of operations, or cash flows upon adoption.

In June of 2018, the GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before The End of A Construction Period*. The primary objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Corporation adopted Statement No. 89 beginning January 1, 2018.

In August of 2018, the GASB issued Statement No. 90, *Major Equity Interests-An Amendment of GASB Statements No. 14 and No 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of Statement No. 90 are effective for reporting periods beginning after December 15, 2018.

3. CASH AND CASH EQUIVALENTS

The Corporation's cash and cash equivalents balance of $34,239,823 and $41,902,796 as of December 31, 2018 and 2017, respectively, are maintained in cash, demand accounts, escrow, and money market mutual funds. The accounts that comprise this balance are described below:

	2018	2017
Demand deposit accounts	$ 21,710,207	$ 26,485,130
Cash on hand	800,413	97,921
Money market	11,013,305	10,644,745
Restricted cash	715,898	4,675,000
Total	$ 34,239,823	$ 41,902,796

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. 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 and is uninsured. The Corporation's restricted cash is held in a third-party managed deposit accounts and is restricted as to its use under one of its leasing agreements (See Note 10).

4. EQUITY IN POOLED INVESTMENTS

Short-term Equity in Pooled Investments—As of December 31, 2018 and 2017, the Corporation's pooled investments included $30,840,237 and $51,308,633, respectively, 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 JP Morgan 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, and 2015, 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 8. 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 designated as debt service funds. All above-referenced funds are held in the City's investment pools. The balance of such accounts at December 31, 2018 and 2017 totaled $18,645,229 and $18,756,244, respectively.

As of December 31, 2018 and 2017, the Corporation's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

	December 31, 2018 Fair Value	Investment Maturities in Years Less than 1	1–5
City of Houston General Pool	$ 18,645,229	$ -	$ 18,645,229
TexSTAR	30,840,237	30,840,237	-
Total investment pools	$ 49,485,466	$ 30,840,237	$ 18,645,229

	December 31, 2017 Fair Value	Investment Maturities in Years Less than 1	1–5
City of Houston General Pool	$ 18,756,244	$ -	$ 18,756,244
TexSTAR	51,308,633	51,308,633	-
Total investment pools	$ 70,064,877	$ 51,308,633	$ 18,756,244

The Corporation's exposure to credit risk at December 31, 2018 and 2017 is presented below by investment category as rated by Standard & Poor's and Fitch:

	December 31, 2018 Fair Value	Rating
City of Houston General Pool	$ 18,645,229	AAA by Fitch
TexSTAR	30,840,237	AAAm by Standard & Poor's
Total investment pools	$ 49,485,466	

	December 31, 2017 Fair Value	Rating
City of Houston General Pool	$ 18,756,244	AAA by Fitch
TexSTAR	51,308,633	AAAm by Standard & Poor's
Total investment pools	$ 70,064,877	

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

1. Level one: 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 two: inputs (other than quoted prices included within level one) that are observable for an asset or liability, either directly or indirectly

3. Level three: unobservable inputs for an asset or liability

The Corporation invests in both the City of Houston general pool and TexStar investment pool.

The City of Houston 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 than discounted to calculate the fair values.

5. DEPOSITS HELD BY OTHERS

As discussed in Note 8, the Corporation closed a $125,000,000 mortgage loan with VALIC, (Variable Annuity Life Insurance Company), 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 10, and a reserve for furniture, fixtures, and equipment replacement and renewal. As more fully described in Note 10, the termination of the former Hotel Management Agreement in 2014 caused a corresponding release of the subordinated management fee reserves. As of December 31, 2018 and 2017, the deposits held by others included in the statements of net position totaled $8,551,389 and $5,468,164, respectively.

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 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 $58,636,102 and $58,886,102 as of December 31, 2018 and 2017, respectively, with $250,000 reported in current other assets in the balance sheets.

The scheduled payments on the loan are as follows:

Years Ending December 31	Total Payments
2019	$ 250,000
2020	250,000
2021	250,000
2022	250,000
2023	250,000
2024–2028	1,750,000
2029–2033	2,500,000
2034–2038	6,000,000
2039–2043	7,500,000
2044–2048	7,500,000
2049–2053	9,000,000
2054–2058	10,000,000
2059–2063	10,000,000
2064–2065	3,136,102
Total	$58,636,102

7. PROPERTY, PLANT, AND EQUIPMENT—NET

The changes in the Corporation's property, plant, and equipment for the years ended December 31, 2018 and 2017, were as follows:

	January 1, 2018	Additions/ Transfers	Retirements/ Transfers	December 31, 2018
Property, plant, and equipment, not subject to depreciation:				
Land	$ 14,824,298	$ -	$ -	$ 14,824,298
Construction in progress	15,890,164	38,609,548	(10,330,193)	44,169,519
Total property, plant, and equipment, not subject to depreciation	30,714,462	38,609,548	(10,330,193)	58,993,817
Property, plant, and equipment, subject to depreciation:				
Buildings and building improvements	460,892,677	26,330,765	-	487,223,442
Furnishings, software, and equipment	47,863,983	1,000,267	-	48,864,250
Total property, plant, and equipment, subject to depreciation	508,756,660	27,331,032	-	536,087,692
Less accumulated depreciation for:				
Buildings and building improvements	(101,409,554)	(13,864,772)	-	(115,274,326)
Furnishings, software, and equipment	(36,867,058)	(3,012,342)	-	(39,879,400)
Total accumulated depreciation	(138,276,612)	(16,877,114)	-	(155,153,726)
Total property, plant, and equipment—net	$ 401,194,510	$ 49,063,466	$ (10,330,193)	$ 439,927,783

	January 1, 2017	Additions/ Transfers	Retirements/ Transfers	December 31, 2017
Property, plant, and equipment, not subject to depreciation:				
Land	$ 14,824,298	$ -	$ -	$ 14,824,298
Construction in progress	81,965,952	14,111,579	(80,187,367)	15,890,164
Total property, plant, and equipment, not subject to depreciation	96,790,250	14,111,579	(80,187,367)	30,714,462
Property, plant, and equipment, subject to depreciation:				
Buildings and building improvements	378,009,011	83,941,586	(1,057,920)	460,892,677
Furnishings, software, and equipment	45,775,479	3,265,532	(1,177,028)	47,863,983
Total property, plant, and equipment, subject to depreciation	423,784,490	87,207,118	(2,234,948)	508,756,660
Less accumulated depreciation for:				
Buildings and building improvements	(88,274,403)	(13,283,597)	148,446	(101,409,554)
Furnishings, software, and equipment	(34,505,499)	(2,970,547)	608,988	(36,867,058)
Total accumulated depreciation	(122,779,902)	(16,254,144)	757,434	(138,276,612)
Total property, plant, and equipment—net	$ 397,794,838	$ 85,064,553	$ (81,664,881)	$ 401,194,510

The decrease in construction in progress costs in 2017 is a result of the Convention District projects being completed and placed in service in 2017.

8. NOTES PAYABLE

The Corporation's notes payable and related premium for the years ended December 31, 2018 and 2017 were as follows:

	January 1, 2018	Retirements/ Amortization	Additions	December 31, 2018
Notes payable:				
Notes payable—City of Houston	$302,620,000	$ (9,565,000)	$24,790,000	$317,845,000
Premium—net of discount	16,968,553	(1,857,661)	-	15,110,892
Total notes payable-City of Houston	319,588,553	(11,422,661)	24,790,000	332,955,892
Note payable—VALIC	125,000,000	-	-	125,000,000
Total notes payable	$444,588,553	$(11,422,661)	$24,790,000	$457,955,892

	January 1, 2017	Retirements/ Amortization	Additions	December 31, 2017
Notes payable:				
Notes payable—City of Houston	$262,210,000	$ (21,830,000)	$62,240,000	$302,620,000
Premium—net of discount	19,161,811	(2,193,258)	-	16,968,553
Total notes payable—City of Houston	281,371,811	(24,023,258)	62,240,000	319,588,553
Note payable—VALIC	125,000,000	-	-	125,000,000
Total notes payable	$406,371,811	$ (24,023,258)	$62,240,000	$444,588,553

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, 2020. The Corporation anticipates that it will refinance the VALIC loan in early 2020.

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

December 31	Principal	Interest	Total
2019	$ 20,920,000	$ 23,943,997	$ 44,863,997
2020	136,300,000	21,940,515	158,240,515
2021	13,595,000	21,316,473	34,911,473
2022	16,300,000	21,973,650	38,273,650
2023	16,195,000	20,600,355	36,795,355
2024–2028	144,820,000	75,526,005	220,346,005
2029–2033	84,235,000	47,917,095	132,152,095
2034–2038	33,585,000	23,482,500	57,067,500
2039–2043	11,100,000	1,634,900	12,734,900
2044–2045	1,965,000	78,600	2,043,600
Total	$479,015,000	$258,414,090	$737,429,090

On August 31, 2011, the City issued Convention & Entertainment Facilities Department Hotel Occupancy Tax (HOT) and Special Revenue Refunding Bonds, Series 2011A and 2011B, in the amounts of $116,735,000 and $137,725,000, respectively. The bonds mature in varying amounts from 2012 to 2033. The Series B Bonds were hotel-allocated bonds, and the proceeds were used to refund the hotel-allocated portion of the City's HOT and Special Revenue Bonds, Series 2001A, a portion of the Series 2001B, to convert a portion of the Series 2001C variable-rate debt to fixed-rated debt, and to fund an additional deposit to the debt service reserve fund. The Corporation's notes payable was similarly affected.

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 3.9%. 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% and 5% maturing in various amounts from 2015 to 2035, and $32,970,000 of Term Bonds with stated interest rates between 4% and 5% 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. 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 16.5% 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. As of December 31, 2018 and 2017, the City drew down $24,790,000 and $50,210,000 of the notes, respectively. The taxable variable rate is equal to 100% LIBOR+1.08%. The tax exempt variable rate is equal to 65.01% LIBOR+0.69%. The commitment fee is equal to 0.2%.

Of the total $317,845,000 notes payable to City of Houston, $172,695,000 of the principal balance relates to the City's fixed-rate bonds and carries interest rates ranging from 1.5% to 5.25%; $75,000,000 related to the flexible rate notes and the remaining $70,150,000 relates to the City's variable rate bonds and is issued as seven-day auction rate securities, with 10% being the maximum interest rate permitted. See Note 14 regarding the refunding of the variable rate bonds. The variable rate at December 31, 2018 and 2017 was approximately 3.35% and 1.56%, respectively. Fees on the variable-rate bonds are 0.07% per year for 2018 and 2017. Interest presented on the above payment schedule is calculated on the stated interest rate on the fixed-rate bonds and the interest rate as of December 31, 2018 and 2017, on the variable-rate bonds, plus expenses, for a total variable rate of 3.42% and 1.63%, respectively.

9. SUMMARY OF CASH FLOWS FROM OPERATIONS APPLICATION PRIORITY

Cash flows from hotel operations shall be applied to the following items in the following order of priority:

- First, to the payment of the note payable due to the City pursuant to the amortization schedule after taking into account all credits for tax rebates;
- Second, an amount equal to the excess of the preferred return over the current-year note payment shall be applied first to expenses of the Department and then to the corporate reserve fund, up to its defined maximum amount;
- Third, to the primary capital replacement reserve;
- Fourth, to the subordinated portion of the management fee;
- Fifth, to the secondary capital replacement reserve; and
- Sixth, unless otherwise directed by the president of the Corporation, to the City for deposit into the Convention and Entertainment Development Fund.

10. COMMITMENTS AND CONTINGENCIES

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.

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.

Preferred Return—In accordance with the Consolidation Interlocal Agreement and the Management Agreement, after meeting certain other funding and reserve requirements, the City can require the distribution of a preferred return from available cash flow (as defined) equal to the preferred return amount of $25 million per year, less the debt service for the applicable year. The preferred return is paid in the subsequent year and recorded as a distribution of net position when paid. In conjunction with the Consolidation, the preferred return payments are retained by the Corporation since the Department venues' operations were moved to the Corporation.

Lease Commitments—The Corporation is the lessor and sub-lessor of office space and retail space under various rental agreements that qualify as non-cancelable operating leases. The Partnership Tower is an office building that serves as the headquarters of the Corporation, with 43% of the building leased to other tenants. As of December 31, 2018, the office building has a total cost of $42,178,371, accumulated depreciation of $2,168,530, and a carrying value of $40,009,841. In addition, 0.64% of the Hotel is leased to a retail tenant operating as a restaurant. As of December 31, 2018, the Hotel building has a total cost of $243,690,687, accumulated depreciation of $94,085,823, and a carrying value of $149,604,864. The sub-lease agreements relate to assets that are leased from the City of Houston and are more fully described in Note 1. Future annual minimum rental income on all non-cancelable operating leases with a remaining term in excess of one year as of December 31, 2018 is as follows:

Years Ending December 31	Operating Leases
2019	$ 2,844,443
2020	3,076,572
2021	2,976,684
2022	3,016,086
2023 and thereafter	33,162,951
Total	$45,076,736

Certain rent concessions were granted in accordance with the aforementioned leases. Such concessions were capitalized and are being amortized on a straight line basis over the lease terms. As of December 31, 2018 and 2017, the unamortized balance of rent concessions included in Other Assets-Net was $8,874,844 and $5,950,194, respectively. For the years ended December 31, 2018 and 2017, the amortization expense included in Venue revenues was $425,457 and $104,918, respectively. Certain retail leases include contingent income that is earned when a percentage of the tenant's sales are higher than the minimum rent amount. Contingent income included in other operating revenues is $118,817 and $154,722 for the years ended December 31, 2018 and 2017, respectively.

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. As such, the Corporation selected a project manager in December of 2017, a designer, and a construction manager at risk in the first quarter of 2018 to fulfill this commitment. The majority of these costs are subject to reimbursement from the Federal Emergency Management Agency (FEMA). See Note 13 for further information.

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 twelve month campaign period, the City of Houston was selected by its fellow Council members to host the 23rd World Petroleum Congress in December 2020. 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 the date of this report, no expenses have been incurred and the Corporation is unable to estimate the guarantee.

11. 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.

12. CONVENTION SERVICES AGREEMENTS

The Corporation has agreements with various hotels to rebate their Hotel Occupancy Tax. 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 George R. Brown 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 agreements with Embassy Suites and Hampton Inn-Homewood Suites require that 100% of their Hotel Occupancy Tax paid will be paid back to them. Both hotels have agreed to provide HFC with room-blocks for various events in exchange for these agreements. The agreement with Embassy Suites expired on February 1, 2018 and was not renewed. The agreement with and Hampton Inn-Homewood Suites is valid until April 1, 2022.

The agreements with JW Marriott, Aloft Houston Downtown, LeMeridien, and Alessandra state that 50% of their Hotel Occupancy Tax paid will be paid back to them. The agreements with JW Marriot, Aloft Houston Downtown, LeMeridien 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 years ended December 31, 2018 and 2017.

	2018	2017
Embassy Suites	$ 845,177	$ 839,916
JW Marriott	765,427	740,277
Hampton Inn—Homewood Suites	789,333	435,547
Aloft Houston	205,330	34,106
Alessandra	23,993	-
LeMeridian	76,484	-
Total	$ 2,705,744	$2,049,846

13. HURRICANE HARVEY

During the third quarter of 2017, several properties managed by the Corporation on the City's behalf experienced flood-related damage as a result of Hurricane Harvey and its aftermath. The Corporation carries comprehensive property, casualty, flood, and business interruption insurance through the City. The Corporation recognized losses of approximately $1.5 million to write-off the net book value of damaged assets as of December 31, 2017, and incurred approximately $7.5 million and $60 million of non-capital expenses during the years ended December 31, 2018 and 2017, respectively. There were no write-offs of damaged assets recorded in 2018. As of December 31, 2018, the Corporation received $14,385,065 insurance proceeds for the damages, which is included in Transfers from primary government in the 2018 Statement of Revenues, Expenses, and Changes in Net Position. Insurance proceeds received are reflected as revenue in the period such proceeds are received.

The following list reflects the properties damaged as a result of Hurricane Harvey:

- Theater District Garages—located in downtown Houston, Texas
- Wortham Theater—located in downtown Houston, Texas
- Jones Hall—located in downtown Houston, Texas

The Theater District Garages and Jones Hall were temporarily closed but reopened in November 2017. Wortham Theater was closed and reopended in September 2018.

14. SUBSEQUENT EVENTS

On April 9, 2019, the City issued $106,320,000 of Convention & Entertainment Facilities Department Hotel Tax And Special Revenue and Refunding Bonds, Series 2019. This issue has a stated interest rate between 4% and 5% and matures in various amounts from 2020 to 2037. Proceeds were used to refund the City's outstanding Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue and Refunding Bonds, Series 2001 C1 and 2001 C2, totaling $70,150,000 and an additional $50,000,000 was used to finance certain capital project costs.

On May 2, 2019, the City entered into a financing arrangement for the City's Subordinate Lien Hotel Occupancy Tax and Parking Revenue Flexible Rate Notes, Series B ("Notes"). The Notes are available for financing on eligible projects, as needed, in an amount up to $50 million. No Notes were issued at the time of closing on the arrangement. The Notes are on parity with previously established Subordinate Lien Hotel Occupancy Tax and Parking Revenue Flexible Notes, Series A.

On May 20, 2019, the Corporation received $11,084,879 of FEMA proceeds from the City of Houston. These proceeds were used, in part, to pay off $10 million of Convention & Entertainment Facilities Subordinate Lien HOT and Parking Revenue Flexible Rate Notes, Series A. Receipt of additional FEMA proceeds are anticipated to be similarly used to pay off these and the City's Subordinate Lien Hotel Occupancy Tax and Parking Revenue Flexible Rate Notes, Series B.

To mitigate the potential financial impact of future disasters, the Corporation purchased additional stand-alone insurance covering the City-owned leased assets. The cost of this additional coverage is $3,239,305 with an effective date of April 2019. In addition, the Corporation has budgeted $2,700,000 for immediate mitigation efforts to protect vulnerable assets, while coordinating with FEMA for permanent mitigation.

* * * * * *

V. B – Sponsorship agreements with RCM Entertainment, L.P., d/b/a Lone Star Sports & Entertainment for the Advocare Texas Kickoff and Academy Sports & Outdoors Texas Bowl.

Consideration and possible approval of sponsorship agreements with RCM Entertainment, L.P., d/b/a Lone Star Sports & Entertainment for the Advocare Texas Kickoff and Academy Sports & Outdoors Texas Bowl games.

DESCRIPTION:

The AdvoCare Texas Kickoff Game and Academy Sports & Outdoors Texas Bowl are college football games played at NRG Stadium and televised nationally on ESPN. The Advocare Texas Kickoff game is played on Labor Day Weekend and the Academy Sports & Outdoors Texas Bowl game is played in between Christmas and New Year's Day. Both games have generated approximately $90 million in economic impact for the city each year.

Houston First Corporation ("HFC") has negotiated the terms of a sponsorship with Lonestar Sports & Entertainment ("LSSE") that will give Houston prominent positioning and national marketing exposure through millions of impressions and radio and television advertisements. Additionally, HFC will receive significant hospitality assets. Both games will also generate between 50,000-65,000 hotel room nights during periods that are generally slow for hotels.

The Greater Houston Convention Visitors Bureau ("GHCVB") and HFC have provided substantial sponsorship support for both games in the past and staff request that the Board approve sponsorship agreements for a one-year term in an amount not to exceed $300,000.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to sponsorship agreements with RCM Entertainment, L.P., d/b/a Lonestar Sports & Entertainment:

RESOLVED, that the Board of Directors of Houston First Corporation hereby authorizes the negotiation and finalization of Sponsorship Agreements (the "Agreements") with RCM Entertainment, L.P., d/b/a Lonestar Sports & Entertainment for the Advocare Texas Kickoff Game and Academy Sports & Outdoors Texas Bowl 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 Agreements; 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 Agreements 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 Agreements 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 Agreements to be executed hereunder; and

FURTHER RESOLVED, that the Agreements 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.

V. C – 2021 Convening Leaders Host City Agreement with the Professional Convention Management Association ("PCMA"), inclusive of Event Budget, for the 2021 PCMA Annual Meeting.

Consideration and possible approval of a 2021 Convening Leaders Host City Agreement with the Professional Convention Management Association ("PCMA"), inclusive of Event Budget, for the 2021 PCMA Annual Meeting.

DESCRIPTION: The Professional Convention Management Association ("PCMA") is the world's largest network of Business Event Strategists, including meeting professionals, CEOs, and suppliers for the meetings and convention industry with more than 7,000 members worldwide that represent the STEM, healthcare, education, finance, and the pharmaceutical industries. PCMA will hold its Convening Leaders event in downtown, Houston, Texas, January 10-13, 2021.

Houston First Corporation ("HFC") will enter into a Host City Agreement (the "Agreement") with PCMA, effective January 1, 2020 through December 31, 2021 that includes marketing opportunities and host city promotion during the Convening Leaders 2020 in San Francisco, California.

The Event Budget for the 2021 PCMA event is approximately $4 million dollars. HFC expects either all or a significant portion of the Event Budget to be paid via a new event specific Marketing Fund Agreement with participating Downtown Houston hotels through a nightly voluntary fee charged to hotel customers. The funds raised by the fee will be used to either directly pay for expenses for the PCMA event or to reimburse event expenses. Under no circumstances will HFC's contribution to the PCMA event exceed $4 million.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to the 2021 Professional Convention Management Association event:

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

(i) the negotiation and finalization of the 2021 Convening Leaders Host City Agreement with the Professional Convention Management Association ("PCMA") related to the 2021 PCMA Annual Meeting to be held in Houston, Texas;

(ii) the Corporation to fund an amount not to exceed $4 million toward the Event Budget; and

(iii) the negotiation and finalization of any and all agreements necessary or desired for the PCMA event in an amount not to exceed $4 million dollars;

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 the 2021 Convening Leaders Host City Agreement as well as any other necessary or desired agreements for the 2021 PCMA event (collectively the "Agreements"); 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 Agreements 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 Agreements 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 Agreements to be executed hereunder; and

FURTHER RESOLVED, that the Agreements 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.

V. D – Agreement with the International Association of Exhibitions and Events ("IAEE") for the 2023 Annual Meeting & Exhibition to be held in Houston, Texas, inclusive of the Event Budget.

Consideration and possible approval of an agreement with the International Association of Exhibitions and Events ("IAEE") for the 2023 Annual Meeting & Exhibition to be held in Houston, Texas, inclusive of the Event Budget.

DESCRIPTION: The International Association of Exhibitions & Events ("IAEE") is the largest association of the exhibitions and events industry in the world, with a membership of show organizers, exhibitors and exhibition suppliers. Organizers of more than 20,000 exhibitions and buyer-seller events around the world are members of IAEE and produce an array of meetings and events ranging from board meetings to large scale exhibitions. The IAEE will host its Annual Meeting & Exhibition at the George R. Brown Convention Center in downtown, Houston, Texas, December 5-7, 2023.

Houston First Corporation ("HFC") will enter into a Host City Agreement with IAEE for the 2023 Annual Meeting & Exhibition and request approval of the Event Budget in an amount not to exceed $867,000.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to the 2023 International Association of Exhibitions and Events Annual Meeting & Exhibition:

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

- (i) the negotiation and finalization of the 2023 Host City Agreement with the International Association of Exhibitions and Events ("IAEE");
- (ii) the Corporation to fund an amount not to exceed $867,000 toward the Event Budget; and
- (iii) the negotiation and finalization of any and all agreements necessary or desired for the IAEE event in an amount not to exceed $867,000

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 the 2023 Host City Agreement as well as any other necessary or desired agreements for the 2023 IAEE Annual Meeting & Exhibition (collectively, the "Agreements"); 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 Agreements 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 Agreements 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 Agreements to be executed hereunder; and

FURTHER RESOLVED, that the Agreements 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.

V. E - Valet Parking Services Agreement with Sovereign Services of Houston, Inc. at the Hilton Americas-Houston Hotel.

Consideration and possible approval of a Valet Parking Services Agreement with Sovereign Services of Houston, Inc. at the Hilton Americas-Houston Hotel.

DESCRIPTION: Houston First Corporation ("HFC") issued a Valet Parking Services Request for Proposals ("RFP") on April 8, 2019 for experienced valet service contractors at the Hilton Americas-Houston Hotel located at 1600 Lamar Street Houston, Texas 77010.

HFC received proposals from PMSI Parking Management Services Inc., Prestige Valet Houston, Sovereign Services of Houston, Inc. and Towne Park, LLC. All four proposers participated in interviews with the HFC selection committee and upon reevaluation of all proposals, the contractor that received the highest score was Sovereign Services of Houston, Inc.

HFC will enter into a Valet Parking Services Agreement with Sovereign Services of Houston, Inc. for a term of five years, effective July 1, 2019 through June 30, 2024. HFC received a best and final offer that includes an annual At-Risk Management Fee in the amount of $199, 588.00 and the cost of labor for each position required based upon the hourly rates set under the agreement. Sovereign Services will also make good faith efforts to meet a 6% diversity goal under the contract.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to Sovereign Services of Houston, Inc.:

RESOLVED, that the Board of Directors of Houston First Corporation hereby authorizes the negotiation and finalization of a Valet Parking Services Agreement ("Agreement") with Sovereign Services of Houston, 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.

V. F – Harrison Kornberg Architects LLC., and ARUP, Texas Inc., a joint venture, for two new task orders for the continued repair and replacement of damages to the Wortham Theater and District Parking Garage due to Hurricane Harvey.

Consideration and possible approval of reallocated funding for Harrison Kornberg Architects LLC and ARUP, Texas Inc., a joint venture, for two new task orders for the continued repair and replacement of damages to the Wortham Theater and Theater District Parking Garage due to Hurricane Harvey.

On February 15, 2019, the Houston First Board approved a reallocation of funding for the Construction Agreement with Manhattan Construction Services and a resultant increase to the guaranteed maximum amount ("GMAX") of $73,677,524. Upon reconciliation of allowances and contingencies for the Project, HFC has determined that a reduction in Manhattan's contract by approximately $540,000 is appropriate. Similarly, HFC has terminated the Project Management Services Agreement with Turner Construction Company, effective June 30, 2019 to realize use of approximately $800,000 in savings. HFC has however retained the services of sub-contractors under the agreement to provide FEMA consulting services.

Houston First has reallocated the funds saved and issued two task orders with the joint venture, Harrison Kornberg Architects, LLC and ARUP, Texas Inc. (collectively, "Firm") as an addendum to the Recovery Architectural Services Agreement, effective December 13, 2017. The Firm will provide additional services that include value-management design changes, construction administration services, and completion of garage mitigation documents through November 2019. An additional task order will be issued for FEMA related services under a separate agreement between the Firm and Wendorff Beward & Partners.

There is no increase to the overall project budget of $152, 084, 810 and Houston First does not foresee any further funding or contract extensions at this time.

RESOLVED that the Board of Directors of Houston First Corporation approves the following resolutions with respect to Harrison Kornberg Architects LLC and ARUP, Texas Inc., a joint venture:

RESOLVED, that the Board of Directors of Houston First Corporation hereby approves and authorizes (i) the reallocation of funding as set forth above; (ii) the resultant task order for FEMA related services in the amount of $500,000; (ii) the resultant task order for additional services under the Recovery Architectural Services Agreement ("Agreement") in an amount not to exceed $840,000 and (iii) an extension of the Agreement through November 30, 2019; 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 Contract Amendments, Task Orders, Directives or other documents (collectively the "Transaction Documents") as may be required to effectively document the reallocation of funding and Agreement extension; 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 Transaction 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 Transaction Documents 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 Transaction Documents to be executed hereunder; and

FURTHER RESOLVED, that the Transaction Documents 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.

V. G – Avenida South Garage

Consideration and approval of funding for remediation and any required repairs to the Avenida South Garage resulting from the Memorial Weekend fire incident.

DESCRIPTION: On May 26, 2019 at approximately 4:20 p.m. security from the Avenida South Parking Garage ("Parking Garage") and Hilton Americas-Houston Hotel ("Hotel") discovered smoke coming from the 8th floor of the Parking Garage. The Houston Fire Department was immediately dispatched and upon arrival determined that multiple vehicles and the AT&T cell tower located on the 8th floor were on fire. The incident was contained and the fire department was able to safely secure the area at approximately 6:15 p.m.

As a result of this incident, Houston First Corporation ("HFC") is involved in an on-going investigation into the origin and cause of the fire and has filed an insurance claim with the insurer for the Hotel, Affiliated FM Insurance Company. No individuals were injured as a result of the fire incident; however, four vehicles, the AT&T cell tower and cell tower platform, and the Parking Garage structure, including the adjoining skybridge, sustained significant damage.

HFC must address the necessary repairs to the Parking Garage to ensure the safety and structural integrity of the facility, including repairs to the concrete structure and smoke remediation in the skybridge. HFC requests approval of all funding and necessary agreements for remediation and required repairs to the Parking Garage in an amount not to exceed $1.5 million. HFC has a $250,000 deductible per occurrence. The remainder of repair costs will be reimbursed through the insurance process.

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to remediation and required repairs to the Avenida South Garage:

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

(i) approval of funding for various agreements related to the remediation and repair of Avenida South Garage, including the skybridge, in an amount not to exceed $1.5 million; and

(ii) the negotiation and finalization of any and all agreements necessary or desired to complete remediation and repairs in an amount not to exceed $1.5 million

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 any and all agreements necessary or desired to complete remediation and necessary repairs to the Avenida South Garage (collectively, the "Agreements"); 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 Agreements 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 Agreements 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 Agreements to be executed hereunder; and

FURTHER RESOLVED, that the Agreements 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.

VII. H – Chief Executive Officer of the Greater Houston Convention & Visitors Bureau

Consideration and approval of search criteria for the guidance and selection of candidates for the position of President and Chief Executive Officer of the Greater Houston Convention & Visitors Bureau.

For searches other than the initial search for the President and Chief Executive Officer of the Greater Houston Convention & Visitors Bureau (GHCVB), the Services Agreement between Houston First and the GHCVB includes a provision that the Houston First Board will first approve search criteria and, then in a future Board meeting, the candidate selected for the position. In reviewing the present duties and responsibilities of the position of President and Chief Executive Officer, the following qualifications have been identified:

- Able to dynamically represent the Houston region worldwide as the "Face of Houston Hospitality"
- Exhibits a passion for Houston and can articulate the appeal of the Houston experience to convention attendees and tourists alike
- Provides an immediate impact with a minimal learning curve
- Ability to positively represent the Houston region on national trade association boards and committees
- Is a compelling speaker on behalf of the Houston hospitality and travel industries
- Able to develop and maintain external and internal credibility
- Is multilingual
- Expected to travel frequently domestically and internationally to elevate Houston as a travel destination
- Demonstrates significant and proven financial experience overseeing complex budgets and projects
- Exhibits the ability to provide oversight of all GHCVB accounts, finances and budgets
- Ability to proactively establish business strategies and priorities for the destination management departments
- Capable of working with the regional hospitality community to respond timely to their needs to maintain their competitive edge
- Effectively able to promote and maximize interdepartmental collaboration
- Able to synchronize business strategies to increase value to the hospitality community and Houston First
- Willingness to represent Houston First on the Boards of the GHCVB, HLAGH and HCHSA

RESOLVED, that the Board of Directors of Houston First Corporation approves the following resolutions with respect to the Greater Houston Convention & Visitors Bureau position of President and Chief Executive Officer:

RESOLVED, that the Board of Directors of Houston First Corporation hereby authorizes the above qualifications for selection of candidates for the position of President & Chief Executive Officer of the Greater Houston Convention & Visitors Bureau 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.

Houstonfirst

86th Legislative Session Recap

The 86th session of the Texas Legislature concluded on May 27th, 2019. Of the more than 10,600 bills filed during session, Houston First staff actively tracked nearly 300 bills that would have impacted HFC operations. What follows are key areas from HFC's legislative agenda and the results for each area.

1. Protect HOT revenue: Reducing or weakening statutory restrictions will diminish our ability to secure convention and tourism business at a time when Houston First is successfully promoting the area for this type of business.

   Result: 61 bills were filed that sought to amend the section of the Texas Tax Code related to municipal hotel tax; many of which would have allowed for broader use of municipal HOT for what are typically general government functions. HFC staff worked with our partners to oppose these bills, and ultimately, none of those bills that would have adversely impacted HFC were adopted.

2. Improve state film incentives funding: Support legislation that, at minimum, returns funding for incentives to previous levels, and improves the menu of incentives offered to film and TV producers. In 2015, the Legislature drastically reduced funding for the statewide film incentive program from $95 million to $32 million per biennium, and funding for the program was further reduced in 2017 to $22 million for the subsequent biennium. A robust state film incentive program can increase the number of film and video projects shot in the Houston area, contribute to the expansion of the local film culture, and support a sustainable industry-specific infrastructure.

   Result: HFC successfully lead an effort to increase funding for the Texas Moving Image Industry Incentive (TMIIIP) for the 2020-2021 biennium. Funding was increased from the previous biennium of $22 million to $50 million for the TMIIIP.

3. Protect the integrity of Major Events Reimbursement Program and Events Trust Funds: Texas has established event trust funds to allow cities to offset the costs of hosting sporting and non-athletic events.

   Result: Successfully advocated for maintaining the status quo, which allows HFC to access these important tools that provide additional funding options for major events and conferences.

4. Oppose legislation that negatively impacts visitor perception of Texas, and that may diminish the willingness or ability of groups to travel to Texas. Support efforts to preserve Texas' competitiveness in attracting business and leisure travelers, as well as large events such as the NCAA Final Four and the NFL Super Bowl.

   Result: A number of bills were filed to codify one's ability to deny service to a class of persons based upon a sincerely held religious belief. Additionally, there were three bills filed that would have obviated local non-discrimination ordinances. Ultimately, the only bill that was passed and signed by the Governor was the so-called "Save Chick Fil A" bill, which prevents the government from taking an adverse action against a person or company based upon their affiliation with, or donation to, a religious organization.

5. Oppose legislation that limits or eliminates access to innovative technologies aimed at improving visitor experiences to Houston: including restrictions on Transportation Network Companies, short-term rental platforms, high-speed rail, and autonomous vehicles.

   Result: Bills that would have had a negative impact on the prospects of high-speed rail in Texas were defeated, as were bills that could have made Texas less welcoming for short-term rental platforms and that would have limited new personal transportation options.

6. Full Funding for Texas Tourism: State tourism promotion is a self-funded program with a dedicated funding source. By statute, funding for the program comes from only 1/12th (approximately $47 million in FY 2018) of the state's six percent HOT. The remaining 11/12 (~$500 million) helps fund non-tourism related state programs. The amount dedicated to tourism promotion produces more than an 8 to 1 return on each dollar spent attracting visitors to Texas. This return is only possible if the current funding is preserved.

   Result: The budget for the 2020-2021 biennium increased funding from $34 million to $110.2 million for Texas Tourism.

Houston First Corporate Community Investment Sponsorship 180 Day Summary (March - September 2019)

- **Upcoming Events (90 days)**

Event Date	Organization Name	Event Name	Event Type/Requested Attire	Reserved Seating	Cash Investment	Value of In-Kind Investment	Primary Demographic Served (Self Identified)
6/25/2019	Transportation Advocacy Group - Houston	Mayor Turners State of Mobility	Luncheon/Business	8	$1,500	$0	Non-specified
8/22/2019	Houston Hispanic Chamber	Members Café & Business Expo	Breakfast/Business	8	$5,000	$0	Hispanic
9/11/2019	Houston Minority Supplier Development Council	Early Bird Energizer Breakfast	Breakfast/Business	15	$0	$36,500	Non-specified
9/11/2019	Houston Minority Supplier Development Council	Rigel Awards	Luncheon/Business	15	$0	$0	Non-specified
9/11/2019	Houston Hispanic Chamber	Hispanic Impact Summit	Reception/Presentation/Business	4	$0	$0	Hispanic
9/14/2019	US Mexico Chamber	Annual Gala	Gala/Black Tie	10	$5,000	$0	Non-specified

- **Past Events (90 days)**

Event Date	Organization Name	Event Name	Event Type/Requested Attire	Reserved Seating	Cash Investment	Value of In-Kind Investment	Primary Demographic Served (Self Identified)
3/22/2019	Houston Hispanic Chamber of Commerce	Women's Leadership Conference Expo	Expo/Business	4	$2,500	$0	Hispanic
3/27/2019	Hotel Lodging Association of Greater Houston	Luncheon	Luncheon/Business	10	$350	$0	Non-specified
4/6/2019	Voila Lab	Nuit Blanche Houston (Sleepless Night)	Art Installations/Casual	15	Tourism Incentive Program	$0	Non-specified
4/11/2019	Center for Houston's Future	Annual Luncheon	Luncheon/Business	10	$3,500	$0	Non-specified
4/11/2019	Hotel Lodging Association of Greater Houston	Luncheon	Luncheon/Business	10	$350	$0	Non-specified
4/11/2019	Houston Business Journal	Landmark Awards - Wortham Theater	Dinner/Business	10	$5,000	$0	Non-specified
4/23/2019	Greater Houston Partnership	State of the Senate	Luncheon/Business	10	$2,500	$0	Non-specified
4/24-26/19	African American Mayors Association	Various Events	Business	10	$5,000	$0	Black or African American
4/25/2019	Hermann Park Conservancy	Evening in the Park	Gala/Black Tie	10	$0	$1,500	Non-specified
4/26/2019	Houston Hispanic Chamber of Commerce	Annual Luncheon	Luncheon/Business	10	$5,000	$0	Hispanic
4/27/2019	Alley Theater	La Grande Mascaraed Ball	Ball/Black Tie	10	Multi Layered Sponsorship	$0	Non-specified
5/13/2019	Hotel Lodging Association of Greater Houston	Golf Tournament	Tournament/Golf Attire	4	$5,000	$0	Non-specified
5/13/2019	Kinder Institute	Annual Luncheon	Luncheon/Business	10	$2,500	$0	Non-specified
5/17/2019	Latin Women's Initiative	Annual Luncheon & Fashion Show	Luncheon/Business	10	$3,000	$0	Hispanic
5/20/2019	Greater Houston Partnership	State of the City	Luncheon/Business	10	$4,000	$0	Non-specified
6/6/2019	Women Business Enterprise Alliance Expo	Awards Luncheon	Luncheon/Business	8	$0	$41,000	Non-specified
6/11/2019	Greater Houston Black Chamber	2nd Tuesday with the Chamber	Luncheon/Business	8	$1,500	$0	Black or African American
6/13/2019	Houston Business Journal	40 Under 40 Awards	Reception/Business	6	$2,500	$0	Non-specified
6/15/2019	Houston Area Urban League	Equal Opportunity Day Gala	Gala/Black Tie	10	$3,000	$0	Black or African American
6/15/2019	Indo American Chamber of Commerce	Annual Gala	Gala/Black Tie	10	$5,000	$0	Asian
6/18/2019	Hotel Lodging Association of Greater Houston	Luncheon	Luncheon/Business	10	$350	$0	Non-specified
6/19/2019	Texas Tribune	Post 86th Legislature	Luncheon/Business	12	$0	$3,500	Non-specified

June 2019 PO Report ($50,000-$250,000)

Orange Flood Control LLC

PO #5338

WBE certified company and an authorized distributer of Flood Risk America EZ Panel Flood Barriers and Muscle Wall Temporary Flood Protection System.

Retained to provide shop drawings, and all materials required for the Wortham Theater District Temporary Flood Protection Project.

Selection Process-Texas Interlocal Purchasing System Cooperative Purchasing Contract TIPS #181101

Total PO amount of $185,685 includes 328 LF of Muscle Wall, installation of 225 square feet of FRA equipment, delivery and on-site deployment training.

MEK Floors

PO #5372

Founded in 1974. Houston based, COH certified SBE/WBE.

Jones Hall Carpet Replacement-Stairs, Landing and Common Areas.

Selection Process-State of Texas Contract #TXMAS-18-7201

PO amount of $122,093, includes removal of existing, floor prep, materials, and installation of 2080 SY of Milliken Sendal 136 Broadloom Custom Carpet.

Houston Public Media

PO #5387

TV 8/PBS, News 88.7/NPR

Radio and Digital Video Sponsorship Agreement for Cultural Heritage & Key Anniversaries Content. Houston Public Media will produce the following campaigns, May: Asian Pacific Heritage Month, June: Pride Month, July: Lunar Landing 50th Anniversary, and September: Hispanic Heritage Month

Selection Process-Media Sponsorship Agreement signed 4/18/19

PO total $50,000, includes production and radio campaign consisting of twenty 60 second spots per month for 4 months on News 88.7. Digital video campaign includes production, content delivery, banner campaign, landing page, and social media.