

# MINUTES

## HOUSTON FIRST CORPORATION

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**HOTEL COMMITTEE**  
**November 16, 2020 - 3:00 P.M.**  
**Live Video and Audio Conference Meeting**

*The Hotel Committee ("Committee") of Houston First Corporation (the "Corporation" or "HFC"), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV'T. CODE ANN. §394.001 et seq., posted a meeting via Live Video and Audio Conference, on Monday, November 16, 2020, commencing at 3:00 p.m.*

*In accordance with the modified Texas Open Meetings Act provisions announced by Texas Governor Greg Abbot on March 16, 2020, the Agenda was posted for public information, at all times, for at least 72 hours preceding the scheduled meeting time online at <https://www.houstonfirst.com>.*

The Committee Chair called the meeting to order at 3:00 p.m. and a quorum of Committee Members was established with the following members present virtually: Nicki Keenan (Chair), George DeMontrond (Co-Chair), Katy Caldwell, David Mincberg, and Paul Puente. Sofia Adrogué was also in attendance.

1. **Public Comments.** None.
2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the meeting minutes of June 8, 2020 were approved as presented unanimously. Alex Brennan-Martin and David Solomon were not present for the vote.
3. **Committee Business.**
  - A. *Consideration and possible recommendation of the 2021 Hilton Americas-Houston Hotel Budget.*

Michael Heckman, HFC Acting President & CEO, explained that 2021 will be a transitional year as things become normalized. From both a business travel perspective and convention perspective, he said, the first half of the year will be soft. The latter half of the year, he noted, is expected to have more business, but the attendance is still uncertain, and staff assume that attendance will be approximately 50% going forward. He added that HFC's focus will be value creation for the organization and more broadly the destination. Mr. Heckman then introduced Frank Wilson, HFC Chief Financial Officer.

Mr. Wilson stated that HFC has been working on strategic planning quite aggressively and one of the priorities for the Finance & Administration Department is robust forecasting. He also stated that it is likely HFC could revise its budget, but he is working

closely with the Hilton team who also plans to do a budget reforecast in April 2021. He then returned control to Mr. Heckman.

Mr. Heckman introduced Jacques D'Rovencourt, General Manager of the Hilton Americas-Houston Hotel (Hotel), and asked that he introduce the members of the Hilton team.

Mr. D'Rovencourt introduced Cynthia Mondragon, Director of Revenue, Deanne Kelly, Hotel Manager, Elizabeth Woods, Director of Finance, and Andrew Hatton, Director of Sales and Marketing. He also introduced members of the Hilton regional team located in Chicago, who joined the meeting via video conference, including Tom Loughlin, Area Vice President of Hilton Worldwide, Kush Minhas, Regional Finance Director, and Nancy Lally, Regional Director of Human Resources.

Mr. D'Rovencourt began his report with the 2020 year-end forecast. He noted that cancellations have continued to mount and revenues and net income are below projections for the end of the year. The Texas Army National Guard, he said, continues to extend their stay at the Hotel and is expected to produce a total of 32,000 room nights. He added that the Hotel welcomed utility workers and FEMA personnel during Hurricane Laura and Hurricane Delta, which added an additional 3,000 room nights to the forecast. Mr. D'Rovencourt said they hosted the Texas Bar Association in early September and experienced an increase in transient weekend demand once stay-at-home orders were lifted allowing them to host a variety of events in October and November.

Mr. D'Rovencourt said they were able to recoup cancellation fees from groups that cancelled in first quarter 2021 and received a credit due to a credit card settlement that is also reflected in the forecast. He added that they also absorbed additional benefit expenses for a period of two months for union members. The Hotel, he said, continues to operate with a number of services suspended, such as valet parking, room service, use of the Executive Lounge, spa, and the main restaurant. Pappasito's Cantina has been closed since March, according to Mr. D'Rovencourt, though he expects it to re-open soon with a modified schedule. He explained that 82% of the hotel workforce remains on furlough through the balance of the year. The Hotel, he said, has retained positive net income thus far, but will likely need cash by the end of the year to cover first quarter 2021.

Mr. D'Rovencourt explained that the Hilton CleanStay and Hilton EventReady initiatives were launched and the guestroom renovation was completed and has improved the Hotel's market share performance year-over-year. Despite the pandemic, he added, the Hotel also continues to rank high in guest experience and overall cleanliness. Mr. D'Rovencourt then asked Cynthia Mondragon to provide the most recent Smith Travel market report.

According to Ms. Mondragon, year-to-date, the Hotel has successfully and consistently grown the RevPar index for market share and finished at 114.1 RPI, up 13.5% year-over-year. The Hotel, she said, has also finished at 2 of 7 in RevPar rank year-to-date, and market share growth continues to be driven by occupancy index as a result of a healthy group base, such as the Texas Army National Guard. Year-to-date, said Ms. Mondragon, the Hotel's occupancy rank is 1 of 7. On the transient front, she said, weekend occupancy continues to run higher than midweek due to short-term leisure

demand and this trend has continued since May. She noted that the Hotel continues to see similar achievements in RPI gains throughout October and expects this will continue through the end of the year, and that, in October, the preliminary start was 144.3 occupancy index and growth year-over-year.

Nicki Keenan stated as devastating as this year has been, the fact that the Hilton hosted the Texas Army National Guard and capitalized on weekend leisure business is noteworthy on a competitive set level.

Mr. D'Rovencourt then discussed the 2021 budget. He noted that he worked with the Hilton regional team and reviewed national and local data to complete the budget. He said that the budget assumes the following: Leisure travel will lead recovery, corporate business travel will be gradual, large conventions and city-wide programs will not take place until the latter half of the year, small- to mid-size corporate groups will begin to meet by second quarter, the social market will rise as will local catering revenues, and CleanStay and Hilton EventReady will continue to be a focus. There is an enormous amount of uncertainty going into 2021, he noted, so the Hilton team has agreed to reforecast the budget in March or April of 2021, which he said will be presented to the Hotel Committee.

Mr. D'Rovencourt said the Hotel's priorities for 2021 are to support HFC's theme of value creation. He said they will pursue medical, government, and education-related business. He noted that Hilton has launched Workspace by Hilton, to use guestrooms as office space, and they will also solicit business from airline crews. The Hotel, he said, is committed to reenergizing Avenida Houston and recently held a meeting with HFC and the Marriott Marquis to discuss matters further. Additionally, according to Mr. D'Rovencourt, the Hotel will continue to focus on overall customer experience through satisfaction surveys and leverage renovated hotel products. Mr. D'Rovencourt informed the Committee that the Hotel engaged a social media influencer and they are using social media to promote partnerships with the Rustic and Discovery Green. The Hotel, he said, hopes to increase its partnerships with other businesses located on Avenida Houston and EADO. He noted that the Hotel is also one of 10 Hilton locations piloting Hilton EventReady site inspections in order to showcase the Hotel and the Hilton's commitment to safe and clean meetings.

Mr. D'Rovencourt then shared the 2021 budget that he said reflects 25.7% occupancy with 113,000 occupied rooms and assumes no city-wide conventions in the first quarter of 2021 as well as 50% performance from group business from second quarter through fourth quarter. Group room nights, he noted, are 49,000 and ADR will improve, but remain well below 2019. The budget, he noted, also includes 63% of transient room nights and gradual improvements to business travel to 85% of 2019 figures by year end. Mr. D'Rovencourt acknowledges the contributions of local catering business to total food and beverage revenues are equal to 60%. He said that the management team count for 2021 is 26 and in 2019 was 68.

The total number of active team members for 2021, according to Mr. D'Rovencourt, is projected at 161, compared to 547 in 2019. Valet parking services, he added, will resume in April 2021, but the 1600 Bar and Grill will remain closed along with in-room dining and the Executive Lounge, which will be used as meeting space as needed. The spa, he noted, will be re-opened based on demand and the Starbucks and lobby bar will remain open. The Hotel, he said, does not intend to recover the same amount

of cancellation fees in 2021 as 2020. He further noted that the Hotel's management fee has been reduced year-over-year, but property insurance is expected to increase. Mr. D'Rovencourt then opened the floor for questions.

Paul Puente stated that the plan appears solid and he applauds the work of the Hilton team given the uncertainty of 2021.

Nicki Keenan stated she also agrees with the philosophy and budget put forth by the Hilton team, but asked how business will look in 2022. Andrew Hatton stated he did not have the information readily available, but that he will produce the information for the Committee.

George DeMontrond stated he wonders what the new normal will look like now that people have gotten used to virtual meetings. Ms. Keenan stated that she believes the meetings industry will return, but hybrid meetings will exist for some time even after a vaccine is in place. She also said she anticipates recovery will take place in September 2021 and beyond. Mr. DeMontrond added that, even with the same number of meetings, he is curious to see how many companies will offer a streaming component and the impact on overall attendance.

Michael Heckman stated he participated in a meeting with the customer advisory board that included a number of corporate associations and meeting planners. According to Mr. Heckman, there will be some level of live streaming for lectures, but several meeting planners stated that they see no value in a completely virtual experience because it is difficult to monetize.

Mr. Hatton addressed Ms. Keenan's earlier question and explained that the Hotel is at 91% from a revenue standpoint in 2022. Ms. Keenan stated that those figures are consistent with industry trends and serve as a good indicator that people intend to meet in-person in 2022.

Frank Wilson stated that based on the data he has reviewed, late 2023 reflects pre-pandemic levels of hotel stays.

Ms. Keenan stated that a return in business travel is also vital, especially in the central business district based on information provided by Cindy Decker, HFC Vice President of Market Strategy.

Mr. D'Rovencourt continued with his presentation and briefly discussed the 2021 Capital Plan. In conclusion, he shared a video for the Hilton EventReady program that is shared with clients during virtual site visits.

George DeMontrond asked if the cash requested by the Hotel was included in the budget process. Mr. D'Rovencourt explained that the Hotel has simply made a request to HFC for cash to cover operating expenses. The Hotel management team, he said, believed there was a need for cash in October and things improved so they continue to monitor the situation. Mr. Wilson stated that he keeps in close contact with the Hilton and the request is built into his cash flow model.

Following a motion duly seconded, a recommendation of the 2021 Hilton Americas-Houston Hotel Budget was approved unanimously.

Mr. D'Rovencourt stated that it has been difficult for so many people and he is aware that challenging times lay ahead. However, he said, with the strength of the Hilton team, brand, and product along with the support of HFC, the Sales team at Visit Houston and the hospitality community, the Hotel remains very optimistic of its recovery and is appreciative of all of the support.

Mr. DeMontrond asked if the Hilton employees that have been furloughed will be available for rehire. Mr. D'Rovencourt stated that it will be on case-by-case basis, but the Hotel may have to hire new team members.

Ms. Keenan stated that she has deep respect for the Hilton team. She stated that they are a proficient and professional hospitality team and the heart of the hospitality industry lies within them. Although 2021 will be a difficult year, she added, business will return.

4. **Adjournment.** The meeting was adjourned at 3:42 p.m.