

# MINUTES

## HOUSTON FIRST CORPORATION

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**Operations Committee Meeting  
November 8, 2021 – 1:30 P.M.  
Partnership Tower, 701 Avenida de las Americas, Suite 200  
Houston, Texas 77010  
HOUSTON FIRST BOARD ROOM**

*The Operations Committee (“Committee”) of Houston First Corporation (the “Corporation” or “HFC”), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV’T. CODE ANN. §394.001 et seq., held a meeting at Partnership Tower, 701 Avenida de las Americas, Suite 200, Houston, Harris County, Texas 77010 on Monday, November 8, 2021, commencing at 1:30 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 Committee Members participated in the meeting: Desrye Morgan (Chair), Alex Brennan-Martin, Meg Booth, Dean Gladden, Council Member David Robinson, and Tom Segesta.*

1. The Committee Chair called the meeting to order at 1:47 p.m. and a quorum was established.
2. **Public Comments.** None.
3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of August 25, 2021, were approved as presented. Alex Brennan-Martin was not present for the vote.
4. **Committee Business.**
  - A. **Consideration and possible recommendation of the 2022 Convention and Cultural Facilities and Services Budget.**

President and CEO, Michael Heckman provided an overview of the Houston First Corporation (“HFC”) 2021 budget and priorities for 2022. Chief Financial Officer, Frank Wilson will discuss overall performance and review the 2022 budget.

Mr. Heckman discussed HFC’s role as a value creator for numerous stakeholders as the Destination Marketing Organization (“DMO”) for Houston.

In 2021, HFC out-performed the budget by nearly \$28 million. Top Chef, unified brand messaging, and the groundbreaking of Lynn Wyatt Square all promoted

billions of impressions. The mortgage on the Hilton Americas-Houston Hotel was refinanced. HFC hosted nearly 60 in-person events at the GRB lead by Houston Clean initiatives as well as the Mayor and City's support. The Dr. Seuss experience generated nearly \$500,000 dollars in revenues back to HFC, not including parking. There were some cancellations, but management was able to rebook all canceled events into 2022 and future years. There has not been any further discussion regarding cancellations for future years and the team did a great job, especially during this difficult year.

Chair, Desrye Morgan asked when the Lynn Wyatt Square renovation would be completed. Urban Development Officer, Roksan Okan-Vick reported that the project would be completed in September 2022.

Mr. Wilson then discussed corporate financials for 2021 that included a budget with a deficit of \$27.5 million. Hilton refinancing provided \$10 million of extra net cash and the City also provided a \$10 million loan. The PPP loans, SVOG loan, and parking revenues have all lead to a positive story.

Dean Gladden asked if HFC is still recovering FEMA reimbursements for Harvey and Mr. Wilson replied yes. In total, HFC has received close to \$125 million in reimbursements. Mr. Gladden also asked if there will be continuing mitigation. Mr. Wilson stated this would be an ongoing conversation.

Council Member Robinson asked about the 2021 financial calendar. Mr. Heckman discussed the environment at the time HFC made its budget.

Dean Gladden asked follow-up questions about mitigation and flood levels. Ms. Okan-Vick stated HFC is discussing how to best approach mitigation and phase it out since it is a \$35 million project. Mr. Gladden asked if FEMA would pay 90%, if so now would be the time to take advantage of it.

Mr. Heckman discussed 2022 priorities. HFC will launch the unified brand campaign, as Houston has fallen behind in the Mexican market, so management is working to improve this metric. Accelerating the promotion of TV and film projects, refilling out years for the convention sales pipelines, and hosting the Lynn Wyatt Square Grand Opening are all in process.

Ms. Morgan inquired about safety protocols related to live events since the Astroworld incident.

Alex Brennan-Martin asked if there is a number on a unified brand campaign. Mr. Heckman stated we do not have a budget for a coast-to-coast full rollout. HFC needs some additional funding support and has made that known to the City.

Mr. Heckman stated he would like to see a recovery of international travel in the third quarter of 2022 and will develop and launch B2B and B2C annual events,

promote Houston as a leisure destination, and collaborate with other DMOs for co-op marketing (Around Houston).

Mr. Wilson then discussed the proposed 2022 budget “including a return to normal” total revenues of \$183.2 million and expenses of \$195.6 million as well as budget assumptions.

Council Member Robinson stated the City is smart and is differentiating itself from other major cities and could use practices at HFC facilities to leverage conversations surrounding safety to prompt doubters by not necessarily changing mass casualty event policies, but messaging surrounding safe venues and proactive assessment of vulnerabilities.

Mr. Wilson expects a \$70 million increase in revenue year-over-year based on assumptions.

Vice President of Parking, Christophe Malsang, discussed creative parking solutions. He has created fliers and now contract parkers get coupons with special discounts through the end of 2021.

Mr. Wilson reported that, of the non-operating expenses, \$65.5 million is debt service and HFC is still in a recovery year with contributions to the City and HAA. HFC expects to have a deficit, but not as much as 2020. Management expects to borrow funds, but HFC will use sub-notes as necessary. HFC has a good credit rating and management desires to keep it.

Meg Booth asked to talk about operating expenses and staffing levels. Mr. Wilson stated HFC will never get back to prior staffing, but our headcount is good.

Tom Segesta asked if HFC has a standard of retention on revenues and expenses. Mr. Wilson stated that this is a 2023 conversation. While in a deficit, we cannot contain anything or else the deficit will get bigger. HFC’s expenses are growing faster than revenues.

Tom Segesta asked about revenue projections. Mr. Wilson stated projections were provided by Bill Gilmer and HFC worked with Oxford Economics. HFC picked a mid-point between projections.

Chief Operating Officer, Luther Villagomez discussed priorities for operations in improving revenues in the Theater District, safe events (theaters), and safety concerns, growing revenues with event bookings, soliciting for the Lynn Wyatt Square restaurant, and programming at the Lynn Wyatt Square. Management will continue to stage events on the Avenida and will contract signature events in 2022-2023. Mr. Villagomez then discussed 2022 capital projects.

Dean Gladden asked if there was an update on anything of substance regarding Bayou Place and discussions with the Cordish companies. Mr. Villagomez reported that at this time there is not.

Meg Booth stated capital projects at Jones Hall are lagging in improvements. She then discussed a phased renovation over three years with closing the building only in the summer months.

Mr. Wilson concluded by providing a high-level overview of the corporate operation's budget.

Council Member Robinson congratulated management on how they ended the year with thanks to great leadership.

Following a motion duly seconded, the recommendation of the 2022 Convention and Cultural Facilities and Services Budget was approved unanimously. Alex Brennan-Martin was not present for the vote.

5. **Adjournment.** The meeting was adjourned at 2:57 p.m.