

# AGENDA

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**

**March 3, 2022 – 1:30 P.M.**

**Partnership Tower, 701 Avenida de las Americas, Ste. 200**

**Houston, Texas 77010**

**HOUSTON FIRST BOARD ROOM**

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**COMMITTEE MEMBERS:**

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

*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](mailto:Lisa.Hargrove@houstonfirst.com)*

- I. Call to Order**
- II. Public Comments**
- III. Minutes – November 16, 2021**
- IV. Presentations, Reports, and Updates**
  - A. CCSI to HFC Transition Update
  - B. Market Report
  - C. Financial Update
- V. Committee Business**
  - A. Consideration and possible recommendation of the 2022 Investment Policy.
- VI. Adjourn**

**III. Minutes – November 16, 2021**

# MINUTES

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**

**November 16, 2021 – 10:00 A.M.**

**Partnership Tower, 701 Avenida de las Americas, Ste. 200  
Houston, Texas 77010  
HFC Board Room**

*The Benefits, Compensation, and Finance Committee (“Committee”) of Houston First Corporation (the “Corporation” or “HFC”), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV’T. CODE ANN. §394.001 et seq., posted a meeting at Partnership Tower, 701 Avenida de las Americas, Houston, Harris County, Texas 77010 on, Tuesday, November 16, 2021 commencing at 10:04 a.m.*

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

*The following Committee Members were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, Mayor Pro-Tem Dave Martin, Ryan Martin*

1. **Call to order.** The Chairman called the meeting to order at 10:04 a.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 September 21, 2021 were approved as presented. Mayor Pro-Tem Dave Martin was not yet present at the time of the vote.
4. **Committee Business.**

- A. Consideration and possible recommendation of the annual election of Officers pursuant to the Houston First Corporation Bylaws.

The Committee considered the annual election of Officers; Michael Heckman, President & CEO, Frank Wilson, Treasurer, Lisa Hargrove, Secretary, and Frank Wilson, Investment Officer. Following a motion duly seconded, the Officers were approved.

- B. Consideration and possible recommendation of the Houston First Corporation 2022 Budget.

Houston First President & CEO, Michael Heckman, stated that the budget being presented for 2022 is responsible and competitive. He added that 2021 is projected to finish significantly better than its proposed budget and 2022 looks notably better than 2021.

Chief Financial Officer, Frank Wilson, began with the calendar year 2021 budget forecast. Total revenues are forecasted to be \$113 million. Operating expenses are forecasted to be \$55.7 million and Non-Operating expenses of \$84.9 million. The budget deficit for 2021 was originally forecasted at \$55 million; however, management is now forecasting to finish 2021 with a \$27.4 million deficit. The reduced deficit is due to a City loan of \$10 million, \$4.6 million of forgivable PPP loans, refinancing of bonds (saving \$4.9 million), and significant expense reductions. In addition, the \$125 million loan was refinanced on the Hilton Americas-Houston Hotel (the "Hotel") with favorable terms through 2026.

Mr. Wilson stated that the factors influencing the 2021 budget forecast are: Hotel revised 2021 budget, \$10 million loan from the City of Houston (2<sup>nd</sup> half of \$20 million total), \$6 million subordinated note, \$2 million PPP Forgivable Loan (2<sup>nd</sup> loan) for CCSI, \$2.6 million PPP Forgivable Loan for Houston First Holdings, LLC (Hilton Americas), \$2.2 million Shuttered Venue Operators Grant, strong management of expenses and cash, Dr. Seuss Experience (in the George R. Brown Convention Center (the "GRB") for three months generating \$442,000 in revenue), and \$2.25 million (amount by which Convention District Parking forecast to outperform budget due to consumer shows in Q1 and Q2).

Mr. Heckman identified the priorities for 2022, which include: launching of a unified brand campaign, accelerating promotion of Houston as an attractive location for TV and Film projects, increasing investment in Mexican market to return Houston as the top destination for Mexican travelers by 2023, celebrating the grand opening of Lynn Wyatt Square for the Performing Arts, aggressively refilling the convention sales pipeline for future years, using intelligent analytics to identify high-value sales projects, live event programming at Avenida Houston and Wyatt Square, initiating a rapid and sustained recovery for travel from Europe and Asia by Q3, developing and launching B2B & B2C annual events, promoting Houston as a leisure destination through an integrated, omni-channel marketing approach, and collaborating with surrounding-area DMO's for co-op marketing that stretches funds and benefits the region.

Mr. Wilson then presented the proposed 2022 budget. With a return to "normal", total revenues are \$183.2 million and total expenses are \$196.5 million. The budget includes a \$13.3 million deficit due to lingering COVID impacts on business travel and HOT revenues. The assumptions are that COVID variants do not deter return to in-person meetings, business travel and hotel stays return, downtown office workers return to in-person work and parking resumes in the Theater District Garage, 49% recovery of hotel occupancy tax ("HOT") to \$83.6 million, 150% recovery of Hotel EBIDTA to \$30 million, 200% recovery of food and beverage revenue to \$21 million, and 54% recovery of parking revenue to \$17 million.

Mr. Wilson further outlined how the budget deficit will be addressed. He said that Houston First has access to a \$20 million subordinated note program to fund the \$13 million deficit and \$14.8 million of capital expenditures, if necessary. After accessing the \$20 million, \$78 million should still be available, if needed. He added that he is expecting to create \$8 million of non-budgeted organic and non-organic revenue. Stimulus funding from the City of Houston would be helpful. The goal is to finish 2022 with \$20 million in emergency cash reserves.

Mr. Wilson then described the structure of the expense segments of the budget; Fixed is 54.2%, Contract is 28.5%, Variable is 11.4%, and Capital-LWS is 5.8% totaling \$196 million in expenditures. He also gave an overview of the major revenue trends compared to 2019: HOT is -\$3.8 million, Hotel net cash to HFC is -\$1 million, Food and Beverage is -\$1.6 million, Parking is -\$2.3 million, Facility Rental-Events is -\$1.2 million,

Building/Space Rental is +\$23,000, Transfers from the City of Houston are not expected, Total Revenues is -\$105 million. The Operating Expenses are -\$5.4 million from 2019.

Mr. Heckman stated that the personnel count for 2022 is 161 compared to 231 in 2019. The lower number includes early retirements, furloughs, and resignations.

Theater district facility operational losses totaled \$39 million between 2016 and 2020. Committee Members discussed and considered possible solutions to resolve the issue of these losses and will discuss further next year.

Mr. Wilson reviewed the outstanding debt of \$748 million. That amount is broken down by Revenue Bonds at 74.9%, AIG Loan at 16.2%, City Promissory Notes at 5.0%, Additional Credit Facilities at 3.5%, and Pension Bonds at 0.4%.

Finally, Mr. Wilson presented the proposed 2022 budget with operating revenues at \$88 million and operating expenses at \$92 million with a net income from operations of -\$3.9 million. The non-operating expense for 2022 is \$104.5 million and non-operating revenue is \$95.2 million. The total revenues for 2022 of \$183.3 million, total expenses of \$196.6 million, and a deficit of -\$13.3 million, which is a \$14 million improvement from 2021.

Following a motion duly seconded, the Houston First Corporation 2022 Budget was approved as presented.

5. Adjournment. The meeting was adjourned at 11:27 a.m.

**V. A. - Consideration and possible recommendation of the 2022 Investment Policy**

**Consideration and possible recommendation of the 2022 Investment Policy**

**DESCRIPTION:** Houston First Corporation (“HFC”), as a governmental entity, is required by statute to have an Investment Policy (“Policy”) that governs the investment of public funds under the Public Funds Investment Act, Texas Government Code Chapter 2256.

**RESOLVED,** that the Benefits, Compensation, and Finance Committee of Houston First Corporation recommends the following resolutions with respect to the 2022 Investment Policy:

**RESOLVED,** that the Benefits, Compensation, and Finance of Houston First Corporation hereby recommends and authorizes the 2022 Investment Policy in accordance with Texas Government Code Chapter 2256, 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.

City of Houston Resolution No. 2021- 33

**A RESOLUTION APPROVING AND ADOPTING THE INVESTMENT POLICY FOR THE CITY OF HOUSTON, TEXAS, AND MAKING VARIOUS PROVISIONS RELATED TO THE SUBJECT.**

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**WHEREAS**, the Public Funds Investment Act, Texas Government Code Ann., Chapter 2256 (the "Act"), provides that the governing body of an investment entity shall adopt a written investment policy regarding the investment of its funds; and

**WHEREAS**, the Act requires that the City Council review and approve the Investment Policy not less than annually; and

**WHEREAS**, the City's Investment Committee has reviewed the Investment Policy and investment strategies; and

**WHEREAS**, the written Investment Policy will continue to protect City assets by identifying investment objectives, addressing the issues of investment risks versus rewards, and providing the framework for the establishment of controls, limitations and responsibilities of City employees in the performance of their fiduciary responsibilities;  
**NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF HOUSTON, TEXAS THAT:**

**Section 1.** The City Council hereby approves and adopts the Investment Policy attached hereto as Exhibit A and made a part hereof by this reference.

**Section 2.** This Resolution shall be passed finally on the date of its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Resolution within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

**PASSED and ADOPTED** this 8<sup>th</sup> day of December, 2021.

**APPROVED** this 8<sup>th</sup> day of December, 2021.

  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the forgoing Resolution is \_\_\_\_\_, 2021.



DocuSigned by:

*Rahat Husayn*

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Prepared by:

Assistant City Attorney

Requested by Chris Brown, City Controller

(RH/kro 11.16.2021)

(LD File No. 0392100270001

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City Secretary

Meeting

Aye	No	
✓		<b>Mayor Turner</b>
....	....	<b>Council Members</b>
✓		Peck
✓		Jackson
✓		Kamin
✓		Evans-Shabazz
✓		Martin
✓		Thomas
✓		Travis
✓		Cisneros
✓		Gallegos
✓		Pollard
✓		Castex-Tatum
✓		Knox
✓		Robinson
✓		Kubosh
✓		Plummer
✓		Alcorn
Caption	Adopted	

Captions Published in DAILY COURT REVIEW

Date: 12/14/2021

## CITY OF HOUSTON INVESTMENT POLICY

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*This investment policy was reviewed at the Quarterly Investment Committee Meeting on October 28, 2021 and has been approved by the Investment Committee. It is being submitted to City Council for review and approval.*

*Proposal: No changes*

## CITY OF HOUSTON INVESTMENT POLICY

### 1.0 PURPOSE

It is the policy of the City of Houston, Texas (the City) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. This policy sets forth the investment program of the City and the guidelines to be followed in achieving its objectives.

### 2.0 SCOPE

This policy is applicable to all investment activities and all funds of the City except employee pension funds, trustee funds, or escrow funds - any of which is set up and administered separately and whose investment activities are conducted by third parties in accordance with instructions provided in ordinances, contracts, or escrow agreements.

#### 2.1 Funds covered by this policy:

- 2.1.1 **General Fund** - used to account for all financial resources relating to general government operation except those required to be accounted for in other funds. The General Fund is the City's operating fund.
- 2.1.2 **Special Revenue Funds** - used to account for the proceeds of specific revenue sources which are restricted to expenditures for specific purposes.
- 2.1.3 **General Debt Service Funds** - used to account for the payment of interest and principal on all general long-term debt other than debt issued for and serviced by Enterprise Funds.
- 2.1.4 **Capital Project Funds** - used to account for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by Enterprise Funds.
- 2.1.5 **Enterprise Funds** - used to account for the acquisition, operation and maintenance of governmental facilities and services that are entirely or predominantly self-supporting through user charges.
- 2.1.6 **Trust and Agency Funds** - used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

- 2.1.7 Other funds maintained by the City, unless specifically exempted.

### 3.0 OBJECTIVE

Investment of the funds covered by this policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the investment program. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. To attain this objective, diversification is required in order that exposure to individual sectors of the market will not have an undue impact on the entire portfolio (see Section 17.0 "Diversification and Maximum Maturities").
- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
- 3.3 **Return on Investments:** The City's investment portfolio shall be designed with the objective of attaining the best feasible rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment, although important, is subordinate to the safety and liquidity objectives described above.
- 3.4 **Legal Requirements:** The investment yield on certain funds may be restricted from time to time due to state or federal laws regarding arbitrage earnings. The City's investment portfolio shall be designed with the objective of meeting all legal requirements including yield restrictions.

### 4.0 INVESTMENT COMMITTEE

The City Controller is charged by the City Charter with the supervision of the fiscal affairs of the City of Houston, which includes the investment of the City's funds. To assist the City Controller in this function, an Investment Committee has been established. The Committee is chaired by the City Controller with members including the Deputy Controller – Treasury Division, the Investment Manager, up to two other persons appointed by the Controller, up to three persons appointed by the Mayor, and up to three non-City employees recommended by the Investment Committee and appointed by the City Controller. The Committee will be supported, as needed, by the staff of the Internal Audit Division, Finance Division, and the Legal Department. The Committee meets quarterly, upon written notice, or as called for by the City Controller.

The major responsibilities of the Committee are to:

- 1) Monitor investment results and compliance with this policy.
- 2) Recommend and monitor investment and accounting controls and procedures in accordance with this policy.
- 3) Recommend investment strategies - The Committee may, in its consideration of investment strategies, impose maturity, diversification or liquidity limits, or other investment guidelines, in addition to those required by this policy. In setting investment strategy the Committee may impose guidelines that are stricter than is required by this policy, but in no case shall recommend investments or guidelines not allowed by this policy.
- 4) Review and approve revisions to this policy.
- 5) Review, revise, and adopt, at least annually a list of qualified broker/dealers that are authorized to engage in investment transactions with the City.

#### **5.0 DELEGATION OF AUTHORITY**

Authority to manage the City's investment program is derived from State statutes and applicable City ordinances and resolutions. Day to day management responsibility for the investment program is delegated by the City Controller, as the City's investment officer, to one or more investment managers, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to:

- a) Safekeeping of investments
- b) Collateral/Depository agreements
- c) Wire Transfer agreements
- d) Master Repurchase agreements
- e) Securities Lending agreement

Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Manager. The Investment Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Investment Manager shall possess sufficient working knowledge of investment economics and the technical aspects of securities and markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this policy.

#### **6.0 INVESTMENT TRAINING**

The City Controller, as the investment officer, and all employees who have been delegated the authority to engage in investment transactions (investment officials) shall attend at least one training session, earning not less than 10 hours, relating to their responsibilities under this policy within 12 months after taking office or assuming duties; and attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 8 hours of investment instruction from an independent source approved by the Investment Committee. Training

must include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

### 7.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall not engage in personal business activity that conflicts with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees who are directly involved with the investment function shall disclose to the City Controller, or the Investment Committee, any financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity and shall subordinate their personal investment transactions to those of the City's, particularly with regard to the timing of purchases and sales.

Officers and employees involved in the investment process must file a disclosure statement with the Texas Ethics Commission and the City Secretary, acting on behalf of the governing body of the City of Houston, if:

- a) The officer or employee has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
- b) The officer or employee is related within the second degree, by affinity or consanguinity, to an individual seeking to transact investment business with the City.
- c) The officer or employee owns 10 percent or more of the voting stock or shares of the business or owns \$5,000 or more of the fair market value of the business organization;
- d) Funds received by the investment officer from the business organization exceed 10 percent of the officer's or employee gross income for the previous year; or
- e) The officer or employee has acquired from the business organization during the previous year an investment with a book value of \$2,500 or more for the personal account of the officer or employee.

### 8.0 PRUDENCE

Investments shall be made with judgment and care--under investment and economic circumstances then prevailing--which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- 8.1 The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio under prevailing economic conditions at the moment of investment commitments. Investment officials, acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

- 8.2 In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than a consideration as to the prudence of a single investment and, whether the investment decision was consistent with the written investment policy of the entity.

## 9.0 AUTHORIZED AND SUITABLE INVESTMENTS

Investments described below are authorized by the Public Funds Investment Act and considered suitable by the Investment Committee. Section 12 of this Policy describes those investments that are specifically prohibited by the Act. In addition, the purchase of specific investments may at times be restricted or prohibited by the City Controller, as the investment officer, due to current market conditions. Securities that were authorized investments at the time of purchase are not required to be liquidated. Except as provided above, City funds governed by this Policy may be invested in:

- 9.1 Obligations of the United States of America or its agencies and instrumentalities.
- 9.2 Direct obligations of the State of Texas or its agencies and instrumentalities.
- 9.3 Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
- 9.4 Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. From time to time, the City may purchase its own general obligation or enterprise-issued obligations. In such cases, the City's intention is to hold its own obligations on a temporary basis and not to extinguish or discharge the obligations. In such cases, the City deems that no funds held in any interest and sinking fund set aside for a specific obligation will be used to purchase that obligation.
- 9.5 Certificates of Deposit that are issued by a City Council-approved state, national, or savings bank, domiciled in this state, and are:
- a) Guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
  - b) Secured by obligations that are described by 9.1 above, which have a market value of not less than the principal amount of the certificates, but excluding those securities prohibited by the Public Funds Investment Act and this policy; or
  - c) Secured in any other manner and amount provided by law for deposits of the City; or

Certificates of Deposit may be transacted with approved public depositories provided the City has on file a signed Security Agreement that complies with the Public Funds Collateral Act and details:

- a) Eligible collateral;
- b) Collateralization ratios for the various types of eligible collateral;
- c) Standards for collateral custody and control;
- d) Collateral valuation; and
- e) Conditions for agreement termination.

9.6 Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and secured by a combination of cash and obligations described by 9.1 above, pledged to the City, held in the City's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the City, and having a market value at the time the funds are disbursed of no less than the principal amount of the funds disbursed. Repurchase Agreements may be transacted with primary dealers and financial institutions provided the City has on file a signed Master Repurchase Agreement which details:

- a) Acceptable types of collateral;
- b) Standards for collateral custody and control;
- c) Collateral valuation and initial margin, accrued interest, marking to market, and margin calls;
- d) Method for transmitting security income;
- e) Condition for agreement termination;
- f) Acceptable methods for delivery of securities and collateral.

9.6.1 Reverse repurchase agreements are authorized investments if the term of the agreement does not exceed 90 days; and the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement. Reverse repurchase agreements may be transacted with primary dealers and financial institutions provided the City has on file a signed Master Repurchase Agreement.

9.7 Prime Domestic Bankers' Acceptances with stated maturities of 270 days or less from the date of issuance that will be, in accordance with stated terms, liquidated in full at maturity, that are eligible for collateral for borrowing from a Federal Reserve Bank, and that are accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1, or an equivalent rating by at least one nationally recognized credit rating agency.



- 9.8 Commercial Paper with a stated maturity of 365 days or less from the date of its issuance that is rated not less than A-1 or P-1 or an equivalent rating by at least:
- a) Two nationally recognized credit rating agencies; or
  - b) One nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

The maximum exposure to any one issuer other than the City is limited to the lesser of 5% of the market value of the investment pool at the time of purchase or 10% of the issuer's commercial paper program, provided, however, that at no time will the City hold more than 3.5% of the market value of the investment pool in Commercial Paper from a single issuer with a maturity date beyond 90 days. From time to time, the City may purchase its own general obligation or enterprise-issued commercial paper notes up to 10% of the value of the pool. In such cases, the City's intention is to hold its own notes on a temporary basis and not to extinguish or discharge the notes. In such cases, the City deems that no funds held in any interest and sinking fund set aside for a specific note will be used to purchase that note.

Prior to investing any funds, the Investment Manager will evaluate programs. Individual issuers will be monitored as to credit quality and events that may have an effect on the credit quality. Adverse developments will cause the issuer to be excluded from consideration and existing positions to be liquidated as practical.

- 9.9 SEC registered and regulated no-load money market mutual funds with a dollar-weighted average stated maturity of 60 days or less, whose investment objectives include the maintenance of a stable net asset value of \$1 for each share, and provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) The City's investment in any one money market mutual fund shall not exceed 10% of the total assets of the money market mutual fund. The City has a sweep relationship with the main depository bank that sweeps the overnight funds into a money market mutual fund. This relationship is subject to the same limits as any other mutual fund relationship, as previously stated.
- 9.10 SEC registered and regulated bonds issued as the direct obligations of the State of Israel.
- 9.11 Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, subject to the provisions of Section 12.0.
- 9.12 Investment Pools that function as a money market mutual fund. To be eligible to receive and invest funds on behalf of the City of Houston, the investment pool functioning as a money market mutual fund must mark its portfolio to market daily, to the extent reasonably possible stabilize at a \$1 net asset value, must have an advisory board, must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service, and must have

a weighted average maturity of no longer than 60 days. The City's investment in any one investment pool that functions as a money market fund shall not exceed 10% of total assets of that investment pool.

#### 10.0 SECURITIES LENDING

The City may enter into a securities lending program with an authorized broker/dealer or financial institution in order to enhance investment return. The City may administer a securities lending program directly or, if conditions warrant, use an outside agent. Should an agent be used, one will be recommended by the Investment Committee using appropriate criteria. Securities lending will only be transacted with a written agreement, approved by the City Attorney, which details:

- a) Acceptable types of collateral;
- b) Standards for collateral custody and control;
- c) Collateral valuation and initial margin, accrued interest, marking to market, and margin calls;
- d) Method for transmitting security income; and
- e) Acceptable methods for delivery of securities and collateral.

#### 11.0 SECURITIES SWAPS

The City may take advantage of security swap opportunities to improve portfolio yield. A swap that improves portfolio yield may be selected, even if the transaction results in a current accounting loss, as long as the break-even date occurs within the horizon of the swap.

#### 12.0 PROHIBITED INVESTMENTS

Under the Public Funds Investment Act, the following are not authorized investments, regardless of any other law to the contrary:

- 12.1 Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal. (Commonly referred to as IOs).
- 12.2 Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest. (Commonly referred to as POs).
- 12.3 Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- 12.4 Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

### **13.0 EFFECT OF LOSS OF REQUIRED RATING**

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with this investment policy to liquidate an investment that does not have the minimum rating. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the assistance of broker dealers, banks or safekeeping agents.

### **14.0 COLLATERALIZATION**

All deposits of City funds, repurchase agreements and securities lending agreements, including any accrued interest, will be fully collateralized by securities permitted under this policy. Collateral securities shall have a market value of not less than 102% of the amount of the deposits, secured thereby, adjusted by the insurance coverage provided those deposits by the Federal Deposit Insurance Corporation. Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping or trust receipt) must be supplied to the City and retained. Determination of market value on collateral shall be made on a weekly basis. All collateral relationships will comply with the terms of the Public Funds Collateral Act.

### **15.0 SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase and securities lending agreements but with the exception of money market transactions, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian, designated by the Controller, and held in the City's name as evidenced by safekeeping or trust receipts of the bank with which the securities are deposited. The custodian will provide listings of the securities that are held in the name of the City on a periodic basis.

### **16.0 INVESTMENT STRATEGY**

The City's investment program uses a "pooled" investment strategy where all monies of all funds covered by this policy are combined and invested in a portfolio that is stratified by various levels of maturities to meet the requirements of all working capital, construction and debt service funds. In some cases, one or more separate pools of funds may be established to meet specific requirements or yield restrictions for certain funds. By combining the net cash flows of all funds, the pooled investment strategy maximizes return on investment without sacrificing safety and liquidity because economies of scale can be taken advantage of to obtain better prices and reduce transaction and administrative costs.

- 16.1 **General Pool Strategy:** The General Pool consists of those working capital, construction and debt service funds which are not subject to yield restriction under IRS arbitrage regulations. The City combines a variation on the traditional laddered maturity strategy that matches assets and liabilities, with more active management

strategies, such as yield curve analysis, to achieve the best feasible rate of return while fulfilling the investment objectives of this policy.

The core of the General Pool strategy is a ladder in which investment maturities are matched to monthly cash requirements for the next 12-18 months. When investments mature, the proceeds are used to pay bills or re-invested. New cash from bond proceeds, taxes, or other revenues can be invested at the long end of the ladder to take advantage of higher yields or to fill other cash requirements. The ladder may be extended for longer-term funds to take advantage of matching long-term assets against long-term liabilities. At times, some investments might be placed shorter or longer, based on the interest rate outlook.

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the General Pool shall not exceed 2.5 years.

All investments in this pool must comply with the objectives and restrictions set forth in this policy.

- 16.2 **Tax-Exempt Pool Strategy:** The Tax-Exempt Pool consists of those funds which are subject to yield restriction and arbitrage regulation under the 1986 Tax Reform Act. This pool was created to:

- a) Demonstrate compliance with IRS regulations regarding arbitrage;
- b) Maximize the amount of interest earned and retained by the City from the investment of funds subject to the regulations;
- c) Minimize the amount of the rebate liability; and
- d) Minimize the cost of administering the arbitrage tracking program.

Due to the nature of municipal bonds (more risk, less liquidity), the strategy for the Tax-Exempt Pool is, generally, to purchase at least AA rated, insured or pre-refunded municipals with short maturities (generally less than 3 years) if the yield is reasonably higher than that of tax-exempt money market mutual funds. Otherwise, funds in this pool will be invested in one or more tax-exempt money market mutual funds that meet the requirements of IRS arbitrage regulations and the liquidity needs of this pool.

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the average dollar-weighted stated maturity of the Tax-Exempt Pool shall not exceed 1.5 years.

All investments in this pool must comply with the objectives and restrictions set forth in this policy.

- 16.3 **Housing Department Pool Strategy:** This pool was created to comply with the U.S. Department of Housing and Urban Development (HUD) which requires separate custodial accounts for funds received under federal HUD programs. The strategy for this portfolio is to purchase U. S. Treasury Bills with maturities less than 6 months; targeted to meet the cash needs of the City of Houston Housing and

Community Development Department (HCDD)'s HUD program cash outflows. A deposit account with an approved depository institution (see section 20.2) will contain all funds pending disbursement as well as a minimal reserve, generally under \$20,000. All securities are available for sale to meet liquidity needs.

All investments in this pool must comply with the objectives and restrictions set forth in this policy.

- 16.4 **All Other Special Purpose Pools:** As deemed appropriate, the City Controller has created pools for special purposes, including capital projects, special revenue funds and debt service reserves. Each special purpose is limited in duration and has estimable cash outflows, although the outflows may change over time, especially in the case of capital projects. In all cases, the City uses a traditional laddered maturity strategy that matches assets with projected cash outflows. The City may, on occasion, utilize more active management strategies, such as yield curve analysis, to achieve better rates of return while fulfilling the investment objectives of this policy and the purposes for which the pools were created.

The core of the strategy for each special purpose pool is a maturity ladder in which investment maturities are matched to periodic cash requirements for the expected life of the pool. As investments mature, the proceeds are disbursed according to the needs of the project or re-invested. New monies added to the pool will be invested to fill new cash requirements. At times, some investments might be placed shorter or longer, based on the interest rate outlook. As cash flow projections are revised, the portfolio ladder may be adjusted to reflect these changes, either through maturities or sales of securities.

The weighted average stated maturity of each special purpose pool shall not exceed the weighted average cash outflows for the project. This will be considered to have been accomplished by laddering the cash flows to the planned outflows.

All investments in this pool must comply with the objectives and restrictions set forth in this policy.

## 17.0 DIVERSIFICATION AND MAXIMUM MATURITIES

In consultation with the Investment Committee, the City Controller will set explicit asset mix and diversification constraints within which the Investment Manager is to manage the City's portfolios. The asset mix is stated in terms of a maximum or minimum commitment to each asset category rather than ranges or targets so as to allow the Investment Manager flexibility in implementing investment decisions within the framework of this policy. The Investment Manager may set the commitments anywhere from zero (or the minimum), to the maximum level, based upon the Manager's outlook for the market. All securities must conform to the rules on Authorized and Suitable Investments in Section 9.0 of this policy.

Notwithstanding the limits in this section, for investment pools initially created for funds with limited investment horizons, especially construction projects and other capital project funds, the maximum commitments to each asset category will not apply when the pool has declined to 10% of the original

funds deposited to the pool. At that time, the pool is permitted to invest up to a maximum of 100% of the remaining proceeds in money market mutual funds, US Treasuries, or US Agencies and Instrumentalities; and up to a maximum of 50% of the remaining proceeds in commercial paper with a stated maturity of one month or less, or any combination thereof. All other restrictions within this policy are still applicable, including, but not limited to, maturity, credit ratings, and any other specific concentration limitations as discussed in Section 9.

Instrument	Percentage of Total Pool		Maximum Maturity <sup>(a)</sup>
	Minimum	Maximum	
<b>General Pool and All Other Pools</b>			
Money Market Mutual Funds and Local Government Pools	0%	25%	N/A
Repurchase Agreements	0%	15%	6 months
Reverse Repurchase Agreements	0%	15%	90 days
Securities Lending Agreements	0%	50%	90 days
Certificates of Deposit (US insured)	0%	15%	2 years
Bank Acceptances	0%	15%	270 days
Commercial Paper	0%	20%	365 days <sup>(b)</sup>
Municipal Notes and Bonds	0%	20%	5 years
U.S. Agencies and Instrumentalities	0%	85% <sup>(c)</sup>	5 years
Mortgage Pass-through Securities and Collateralized Mortgages Obligations	0%	20% <sup>(d)</sup>	15 years <sup>(d)</sup>
U.S. Treasuries	15%	100%	5 years
Callable Agency Securities	0%	25%	5 years
<b>Tax-Exempt Pool</b>			
Tax-Exempt Money Market Mutual Funds	0%	100%	N/A
Tax-Exempt Municipal Notes and Bonds	0%	100%	5 years
<b>Trust and Agency Pools</b>			
U.S. Treasury and Agency Securities		100%	As permitted under trust regulations

- (a) Investments with maturities greater than the maximum maturity must be specifically approved by the City Controller or the Investment Committee.
- (b) The maximum exposure to any one CP issuer, except for the City, is limited to the lesser of 5% of a pool's market value or 10% of the issuer's commercial paper program, of which 3.5% of a pool's market value can have a maturity beyond 90 days.
- (c) The maximum exposure to any one Agency issuer is 35% of the investment pool.
- (d) The maximum maturity of CMOs is limited to 10 years under this policy. CMOs are further limited to 5% of the total investment portfolio.

**18.0 SALE OF SECURITIES**

Securities shall not be sold prior to maturity except under the following circumstances:

- a) A decline in the credit quality of the issuer;
- b) A security swap designed to improve the quality, yield, or target duration in the portfolio under the conditions of section 11.0 of this policy; or
- c) Liquidity needs require that a security be sold; or
- d) Diversification limits in section 17.0 of this policy require the reduced concentration in a particular sector.

**19.0 COMPETITIVE BIDDING**

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) Transactions with money market mutual funds and investment pools (which are deemed to be made at prevailing market rates);
- b) Government securities purchased at issue through an approved broker/dealer or financial institution; and
- c) Commercial paper and bankers' acceptances purchased either directly from the issuer or on the secondary market (verification of competitive market levels must be documented).

At least three broker/dealers must be contacted in all other transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids due to secondary market availability or broker inventory limitations, documentation of a competitive market of comparable securities or an explanation of the specific circumstance must be included with the transaction quote/bid sheet. Competitive bidding for security swaps is required.

**20.0 AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

- 20.1 Broker/Dealers - The City Controller will maintain a list of approved broker/dealers and financial institutions that have been approved by the Investment Committee and are authorized to provide investment services in the State of Texas. Investments shall only be made with those firms who qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule) and who have:
  - i. Provided audited financial statements;
  - ii. Completed the City's Broker/Dealer Questionnaire;
  - iii. Acknowledged, in writing, that the policy has been thoroughly reviewed by qualified representatives dealing directly with the City's account; and
  - iv. Met the qualifications and standards recommended and approved by the Investment Committee.

An annual review of the financial condition and registrations of authorized broker/dealers and financial institutions providing investment services will be conducted by the City Controller. In addition, the quantity of transactions conducted with each approved broker/dealer will be reviewed at least semi-annually for the prior six-month period. Broker/dealers that have less than three transactions shall be sent a letter informing them of their status, and be given thirty days to respond in writing. The results of this review and the



related recommendations shall be submitted to the Investment Committee. The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

20.2 Depositories - The City Controller will maintain a list of qualified public depositories that are authorized to hold City funds. Deposits will only be placed with those institutions that have:

- i. Provided audited financial statements;
- ii. Completed the City's Authorized Depository application;
- iii. Been designated by City Council as an authorized depository;
- iv. Signed the City's Security Agreement; and
- v. Provided collateral as set forth in Sections 9.5 and 14.0 of this policy.

An annual review of the financial condition of each depository holding City funds will be conducted by the City Controller.

A current audited financial statement is required to be on file for each broker/dealer and financial institution that transacts any investment activities with the City.

#### 21.0 INTERNAL CONTROL

In conjunction with its annual financial audit, the City shall cause to be performed a compliance audit of management controls on investments, adherence to the City's established investment policies and the quarterly reports prepared by the investment manager. The results of the review shall be reported to the Investment Committee.

#### 22.0 REPORTING

22.1 Investment performance is continually monitored and evaluated by the Investment Manager. As requested by the City Controller, but not less than quarterly, the Investment Manager will prepare and submit to the Investment Committee, investment reports which demonstrate conformance to the requirements and objectives of this policy.

In addition, the Investment Manager will prepare and submit to the Mayor and City Council, not less than quarterly, a written report of investment transactions for all funds covered by this policy for the preceding reporting period. The report must:

- i. Describe in detail the investment position of the City on the date of the report;
- ii. Be prepared jointly by all investment officers of the entity;
- iii. Be signed by each investment officer of the entity;
- iv. Contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pool fund group that states the beginning market value during the period, additions and changes to the

- market value during the period, ending market value for the period, and fully accrued interest for the reporting period;
- v. State the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
  - vi. State the maturity date of each separately invested asset that has a maturity date;
  - vii. State the account or fund or pooled group fund for which each individual investment was acquired; and
  - viii. State the compliance of the investment portfolio as it relates to the Public Funds Investment Act of the State of Texas and the investment strategy expressed in this policy.

22.2 The City will utilize the following 3 tier approach for valuing securities:

- i. Interactive Data Corporation (IDC) will be the primary source for valuing securities. IDC receives input from multiple dealers when generating a valuation.
- ii. As a backup for securities that are not priced using IDC, Bloomberg, L.P. will provide a secondary source for values.
- iii. Investment Committee approved primary government security dealers will offer a final backup for those securities not valued by the previous two sources.

### 23.0 PERFORMANCE STANDARDS

Subject to the investment objectives set forth in section 3.0 of this policy, the investment portfolios shall be designed with the objective of attaining the best feasible rate of return, throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the portfolio. The overriding objectives of portfolio management are to preserve the capital invested and to meet the liquidity and debt service needs of the City. These objectives supersede the importance of achieving any performance Benchmarks set by this policy.

- 23.1 **Market Yield (Benchmark):** The City's selection of portfolio management is active as opposed to passive. Active management uses investment strategies designed to increase portfolio value by exceeding average rates of return normally achieved using passive management. The basis used by the City Controller to determine whether market returns are being achieved shall be a benchmark recommended by the Investment Committee. The Investment Committee may revise this benchmark if liquidity and debt service needs alter the desired composition of the portfolio.

### 24.0 INVESTMENT POLICY ADOPTION

The City's investment policy shall be adopted by resolution of City Council. The policy shall be reviewed at least annually by the Investment Committee and the City Council, and any modifications made to such policy must be approved by City Council. The City Council shall evidence by resolution that it has conducted such review. Any modifications made to such policy must be approved by City Council and reflected in such resolution.

Houstonfirst™

HOUSTON FIRST CORPORATION

# BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

HFC BOARD ROOM  
Partnership Tower  
Thursday, March 3, 2022  
1:30 p.m.

Buffalo Bayou Park  
MEMORIAL



McGovern Lake  
HERMANN PARK

# PUBLIC COMMENTS

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Anyone who wishes to address the Committee during the Public Comment session may do so by signing up on the Public Comment sign-in sheet at the front of the room.

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

March 3, 2022

2 HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

Houstonfirst

North Houston Skatepark  
SPRING

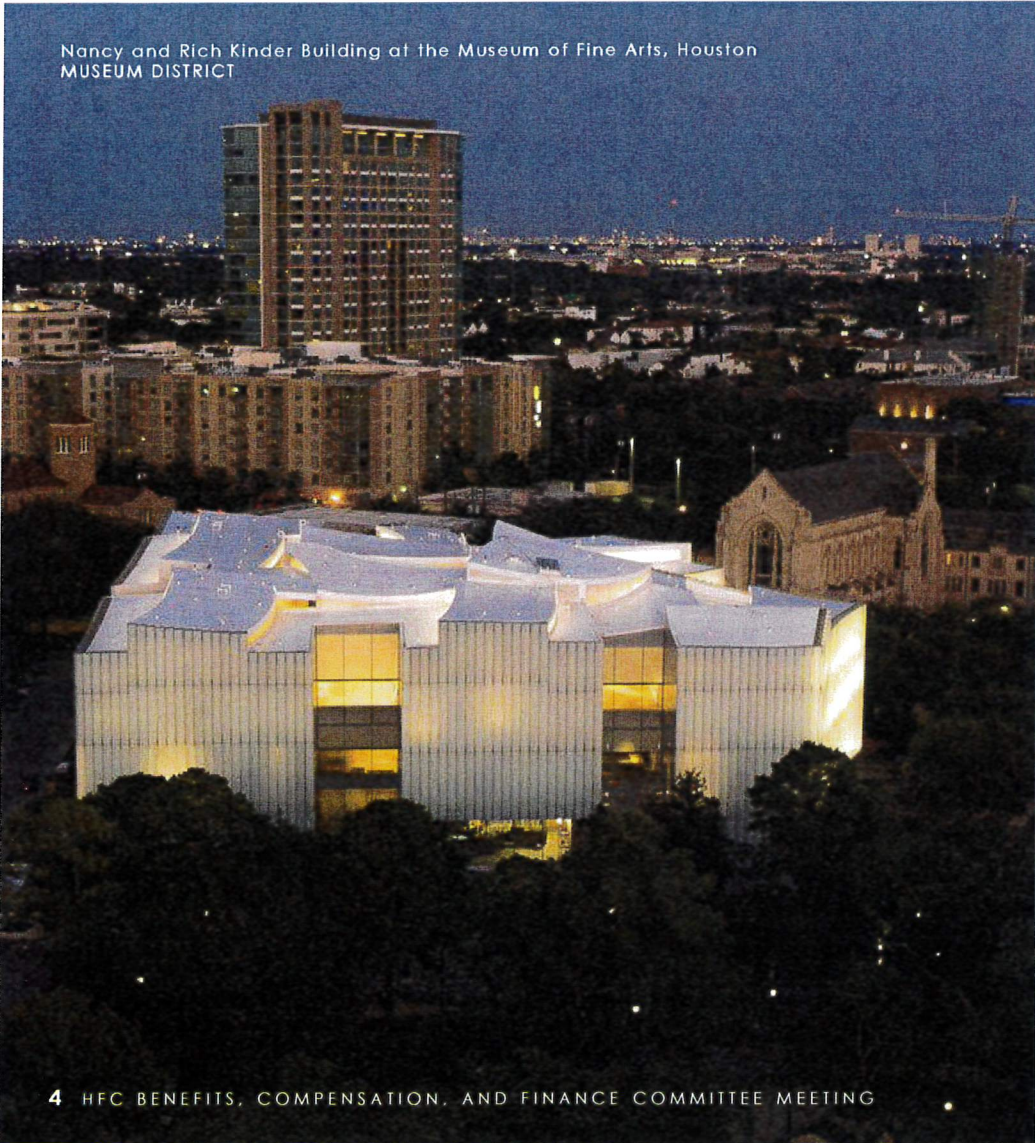
# MINUTES

November 16, 2021

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**  
March 3, 2022

3 HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

Houstonfirst



Nancy and Rich Kinder Building at the Museum of Fine Arts, Houston  
MUSEUM DISTRICT

# COMMITTEE UPDATE

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## A. CCSI to HFC Transition Update

**Michael Heckman**

*President & CEO*

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

March 3, 2022

# CCSI TO HFC TRANSITION UPDATE

- All CCSI team members transitioned to HFC 1/1/2022
- CCSI 401(k) closed 12/31/2021
- HFC 457(b) opened 1/1/2022
- Active participation (employee & employer) in HMEPS begins with 3/11/2022 pay date

Independence Plaza  
SPACE CENTER HOUSTON



6 HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

# COMMITTEE UPDATE

## B. Market Report

**Cindy Decker**

*VP of Business Intelligence & Market Strategy*

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

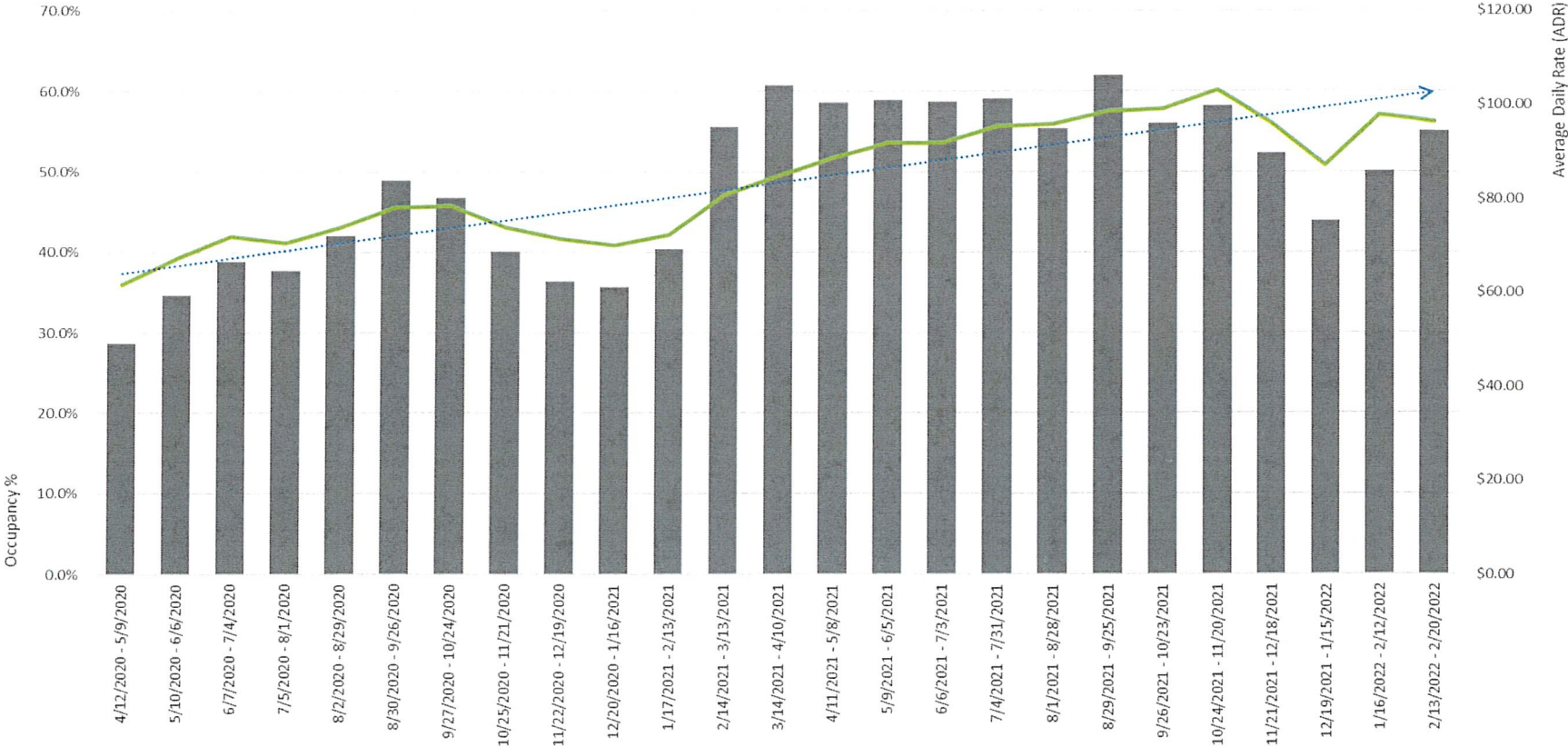
March 3, 2022

Houston**first**

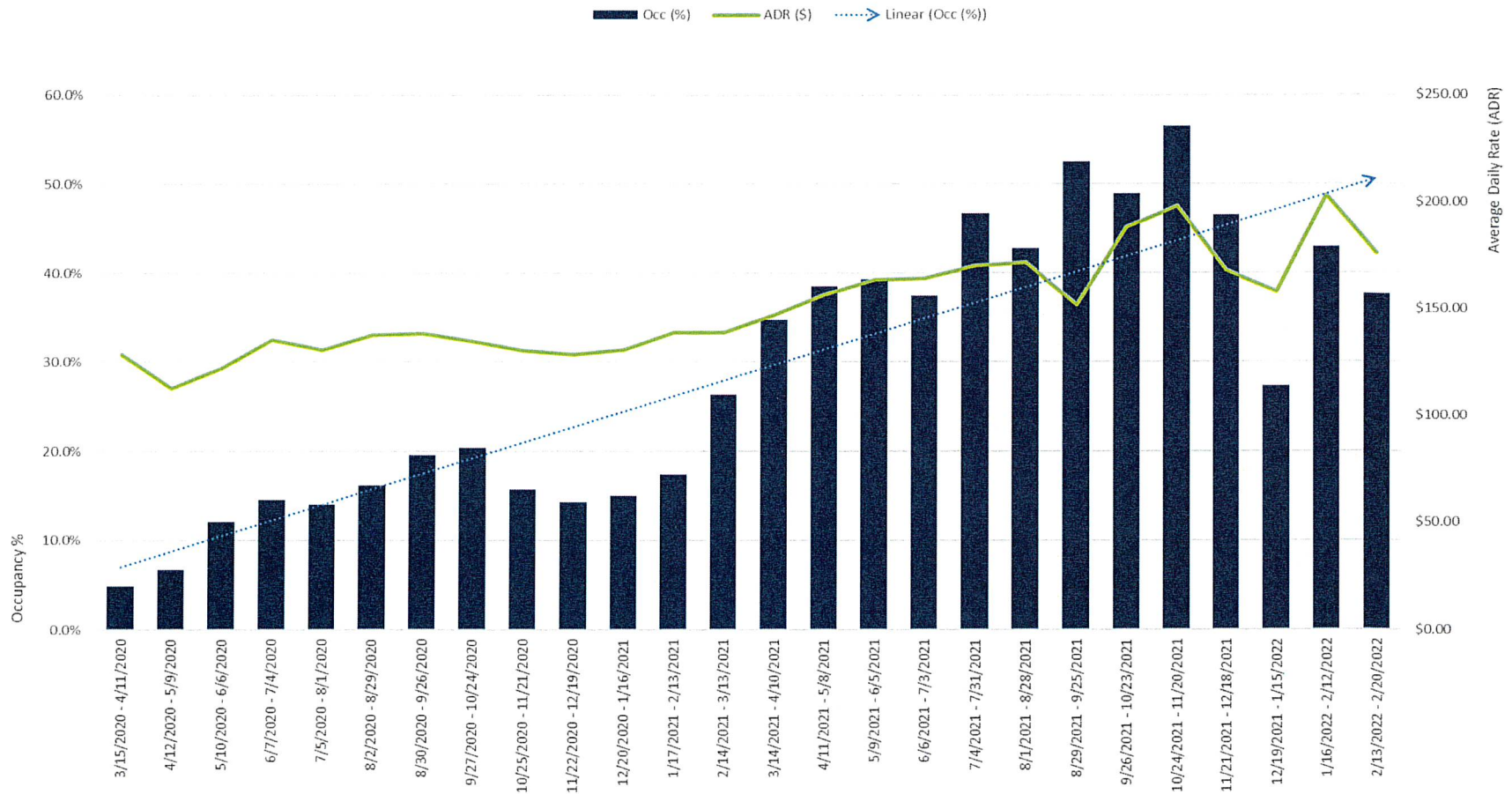


# MARKET OCCUPANCY & ADR TRENDS

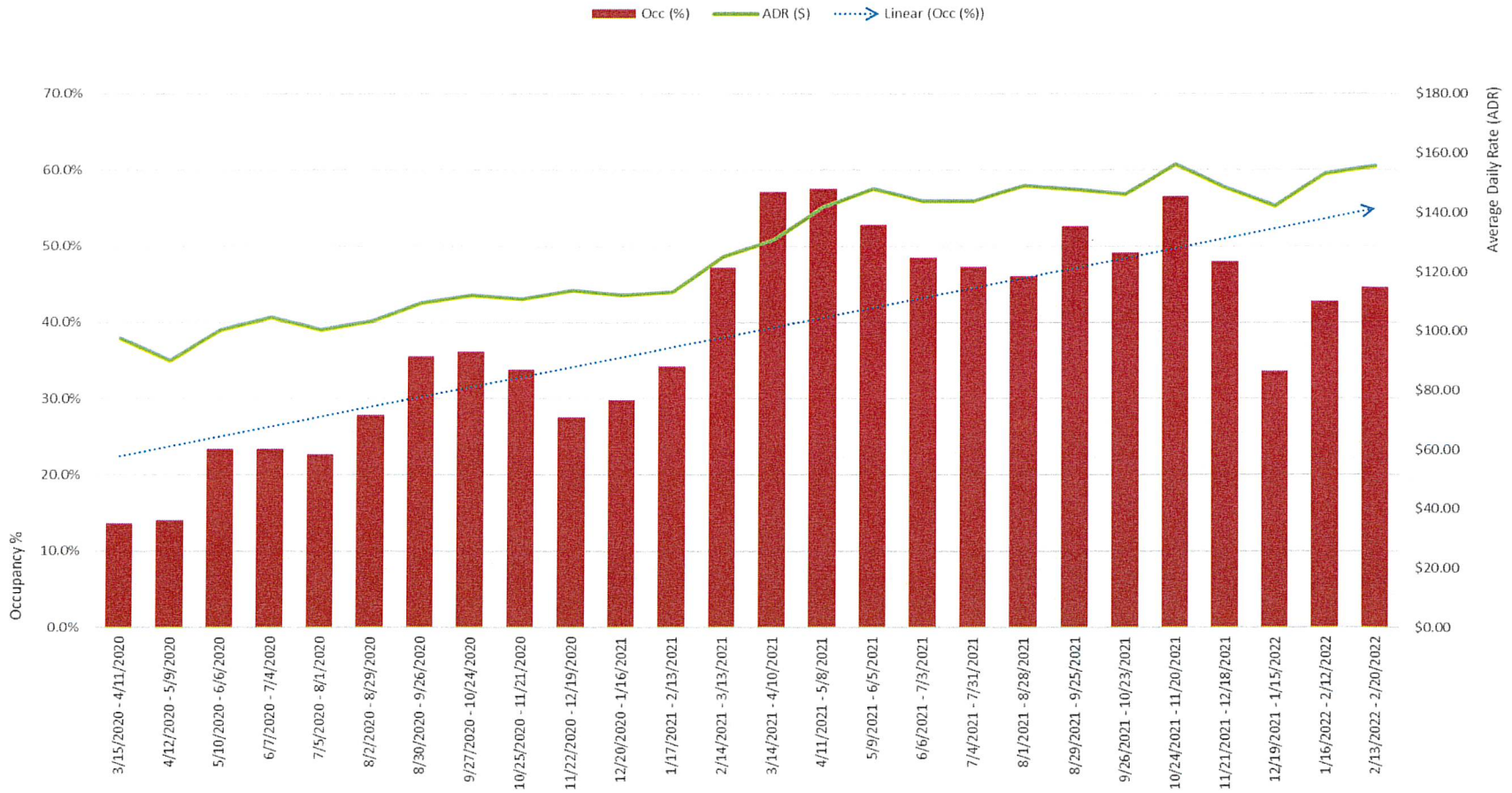
■ Occ (%)    — ADR (\$)    .....> Linear (Occ %)



# DOWNTOWN OCCUPANCY & ADR TRENDS



# GALLERIA OCCUPANCY & ADR TRENDS

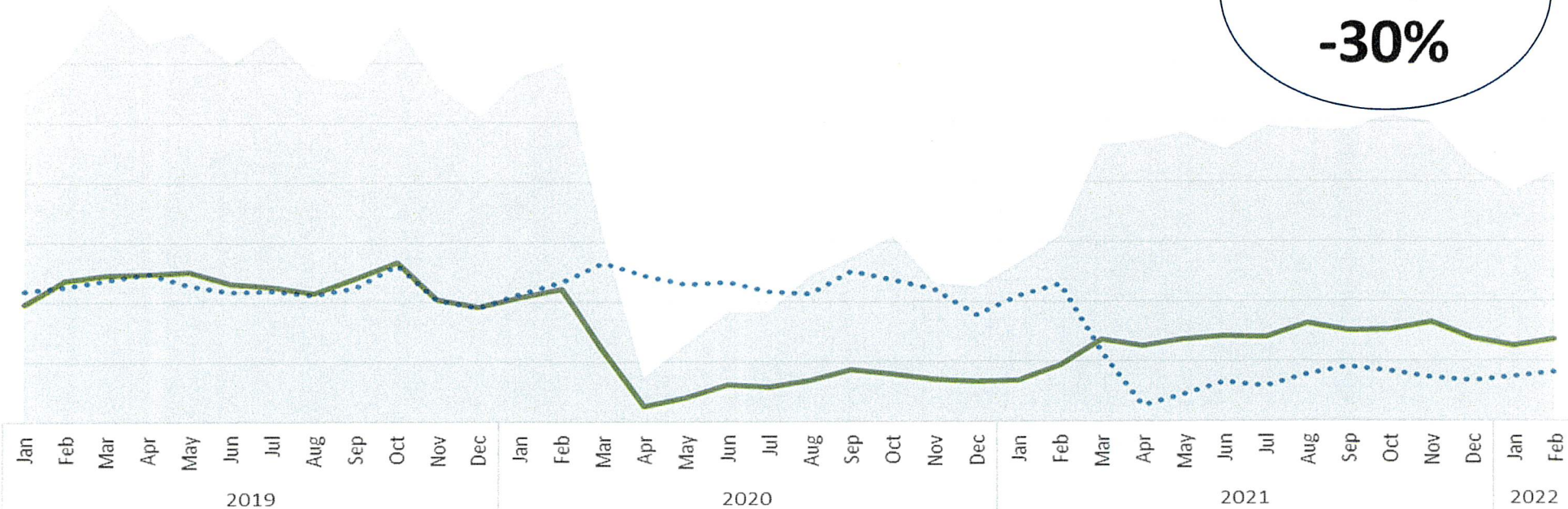


# BUSINESS DEMAND IMPROVING

## HOUSTON BUSINESS ROOM NIGHT COMPARISON

TTL Room nights Business RN LY Business RN

Business RN  
% Change  
**-30%**



# FUTURE DEMAND

## Six Month Outlook

Room Nights Booked for Houston, Business vs. Leisure (Committed Group)

	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
GROUP_COMMITTED	29.5%	59.9%	81.4%	85.6%	89.9%	93.7%
LEISURE	33.2%	22.0%	12.0%	8.8%	6.3%	3.6%
BUSINESS	37.3%	18.1%	6.6%	5.6%	3.9%	2.8%
<b>Total Rooms Nights</b>	<b>369.5K</b>	<b>291.5K</b>	<b>161.3K</b>	<b>136.8K</b>	<b>122.6K</b>	<b>95.5K</b>

YOY % Change in Room Nights



- Business travel at 37% of total room night mix in February
- Business ahead of last year March - June

## Six Month Outlook

Room Nights Booked for Downtown, Business vs. Leisure (Committed Group)

	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
GROUP_COMMITTED	42.0%	66.9%	82.4%	89.4%	89.5%	91.9%
LEISURE	28.1%	18.2%	10.7%	6.5%	6.7%	4.0%
BUSINESS	29.9%	14.9%	6.9%	4.1%	3.9%	4.1%
<b>Total Rooms Nights</b>	<b>96.0K</b>	<b>108.6K</b>	<b>62.0K</b>	<b>62.7K</b>	<b>60.8K</b>	<b>36.8K</b>

YOY % Change in Room Nights



- Business travel at 29.9% of total room night mix in February
- Business ahead of pace March - June

Black History Month  
AVENIDA PLAZA

AVENIDA

# COMMITTEE UPDATE

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## C. Financial Report

**Frank Wilson**

*Chief Financial Officer*

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

March 3, 2022

# MAJOR REVENUES & EXPENSES

YTD AS OF JANUARY 31, 2022

MAJOR REVENUES	Jan 2022 Budget	Jan 2022 Actual	Over (Under) Budget (\$)	Over (Under) Budget (%)
Hotel Occupancy Tax Collections	\$12,000,000	\$12,891,255	\$891,255	7.4%
Hilton Americas Net Cash	\$2,500,000	\$2,500,000	\$0	--%
GRB Facility Rental	\$264,975	\$665,562	400,587	151.2%
GRB Food and Beverage	\$1,129,675	\$445,660	(\$684,015)	-60.5%
Parking Revenue-Avenida	\$514,802	\$803,842	\$289,040	56.1%
Parking Revenue-Theater District	\$537,236	\$388,280	(\$148,956)	-27.7%
<b>MAJOR EXPENSES</b>	<b>2021 Budget</b>	<b>2021 Actual</b>	<b>Over (Under) Budget (\$)</b>	<b>Over (Under) Budget (%)</b>
Personnel	\$1,701,013	\$1,119,088	(\$581,925)	-34.2%
Security Contract	\$283,762	\$302,098	\$18,336	6.5%
Bldg. Maintenance Contract	\$500,161	\$217,219	(\$282,942)	-56.6%
Parking Contract	\$179,379	\$150,132	(\$29,247)	-16.3%
Janitorial Contract	\$335,492	\$382,597	\$47,105	14.0%
GRB Food and Beverage	\$906,352	631,466	(\$274,886)	-30.3%

# MAJOR REVENUES & EXPENSES

YTD AS OF JANUARY 31, 2022

- Through January, overall financial results reflect revenues that are below budget, primarily because of \$4 M of LWS contributions that were budgeted in January, but received in December, and reduced F & B versus budget.
- Expenses are also significantly below budget, primarily due to timing. All major expenses are at or below budget.
- HOT for Q1 has already exceeded budget for the quarter.
- While January saw \$2 M of cancelations at Hilton, Q1 forecast is very favorable based on significant growth in in-the-year for-the-year business.
- Group business is driving transient forecasted ADR growth of +42% YOY and +20% vs 2019.
- So far, ADR at Hilton is up \$4.45 vs budget to \$202.47.



# MAJOR REVENUES & EXPENSES

YTD AS OF JANUARY 31, 2022

- Major Q1 groups include CERA, AKAs, Cross Court, Lifestyles, College Classic.
- Major Q2 groups include First Robotics, OTC, TexMed Show, AACN, NRA, Rotary, TX Republicans
- Issues we continue to watch: Attendance levels, pandemic / endemic progression, business travel, inflation, price of oil, interest rates, in-the-year for-the-year bookings, in-house meeting pace, international travel, ADR, REV PAR, MLB collective bargaining, labor and supply chain bottlenecks.
- While continuing in the nascent phase of recovery, focus shifting from survival to revenue recovery, especially in 2022 and 2023. Growth opportunities include TD Parking, downtown hotel properties' ADR and REV PAR, F & B.

19th Street Shopping District  
HEIGHTS

WORK  
HARD



CANTILE

OPEN

L  
I  
V

16 HFC BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

# COMMITTEE BUSINESS

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## A. Consideration and possible recommendation of the 2022 Investment Policy

Frank Wilson  
*Chief Financial Officer*

**BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

March 3, 2022

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