

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

April 7, 2021 – 2:00 P.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, Wednesday, April 7, 2021 commencing at 2:00 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 Committee Members were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice Chair), Sofia Adrogué, John Johnson, and Council Member Dave Martin.

The Chairman of the Committee called the meeting to order at 2:01 p.m. and a quorum was established.

1. **Public Comments.** None.
2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of November 13, 2020 were approved as presented.

Council Member Dave Martin was not present for the vote, but arrived shortly thereafter.

3. **Presentations, Reports, and Updates.** HFC Acting President & CEO, Michael Heckman, opened the meeting. He explained that management was faced with a difficult challenge in creating the 2021 budget during the pandemic; however, HFC is positioning the destination and its facilities as safe, but open for business. According to Mr. Heckman, the City of Houston (City) received \$616 million in federal funding from the American Rescue Plan Act and HFC is working to obtain some of those funds when they become available. He then introduced HFC Chief Financial Officer, Frank Wilson, to provide the financial report.
 - A. **Financial Report.** Frank Wilson began his report with a discussion on forecasting and the 2021 budget. He also stated that the 2020 audit process is underway and the report will be presented to the Committee and the Board of Directors in June or July. Mr. Wilson also informed the Committee that HFC is close to finalizing a loan with AIG for the Hilton Americas-Houston Hotel (Hotel) that will close no later than May 1, 2021. He then discussed the current state of the COVID-19 pandemic and its impact on

certain economic indicators such as air travel, Houston weekly ADR, and hotel occupancy. HFC Vice President of Market Strategy, Cindy Decker, then provided a brief market update.

Ms. Decker discussed current travel sentiment and air travel bookings. She explained that 87% of individuals are looking to travel in the near future. She also stated that occupancy trends continue to increase from the record lows in 2020. Ms. Decker stated that, since January 2021, Houston has been ranked 5th in U.S. occupancy and market trends reflect continued improvement through the end of the year.

Frank Wilson then continued with the financial report and reviewed HFC's budget versus actuals for 2020, as compared to 2021. He then reviewed the 2021 budget assumptions and stated that the data supports a slow return to business travel in the fall while leisure travel is predicted to return much more quickly. He also informed the Committee that hotel occupancy tax (HOT) collections may be lower than budgeted, but he will have more information in May. He reported that the overall net income at the Hotel has improved due to increased booking activity and transient business. Mr. Wilson also stated that the Hotel will complete a budget reforecast in April and he anticipates projected cash to HFC will increase. Mr. Wilson then discussed HFC's parking revenues, which are also predicted to be slightly lower than budgeted. He explained that there will be an increase in activity with shows like Dr. Seuss at the George R. Brown Convention Center (GRB), but it will be a challenging year for HFC from a cash perspective. Mr. Wilson discussed HFC's outstanding debt and bond rating from Moody's that is affirmed A2-Stable due to the City's financial support. He then informed the Committee that HFC will have a small bond refunding to achieve a net present value savings of \$5.5 million that will close by early June. HFC's financial advisors from Masterson Advisors LLC then discussed the bond refunding process in further detail.

Trey Cash of Masterson Advisors confirmed that there will be no extension of the bond terms with the refunding. He also discussed debt refunding that requires an additional bonds test. Mr. Cash further explained that extending the average life of existing bonds violates City policy and would require 2/3 vote from City Council. Council Member Dave Martin stated that gaining approval from City Council will be a significant challenge for HFC.

HFC General Counsel, Lisa Hargrove, gave a brief pension update. Ms. Hargrove stated that she participated in a City-led mediation with the Houston Municipal Employee Pension System (HMEPS) that concluded without settlement. She stated that no follow-up mediation has been scheduled at this time, but HFC anticipates beginning contributing to HMEPS in January 2022 and phasing out of the 401(k) plan.

Frank Wilson then concluded his financial report with a discussion of the Paycheck Protection Program (PPP) loan received by HFC in March 2020 in the amount of \$2 million, which covered two months of employee payroll expenses. He also stated that an application was filed for a PPP loan in the amount of \$2.6 million for the Hotel that is currently pending and, upon submission of all supporting documents that the funds received were used for allowable expenses, the loans will be 100% forgivable.

4. **Adjournment.** The meeting was adjourned at 3:15 p.m.