

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

May 16, 2023 – 9:00 A.M.

**George R. Brown Convention Center, 3rd Floor Executive Board Room
1001 Avenida de las Americas
Houston, Texas 77010**

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., held a meeting at the George R. Brown Convention Center (GRB), 10701 Avenida de las Americas, 3rd Floor Executive Boardroom, Houston, Harris County, Texas 77010 on Monday, May 16, 2023, commencing at 9:00 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 participated in the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, and Ryan Martin.

- I. **Call to Order.** The Committee Chair called the meeting to order at 9:05 a.m. and a quorum was established.
- II. **Public Comments.** None
- III. **Review and approval of minutes from prior meeting.** Following a duly seconded motion, the February 14th, 2023, minutes were approved as presented. Jay Zeidman, was not present at the time of the vote.
- IV. **Presentations, Reports, and Updates.**
 - A. **Market Report**

Cindy Decker, Vice President of Business Intelligence and Market Strategy, reported that year-to-date hotel revenues were up by 11%, and rates were up by 6%, a trend she expected to continue through the remainder of 2023. Ms. Decker also reported that occupancy rates were flat in 2019, similar to 2023 trends caused by a higher supply. In parallel, she noted that demand was up by 5% year-to-date.

She identified and highlighted the competitive markets by Central Business District, which illuminated that Houston’s occupancy ranked fifth among the top twenty-five markets in the nation, with over 106,000 rooms. She added that Houston ranked sixth in the downtown market, with rates up 11.4% compared to 2019.

Ms. Decker stated lodging, including short-term rentals like Airbnbs, had increased since October 2022. She also added that in March 2023, short-term rentals reached \$300 million, making up less than 10% of total revenue.

Ms. Decker transitioned into explaining the economic impacts of the 2023 NCAA Final Four, the Taylor Swift concert, and the FIRST Robotics competition. She noted that from the 2023 NCAA Final Four to 2019, that the Houston market had grown in market revenue by 29%. Ms. Decker highlighted the Taylor Swift concert and First Robotics' sizeable economic impact on the city. Specifically, she noted that the Downtown market grew by 115%, the Galleria market increased by 152%, the Medical Center/NRG market increased by 285%, and the total market revenue for the city was almost \$34 million.

B. Financial Report

Frank Wilson, Chief Financial Officer, reviewed HFC's financial performance from 2019 through 2022. He stated that FEMA incrementally disbursed reimbursements for Hurricane Harvey damages between 2019 and 2021. Mr. Wilson added revenue recovery from 2021 and 2022 grew 72.6% year over year and a 9.8% increase over 2019. He also added that expense recovery in 2021 and 2022 was 39%.

Mr. Wilson reported that 2022 total revenues exceeded HFC's budget by \$18.8 million. He added that the Hilton's Net Cash of \$41 million caused a favorable variance, which was \$11 million better than the \$30 million budget. He continued that HFC's total expenses were \$2.5 million below budget, resulting in a variance of \$21.4 million in total revenues less expenses.

He conveyed significant favorable variances, like the Hilton's Net Cash of \$11 million. He also reported earnings, including \$3. Million for Venues, \$4.4 million for Parking, and \$727,000 for Hotel Occupancy Tax ("HOT"). He then covered more significant favorable expense variances, including \$3.8 million for Personnel, \$1.0 million for Food & Beverage, \$786,000 for Facility Maintenance, \$700,000 for Travel, Promotion & Events, and \$767,000 for Advertising & Promotion.

According to Mr. Wilson, in 2022, Houston experienced a return of meetings, which brought thousands of attendees to the GRB and the convention district. He highlighted that the return to normalcy brought fourteen large gatherings and generally increased foot traffic, which caused favorable variances.

Mr. Wilson communicated HFC's year-to-date significant revenues and expenses as of March 31st, 2023. He stated that aside from the Avenida Parking revenue, HFC's major revenues had outperformed their expected budget through March 31st. He clarified that Final Four parking did not reach expectations due to the necessity of diverting parking to the Theater District.

He imparted that HOT overperformed expectations by \$1.7 million and Hilton's Net Cash was \$3.6 million higher than anticipated due to continued above-average traffic and local catering business. He added that March was a record month for the Hilton, which produced \$14 million in operating revenue and \$7.8 million in EBITDA. According to Mr. Wilson, robust transient demand, including spring break and the final Rodeo week, positively impacted revenue, and the Final Four also drove group stays.

Mr. Wilson reported that F&B revenues continued outperforming other revenues relative to budget. He added that March experienced almost a \$2.9 million favorable variance due to large gatherings like CERA Week, United Rentals, and Final Four. Mr. Wilson disclosed that, aside from F&B, HFC's expenses were near or below budget.

According to Mr. Wilson, HFC's highest variance at \$544,000 was Personnel variance due to unfilled positions. However, he reported that HFC filled several roles during its first quarter; therefore, he believed the variance would not be as notable for the remainder of the year. He also noted that Building Maintenance had a noteworthy variance to the budget of about \$307,000 due to adequate staffing levels in the facilities. He then emphasized that budget reductions were beneficial due to increased property insurance premiums, which were \$1 million higher than anticipated.

He illuminated that through March 31st, 2023, HFC's Total Revenues exceeded Total Expenses by \$13.9 million, generally due to a \$10.7 million favorable revenue variance to budget. He added that HFC had a \$36.8 million Operating Revenue, with a positive budget variance of \$7.4 million, and a \$24.5 million Non-Operating Revenues that exceeded budget by \$3.4 million. He explained that Expenses were \$3.1 million below budget and anticipated increased expenses in the forthcoming months.

V. **Adjourn.** The meeting adjourned at 9:56 a.m.