

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

July 26, 2021 – 1:30 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, Monday, July 26, 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 were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice Chair), Sofia Adrogué, John Johnson, David Mincberg, and Mayor Pro Tem Dave Martin. Also, in attendance was Desrye Morgan.

The Chairman called the meeting to order at 1:36 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 April 7, 2021 were approved as presented.
3. **Discussion.**

Staff Retention. HFC Acting President & CEO, Michael Heckman, opened the discussion regarding an increase in employee resignations and stated that the issue is industry-wide in the wake of the COVID-19 pandemic. According to Mr. Heckman, a total of nine employees have resigned in the last nine weeks and he anticipates more to come. HFC's employees are its greatest asset, he said, and it is important to retain talented employees. In exit interviews, stagnancy in salary and lack of guidance on future opportunities have been identified as reasons for leaving. He explained that staff have endured furloughs, layoffs, and pay cuts due to financial challenges related to the pandemic. Although tough decisions were necessary for HFC to survive, new challenges are becoming imminent. He then asked HFC Chief Financial Officer, Frank Wilson, to discuss a recent analysis on market conditions.

Mr. Wilson discussed that the consumer price index (CPI) has increased five percent from May of last year and compensation continues to lag behind. He stated that

management is now tasked with determining next steps as inflation continues to erode buying power for all employees.

Council Member Dave Martin asked if employees who experienced a reduction in pay are now receiving their normal salary. Mr. Heckman stated that all employees were made whole as of January 2021.

Mr. Heckman then stated that management is engaging Chase Source to perform market studies for various job descriptions to determine if such positions are competitive in the job market and he will report the findings to the Committee beginning at its August meeting.

HFC Sr. VP of Finance, Karen Williams, explained that Chase Source will evaluate each job description to ensure it is up-to-date and then will evaluate where such positions rank compared to similar job markets in Houston and the U.S. She informed the Committee that the entire process will take four to six weeks to complete.

John Johnson asked about staffing levels and if such levels were at maximum effectiveness. Mr. Heckman stated that pre-COVID, HFC had 219 employees and staff had been reduced to 150 employees. Mr. Johnson stated that the data will assist HFC in understanding where it is in the market, but it is also important to know where HFC wants to be in the future in terms of total investment.

Jay Zeldman asked if management could further elaborate on where employees leaving are going and also asked Council Member Dave Martin what HFC can anticipate from the City of Houston as it navigates this issue.

Council Member Dave Martin discussed the Mayor's perspective on HFC salaries as compared to his own and other City of Houston officials. He stated that there is opposition because many of his colleagues come from public servant backgrounds, whereas he has worked in the private sector and understands the need to compensate key employees for their performance.

Michael Heckman elaborated by stating that employees terminating are accepting positions with several going to companies like Amazon.

David Mincberg stated that HFC must navigate between municipal concerns and competition with private sector jobs like Facebook, where his son-in-law recently accepted a job, and was offered stock options that vest annually.

John Johnson stated that the market is competitive and his business has seen higher than normal turnover, as some employees would prefer to work remotely.

Mr. Heckman stated that while HFC is being compared to other destination management organizations, there are very few organizations similar in size and with the same level of responsibility as HFC.

Mr. Johnson added that HFC should focus on rebuilding its culture moving forward because it is his belief that people quit on people not companies.

Sofia Adrogué stated while you may love working for an organization, the economics may not allow you to do so.

The Committee Chair agreed with all comments made and stated that he is now handling similar issues with his staff and further explained that all HFC can do is gather the information from Chase Source to move the discussion forward.

John Johnson stated that management should consider giving Michael more bargaining power and the ability to compensate star players that the organization wants to retain. Several Committee Members agreed.

Mr. Heckman stated that it would be difficult telling employees they will be measured against their competitors in similar markets, but will not receive the same compensation.

Council Member Martin stated that HFC should develop a system to identify key players because there would be a huge loss if people like Holly Clapham or Nathan Tollett left the company.

Mr. Heckman stated that HFC has a great team and there certainly will be a great loss should certain team members leave the company. He further stated that he recently met with HFC Board Member Bobby Singh to discuss succession planning. He also stated that while HFC is working hard to overcome financial challenges, management has been effective in communicating that the company is experiencing positive financial changes, but such changes have not been applied to employees personally.

Desrye Morgan stated that HFC should be proactive in identifying new talent.

The Committee Chair summarized the discussion and the request of the management team.

4. **Executive Session.**

Executive (closed) session pursuant to Texas Government Code Section 551.074 for the purpose of discussion regarding the compensation of the President & CEO position of Houston First Corporation.

The Committee entered executive session at 2:13 p.m. and returned at 2:43 p.m. No Committee action was taken.

5. **Adjournment.** The meeting was adjourned at 2:43 p.m.