

AGENDA

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
December 14, 2023 – 2:45 P.M.
Partnership Tower, 701 Avenida de las Americas, Suite 200
Houston, Texas 77010
HOUSTON FIRST BOARD ROOM

BOARD MEMBERS:

David Mincberg (Chair), Desrye Morgan (Vice-Chair), Sofia Adrogué, Elizabeth Brock, Nicki Keenan, Reginald Martin, Ryan Martin, Alex Brennan-Martin, Paul Puente, Bobby Singh, Tom Segesta, Gerald Womack, Jay Zeidman, Mayor Pro-Tem Dave Martin, Ex-officio, Council Member Robert Gallegos, Ex-officio

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

Code of Business Conduct and Ethics – As a reminder, under Houston First Corporation’s Code of Business Conduct and Ethics Policy, if you have a potential conflict of interest that you have not previously disclosed relating to a transaction or arrangement being discussed or voted on, you should notify the Chair and refrain from voting on the transaction or arrangement and recuse yourself from the discussion on the matter at hand. You should have received a copy of the Policy, but if not, let us know and we will provide one for you.

- I. **Call to Order**
- II. **Public Comments**
- III. **Minutes** – November 16, 2023
- IV. **Presentations, Reports, and Updates**
 - A. Houston First Chairman’s Report
 - B. Houston First President & CEO’s Report
 - C. Presentation on Houston Botanic Gardens
 - D. Update on the Convention District Transformation
 - E. Update on Lynn Wyatt Square for the Performing Arts
- V. **Adjourn**

III. Minutes – November 16, 2023

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

November 16, 2023 – 3:00 P.M.

Partnership Tower, 701 Avenida de las Americas, Suite 200

Houston, Texas 77010

HOUSTON FIRST BOARD ROOM

The Board of Directors (“Board”) 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 Thursday, November 16, 2023, commencing at 3:00 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 Board Members participated in the meeting: David Mincberg (Chair), Desrye Morgan (Vice-Chair), Sofia Adrogué, Ryan Martin, Paul Puente, Gerald Womack, Jay Zeidman, and Mayor Pro-Tem Dave Martin, Ex-officio.

- I. **Call to Order.** The meeting was called to order at 3:08 p.m., and a quorum was established.
- II. **Public Comments.** Mark Grady, Business Agent for the International Alliance of Theatrical Stage Employees (“IATSE”) Local 51, announced that IATSE would celebrate its 125th anniversary in 2024 and sought an HFC event partnership.
- III. **Review and approval of minutes from prior meeting.** Following a duly seconded motion, the September 21, 2023, minutes were approved as presented.
- IV. **Presentations, Reports, and Updates.**

A. **Houston First Chairman’s Report.**

Chairman David Mincberg mentioned that he and Michael Heckman, President & CEO, met with the Chair and the new President & CEO of the Houston Botanic Garden (“HBG”) earlier in the week. Chairman Mincberg said HBG wanted to work with HFC to ensure increased publicity-driven garden foot traffic.

B. **Houston First President & CEO’s Report.**

Mr. Heckman reported that the Client Advisory Board (“CAB”) was in Houston earlier in the week for a meeting to discuss HFC’s strategies, communication, convention center, and similar topics. He added that CAB also shared its latest trends and developments.

According to Mr. Heckman, in October 2023, HFC had a significant presence at IMEX, the worldwide exhibition for incentive travel, meetings, and events. In parallel, Mr. Heckman explained that HFC was the exclusive U.S. destination represented at the Food and Wine Festival in Mexico City. He added that HFC supported the Dia de los Muertos (Day of the Dead) Parade, which has grown since it launched three years ago.

Mr. Heckman updated the Board on Senate Bill 1057, the legislative language for the convention campus transformation. He informed the Board that he expected design work to begin in earnest in 2024. According to Mr. Heckman, HFC would look to its Board for project guidance and advice.

V. Board Business

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

- i. Michael Heckman, President & CEO
- ii. Frank Wilson, Treasurer
- iii. David Stephenson, Interim Corporate Secretary
- iv. Frank Wilson, Investment Officer

Lisa Hargrove, General Counsel, reminded the Board that November was HFC's annual officer election meeting. Ms. Hargrove highlighted that HFC did not list her as HFC's Secretary, and Mr. Heckman announced Ms. Hargrove would soon retire. According to Mr. Heckman, David Stephenson, current Assistant General Counsel, would serve as Interim Corporate Secretary upon Board approval. In response to the news, several Board Members acknowledged Ms. Hargrove's hard work and dedication as HFC's General Counsel and congratulated her on a successful career.

Following a duly seconded motion, approval of the annual election of Officers pursuant to the Houston First Corporation Bylaws passed unanimously.

B. Consideration and possible approval of the Houston First Corporation 2024 Budget.

Mr. Heckman reminded the Board of HFC's budget process, which starts with each committee's review of related departmental strategies and budgets. He added that HFC would then provide the departmental strategies and budgets to the Benefits, Compensation, and Finance Committee ("BCF") after receiving the originating committee's approval. Mr. Heckman then explained HFC would submit the budgets to the Board for final approval after receiving BCF budgetary approval.

Mr. Heckman transitioned into explaining HFC's three long-term strategic decision-making pillars: Transformational Leadership, Destination Development, and Revenue Diversification and Asset Growth. He emphasized that HFC's major corporate decisions rely on one or more of its pillars. According to Mr. Heckman, it was important for HFC to create value for Houston's community through its five core value drivers: Destination Brand/Image Enhancement, Operational Efficiency, Organizational Innovation, Exceptional Visitor/Customer Experience, and Revenue Generation.

Frank Wilson, Chief Financial Officer, provided a 2023 forecast to the Board. He stated that the end of 2023 would have strong revenue growth driven by "revenge travel" and meetings. He added that HFC's 2023 forecast also reflected a substantial budget variance due to 29 citywide meetings and a notable overperformance of Hotel Occupancy Tax ("HOT"), Hilton Americas-Houston Hotel ("Hilton") Food & Beverage ("F&B"), and Parking revenues. According to Mr. Wilson, HFC expected HOT to overperform its budget by almost \$7 million and achieve a record \$106 million. Mr. Wilson indicated that HFC believed the Hilton would exceed its budget by \$2.7 million and produce \$47.4 million in net cash. He also emphasized that F&B was forecasted to exceed budget by \$3.2 million and have \$25.8 million in revenue, while HFC expected Parking to exceed budget by \$754,000 and produce \$20.6 million in revenue.

Mr. Wilson stated that HFC's Non-Operating Expense reflected a negative \$17.2 million variance and demonstrated HFC's use of positive cash flow to fund \$20.9 million in capital projects to avoid seeking outside financing during an increasing interest rate market.

Mr. Heckman explained HFC's 2024 strategic investments. He described that, during COVID, HFC deferred maintenance on its buildings and would require an estimated \$20.3 million in capital expenditures to maintain the quality of its facilities. According to Mr. Heckman, HFC expected an increase of \$2.9 million in advertising and promotion, an increase of \$3.5 million in sales, and the use of \$2 million to host the Professional Convention Management Association in Houston in 2025. Mr. Heckman noted that HFC's budget would also set aside \$200,000 for Houston Film Incentives.

According to Mr. Heckman, HFC's 2024 priorities included strengthening Houston's brand equity, fostering greater synergy as a destination, boosting the economic impact of leisure travel to Houston, accelerating the booking pace for 2025 – 2027 convention business, developing aggressive convention sales strategies for transformed convention district, delivering superior convention client experiences, managing new conditions affecting convention sales, increasing travel from Mexico, seizing emerging international markets, promoting exceptional 360° visitor experiences, implementing Phase 1 of Convention District transformation, enhancing the destination appeal of HFC facilities, increasing the number of Houston TV and film projects, exploring P3 opportunities to address structural HFC budget challenges, and pursuing excellence in corporate culture.

Mr. Wilson reported that based on several assumptions, HFC's proposed 2024 budget reflected \$229.2 million in total revenues, \$227.8 million in total expenses, and \$20.3 million in capital expenditures.

According to Mr. Wilson, HFC's 2024 budget reflected a positive increase of \$3.5 million in total revenue and \$2.6 million in total expenses compared to 2023, a \$900,000 increase in revenue over expenses.

Mr. Wilson explained HFC's contributions to the City of Houston ("City") and stakeholders. He noted the HFC's total contribution to the City was \$22,585, distributed between Houston Arts Alliance, Promotion, Protocol, Traffic Administration, Hobby Center HVAC, and Annex Garage. According to Mr. Wilson, HFC provided stakeholders \$3,492, which was distributed between Discovery Green, Hobby Center, MATCH, and Buffalo Bayou Partnership. He also identified HFC's 2024 planned capital projects totaling \$16.6 million. Mr. Wilson also provided an analysis of Lynn Wyatt Square expenditures, which totaled \$1.8 million.

According to Mr. Wilson, HFC's proposed 2024 budget was \$229,215,849 in total revenues, \$227,809,094 in total expenses, and \$1,406,755 in net profit.

Ryan Martin, Board Member, applauded the work HFC does yearly to present the budget. Jay Zeidman, Board Member, informed the Board that this budget was presented to the Benefits, Compensation, and Finance Committee earlier in the week and passed unanimously. Gerald Womack, Board Member, inquired into HFC's personnel budget. Mr. Heckman explained that HFC's budget included a 3 – 4% cost of living increase and the addition of sixteen positions. Mr. Womack also asked about marketing to small minority-owned businesses. Mr. Heckman responded that all HFC's marketing efforts included small minority-owned businesses. Mr. Womack then asked about HFC's film incentives and HFC's efforts to market the program at a local level. Mr. Heckman explained that the program was new and that HFC planned to return to its Board with program criteria and deployment plans. Lastly, Mr. Womack said he liked HFC's improvements to the George R. Brown Convention Center; however, he wanted HFC to heed his suggestion to add a slider to improve mobility through the facility, which would benefit seniors.

Vice-Chairman Desrye Morgan asked about HFC's insurance and security cost. Mr. Wilson explained that HFC included a 35% increase in its budget for increased insurance costs and security due to a future security vendor solicitation. Vice-Chairman Morgan advocated that HFC review the Inflation Reduction Act for funding.

Following a duly seconded motion, approval of the Houston First Corporation 2024 Budget passed unanimously.

C. Consideration and possible approval of funding for design and printing services rendered by Judson Design Associates, Inc. regarding the State of the City Luncheon.

Chairman Mincberg stated that this item was being removed from the agenda, but he wanted to expand upon information provided in a prior public statement. He said HFC's mission was to promote the City and foster convention, entertainment, and tourism. Chairman Mincberg noted HFC had many successes due to its efforts, including attracting significant events to the City. According to Chairman Mincberg, some of HFC's successes included attracting the 2028 Republican National Convention and noteworthy sporting events to promote the City and entertain its inhabitants.

According to Chairman Mincberg, HFC recently hosted the 2023 State of the City luncheon, which promoted the City with approximately 1,600 citizen attendees. Chairman Mincberg asserted that it was HFC's policy to fund the event with private donations by the sponsors and attendees. He added the event included the distribution of a book highlighting the legacy of Mayor Turner, which was the subject of this item. He indicated that he requested that HFC staff place this item on the agenda so that he could update the Board, remove any confusion, and dispel rumors regarding payment for the book production. He reiterated HFC's general policy was that event proceeds and donations would cover all event costs.

Chairman Mincberg noted that HFC never intended, to his knowledge, to use any funds other than private funds to pay for any of the invoices that it received for the book. According to Chairman Mincberg, HFC staff was reviewing the costs that HFC incurred to host the State of the City luncheon and the amount of private funds raised for the event. He added that HFC would work with the chairs and sponsors to seek additional private funding to bridge the gap if the event had a shortfall.

The item was then removed from the agenda.

VI. Executive Session.

Executive (closed) session pursuant to Texas Government Code Section 551.074 for the purpose of reviewing and evaluating the performance of the President & CEO of the Corporation.

Board Members were asked to remain for the executive session; all other attendees left the room.

The meeting went into Executive Session at 3:57 p.m. and ended at 4:49 p.m.

VII. Adjourn. The meeting adjourned at 4:49 p.m.