

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

June 22, 2023 – 3:00 P.M.

Partnership Tower, 701 Avenida de las Americas, Ste, 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, 2nd Floor Boardroom, Houston, Harris County, Texas 77010 on Thursday, June 22nd, 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 Committee Members participated in the meeting: David Mincberg (Chair), Sofia Adrogué, Nicki Keenan, Alex Brennan-Martin, Reginald Martin, Ryan Martin, Bobby Singh, Gerald Womack, Jay Zeidman, and Mayor Pro-Tem Dave Martin.

- I. **Call to Order.** The Chairman of the Board called the meeting to order at 3:00 p.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 May 25th, 2023, minutes were approved as presented.
- IV. **Presentations, Reports, and Updates.**
 - A. **Houston First Chairman’s Report**

Chairman David Mincberg reported that he, Sofia Adrogué, Board Member, and others attended Barry Mandel’s retirement celebration as Executive Director of Discovery Green.

He announced that HFC expected Lynn Wyatt Square’s grand opening would occur in September 2023 and that HFC would disclose the date once confirmed.

Chairman Mincberg announced that HFC would once again sponsor the State of the City event, which would occur on September 27th, 2023.

Chairman Mincberg reported that refinancing concluded for the Hilton-Americas Hotel.

According to Chairman Minberg, HFC proposed hosting an event for Mayor Turner in October 2023 as a tribute to his years of service in office.

B. Houston First President & CEO's Report

Michael Heckman, HFC's President & Chief Executive Officer, asked Frank Wilson, HFC's Chief Financial Officer, to begin by giving his financial report.

Mr. Wilson reported on HFC's major revenues and expenses as of May 31st, 2023. He stated that all HFC's significant revenues outperformed their budget except for Avenida Parking. Mr. Wilson then explained that Hotel Occupancy Tax collections was over budget by \$8.2 million (19.3%), Hilton Americas Net Cash was over budget by almost \$5.9 million (31.5%), George R. Brown Convention Center Food and Beverage was over budget by \$3.2 million (27.3%), and Theater District Parking was over budget by \$705,000 (26.2%). He added that major expenses under budget included Personnel at \$501,409 (4.7%), Security Contract at \$402,968 (17.8%), and Building Maintenance Contract at \$393.135 (15.2%).

Mr. Wilson reported that as of May 31st, 2023, total actual revenues exceed total actual expenses by \$21.7 million.

Mr. Heckman noted that HFC discussed establishing and growing its presence around Juneteenth celebrations in Houston. He reported that this year's celebration was a continuation of the 2022 event. According to Mr. Heckman, the event theme for 2023 was Juneteenth – The Musical Journey Continues, which had a two-night event held on June 16th and June 17th at Miller Outdoor Theatre. Mr. Heckman added that the two performances brought in about 6,000 attendees the first night and 5,000 the following night. He then emphasized that HFC would continue to build upon the event.

Mr. Heckman illuminated that Juneteenth – A Celebration of Freedom, which featured entertainment, market, music, and other festivities, was also held on June 18th at Avenida Houston and Discovery Green.

Gerald Womack, Board Member, inquired about hotel occupancy during the Juneteenth events. Mr. Heckman responded that HFC would provide an analysis at the next meeting.

Ms. Adrogué stated that she appreciated HFC's offer to take Board Members on a tour of Freedmen's Town that serve as examples of products and services available to tourists.

Mr. Heckman reported that the RNC should complete the 2028 Republican National Convention bid selection process by August 2023.

According to Mr. Heckman, Senate Bill 1057 became law on June 18th, 2023, at midnight and would be effective September 1st, 2023.

V. **Board Business.**

A. Consideration and possible approval of the Houston First 2022 Annual Financial Audit.

Items V.A. and V.B were taken out of order and were presented before items III and IV.

Stephany Bland, HFC's Controller, reported that the Annual Audit included Venues, Hilton Americas-Houston Hotel, Visit Houston (Destination Marketing, Tourism, Destination Sales), and Parking Garages. She clarified that the City's Convention and Entertainment Facilities Department debt and fixed assets were excluded.

Ms. Bland explained that HFC changed its net position with an increase of \$38 million. She noted that HFC used its increase in net position to pay down debt by \$25 million and to fund capital projects with \$13 million without increasing debt.

Ms. Bland reported that HFC's total assets decreased by \$2.6 million, and total liabilities decreased by \$27 million. According to Ms. Bland, HFC's four highest revenues included Hotel Revenues at \$86.5 million, Intergovernmental Revenues from Primary Government at \$74.2 million, Venue Revenues at \$41.1 million, and Avenida Parking Revenues at \$18.3 million. She emphasized that all HFC revenues doubled from 2021, except parking revenues. Ms. Bland highlighted that variance in revenues from 2021 included Hotel at 103%, Venue at 95%, Parking at 58%, and Other at 105%.

According to Ms. Bland, HFC's four highest expenses in 2022 were Venue at \$48.8 million, General and Administrative at \$35.9, Hotel at \$28.3 million, and Visit Houston at \$20.1 million. She then conveyed the variance increases of Hotel at 87%, Venue at 56%, Parking at 28%, Visit Houston at 68%, and General and Administrative at 30%. She noted that HFC's total operating revenues in 2022 increased by 94% to \$152.6 million in response to the COVID-19 pandemic recovery. Ms. Bland also provided that HFC's COVID-19 recovery increased expenses by 43% to \$166.5 million, including a \$13 million increase in hotel expenses and a \$17.6 million increase in venue expenses.

Ms. Bland reported that HFC's non-operating revenues increased to \$32.4 million from 2021 due to a \$16 million 2021 pension-related settlement and a \$17.1 million revenue increase from primary government.

Tino Robledo, RSM's Senior Director and Engagement Leader, provided the results of HFC's 2022 Financial Audit. He reported that an unqualified opinion on the financial statements was issued, which had no significant changes to the planned audit strategy, as communicated to the Benefits, Compensation, and Finance. Mr. Robledo clarified that he found no significant risks outside of those disclosed in the report on March 21st, 2023, dated. Mr. Robledo reported that in 2022, HFC adopted pension accounting and financial reporting standards. He added that he found no audit adjustments, uncorrected misstatements, or reportable internal control deficiencies identified in the audit. Mr. Robledo concluded that HFC's audit was clean.

According to Mr. Robledo, RSM maintained its commitment to HFC's diversity participation initiative and introduced Stephen Yoe from their subcontractor Yoe CPA, LLA ("Yoe CPA"). Mr. Yoe stated that his company was a certified registered minority-owned business. He said that Yoe CPA aided RSM's team throughout the audit. He explained that Yoe CPA assisted RSM primarily with investments, capital assets, long-term debt, and selected income statement line items. Joel Perez, one of RSM's Partners, stated that his company worked with many diversity-owned companies and emphasized Yoe CPA's consistency. He added that Mr. Yoe had five auditors, two bookkeepers, and two tax preparers.

Mr. Womack, Board Member, stated that he continues to advocate for HFC to work with small minority-owned businesses and to fulfill its diversity goals.

Mr. Robledo mentioned that the pension addition was the only difference from 2021 and stated that the method used to determine values was consistent with authoritative literature. He reiterated that he found no significant issues, disagreements, difficulties, or contentious matters with management. Mr. Robledo added that the audit did not include consultations with other accountants regarding accounting or auditing matters. According to Mr. Robledo, a clean audit.

Following a duly seconded motion, the Houston First 2022 Annual Financial Audit was approved as presented.

B. Consideration and possible approval of a Commercial Waste Removal and Recycling Services Agreement between Houston First Corporation and Republic Services of Houston.

Frank Wilson, Chief Financial Officer, reported that this item unanimously passed the Operations Committee on June 13th, 2023. He explained that HFC issued a Request for Proposals on April 7th, 2023, that received five responses. Mr. Wilson stated that the current commercial waste services provider, Republic Services ("Republic"), scored the highest and was management's recommendation for commercial waste removal and recycling services. He added that Republic's current clients included Clutch City Sports/Toyota Center, Bayou Processing, Northside ISD, and Klein ISD. He highlighted that Republic's diversity partnership goal was 10% through XD Ventures, a City of Houston Disadvantaged Business Enterprise certified company. Mr. Wilson noted that XD Ventures currently exceeded its goal.

Mr. Womack inquired why Republic's diversity goal was so low. Lisa Hargrove, General Counsel, explained that this type of proposal did not have many diversity opportunities besides fuel. Mr. Heckman explained that the proposal's diversity goal was identical to when Roger Harris was with HFC. Mr. Heckman added that HFC promoted Tracey Prince to Sr. Director of Government Relations, and her duties would include community outreach with companies to increase diversity participation. Chairman Minberg, reminded the Board that HFC is a significant sponsor for the Office of Business Opportunity for the City of Houston Annual Diversity Awards Luncheon.

Following a duly seconded motion, a Commercial Waste Removal and Recycling Services Agreement between Houston First Corporation and Republic Services of Houston was approved.

VI. **Adjourn.** The meeting adjourned at 3:49 p.m.