

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
September 23, 2021 – 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, September 23, 2021, 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), Sofia Adrogué, Elizabeth Brock, Nicki Keenan, Alex Brennan-Martin, Reginald Martin, Ryan Martin, Tom Segesta, Bobby Singh, Gerald Womack, Jay Zeidman, Mayor Pro-Tem, Dave Martin, Ex-Officio and Council Member David Robinson. Also in attendance was Council Member Michael Kubosh and Patrick Coleman, Chief of Staff for Council Member Leticia Plummer.

The Chairman of the Board called the meeting to order at 3:05 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 meeting minutes of August 26, 2021 were approved unanimously.

Elizabeth Brock arrived at 3:08 p.m. and did not vote on the minutes.

3. **Board Business.**
 - A. **Consideration and possible approval of the Houston First Corporation 2020 Annual Financial Audit.**

HFC Chief Financial Officer, Frank Wilson, informed the Board that there was a great discussion in the Benefits, Compensation, and Finance Committee (“Committee”) with HFC’s external audit partner, RSM US LLP. He then introduced HFC Assistant Controller, Karen Tang, to provide an overview of the 2020 financials.

Ms. Tang discussed HFC's major revenues and expenses for 2020. She then introduced Joel Perez of RSM US LLP to discuss the results of the audit.

Mr. Perez thanked the HFC Finance team for their assistance in completing the audit. He then introduced several members of the RSM audit team before proceeding with his report. Mr. Perez began with a discussion of the goals and objectives of the audit and his role as auditor. He also provided several highlights related to HFC's 2020 financials that resulted in a deficit of revenues and unrestricted net position due to the COVID-19 pandemic. He then explained that RSM issued an unmodified opinion and the results reflect no material misstatements or deficiencies in internal controls by HFC. Mr. Perez further explained that the audit process was more challenging and time consuming this year due to the early adoption of new accounting policies related to GASB No. 87. He then introduced Margie Oyedepo to provide the required communications as part of the audit process.

Ms. Oyedepo thanked the HFC Finance team for their help throughout the audit process. She then discussed all required communications.

Bobby Singh asked for further clarification regarding statements in the audit related to significant issues with management. Mr. Perez stated that the report includes standard language and confirmed that there were no issues with HFC management.

Stephen Yoe of Yoe CPA, LLC then discussed his role as a diverse partner working with RSM. Mr. Yoe thanked HFC for the opportunity to participate in the audit engagement. He stated that he worked side by side with the RSM team who provided him with two brand new laptops that included the necessary technology to complete several key components of the audit. He concluded his remarks by stating that his experience has been rewarding both financially and professionally because it has prepared his firm for more complex accounting efforts in the future.

Jay Zeidman stated that the Committee approved the item unanimously and he commended HFC staff for the early adoption of new accounting practices.

Alex Brennan-Martin echoed the comments of Mr. Zeidman. He further explained that the timeline and challenges faced by HFC last year due to COVID-19 could have resulted in many mistakes, but the Finance team did a remarkable job.

Mr. Womack also thanked management for the diverse representation on the audit team.

Following a motion duly second, the Board approved the Houston First Corporation 2020 Annual Financial Audit unanimously.

B. Consideration and possible approval of an Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc.

Frank Wilson discussed the solicitation process for an insurance brokerage and risk management services firm. Mr. Wilson stated that a total of three proposals were submitted and the incumbent firm, Arthur J. Gallagher Risk Management Services, Inc., received the highest score. He then asked HFC Development Specialist Manager, Roger Harris, to discuss the diversity goal under the agreement.

Mr. Harris stated that the diversity goal set under the previous agreement increased from 33% to 35%, and the firm selected proposed a 36% diversity goal.

Alex Brennan-Martin stated that the Committee discussed the disparity in scores and asked Mayor Pro-Tem, Dave Martin, to share his thoughts.

Mayor Pro-Tem Martin stated that the nature of the insurance industry forces HFC to make a selection without knowing how much the product or insurance premiums will be, hence the range of fees proposed. He further stated that all three proposers are good firms and will do a good job for HFC.

Ryan Martin also noted that according to legal, insurance brokerage firms are prohibited from receiving commissions under state law.

Sofia Adrogué also explained that management was happy with the recommendation of the selection committee because Gallagher has proven to be a very responsive service provider.

Following a motion duly seconded, the Board approved an Insurance Brokerage and Risk Management Services Agreement between Houston First Corporation and Arthur J. Gallagher Risk Management Services, Inc. unanimously.

C. Consideration and possible authorization of actions necessary to effectuate the transfer of employees from Convention & Cultural Services, Inc. (CCSI) to Houston First Corporation effective January 1, 2022, including, but not limited to, (i) approval of a notice of termination of the existing Services Agreement between CCSI and Houston First; (ii) transfer of sponsorship to, and the assumption by, Houston First of each employee benefit plan, program, policy or arrangement sponsored by CCSI (other than the CCSI 401(k) Plan) as well as any trust agreements, insurance plans and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI, that are applicable to such transfer; and (iii) establishment of a deferred compensation 457(b) Plan for certain eligible employees as well as approving an agreement to administer the 457(b) Plan.

HFC President & CEO, Michael Heckman, provided a brief overview of the ongoing litigation between the City of Houston (“City”) and the Houston Municipal Employee Pension System (“HMEPS”). The Texas Supreme Court ruled that CCSI employees are members of the pension system, but it’s unclear when the matter will be settled between the City and HMEPS and the amount due, if any, is assessed. Mr. Heckman stated that HFC is in communication with the City and the City Attorney and has requested several months’ notice to complete the administrative steps necessary to effectuate the transfer of all CCSI employees to HFC, effective January 1, 2022. Mr. Heckman also explained that HFC Vice President of Public Affairs, Jonathan Newport, will host meetings with staff to effectively communicate the transition and answer any questions regarding employee benefits.

Gerald Womack asked about the financial impact to HFC. Mr. Heckman stated that the funds have not been assessed at this time, but there will be no change in pay for employees, and it is important to address any rumors among staff regarding the transition.

Board Members discussed the importance of communication to staff. Reggie Martin also asked that management share its communication plan with the Board.

Elizabeth Brock thanked management for being proactive and thoughtful in the execution of the transition.

Mayor Pro-Tem Martin asked for clarification on HFC’s current contribution to the CCSI 401(k) plan and future contributions under the pension.

Following a motion duly seconded, the Board unanimously authorized the actions necessary to effectuate the transfer of employees from Convention & Cultural Services, Inc. (CCSI) to Houston First Corporation effective January 1, 2022, including, but not limited to, (i) approval of a notice of termination of the existing Services Agreement between CCSI and Houston First; (ii) transfer of sponsorship to, and the assumption by, Houston First of each employee benefit plan, program, policy or arrangement sponsored by CCSI (other than the CCSI 401(k) Plan) as well as any trust agreements, insurance plans and all service agreements related to such plans, or provided on, or on behalf of, the employees or CCSI, that are applicable to such transfer; and (iii) establishment of a deferred compensation 457(b) Plan for certain eligible employees as well as approving an agreement to administer the 457(b) Plan.

4. **Presentations and Reports.**

- A. Houston First Chairman Report. The Chairman announced that, on October 13, 2021 HFC will host the State of the City and Board Member, Elizabeth Brock, is Co-Chair. He then asked Ms. Brock to share a few remarks.

Ms. Brock stated that she is very excited for the event and has briefed Mayor Turner who is enthusiastic with the direction of the event. This year’s State of the

City event, she explained, will address resiliency, climate, and complete communities. Ms. Brock stated that fundraising efforts are going well and she thanked all Board Members for their support. She noted that approximately 800 attendees have rsvp'd for the event and she anticipates even more people will be in attendance. Ms. Brock also thanked the Greater Houston Convention & Visitors Bureau ("GHCVB") for their contribution.

The Chairman thanked Ms. Brock for her efforts and proceeded with his report. He announced the filming of the television show Top Chef in Houston and congratulated management and HFC Chief Marketing Officer, Holly Clapham, for her tireless efforts in bringing the show to Houston.

The Chairman also congratulated Board Member, Sofia Adrogué, for being named a 2021 Global Leader of Influence by the World Affairs Council of Greater Houston and announced that the ceremony will be held on October 13, 2021.

He then asked Board Members for potential dates to complete the evaluation of the HFC President & CEO. Based on discussion, the Chairman proposed that the evaluation be conducted in executive session at the October Board meeting.

- B. HFC President & CEO Report. Michael Heckman began his report with the announcement of Top Chef Houston and stated that the announcement has already received significant national publicity. He also discussed the State of the City event and an upcoming HFC staff event on October 7, 2021. Mr. Heckman also announced that the Consular Ball will be held October 16, 2021 at the George R. Brown Convention Center. He also stated that he and Jorge Franz recently attended the IPW Conference in Las Vegas and the Tourism department hosted over 180 appointments, so there is a huge demand for visitation to Houston. He then asked Frank Wilson to provide a brief financial update.

Mr. Wilson informed the Board that the initial grant received by HFC under the Shuttered Venues Grant Program has increased to \$2.2 million and will be utilized for expenses in the Theater District. He thanked HFC Director of Strategic Planning, Susan Tucker, for her efforts.

Mr. Heckman then announced that Mr. Newport is currently working with the Texas Travel Alliance on behalf of HFC and other destination management organizations (DMOs) within the state to obtain funding for DMOs from the state's COVID-19 Relief Fund.

Mr. Newport stated that it is day four of the Special Session of the Texas Legislature and he is working with various trade associations to determine how HFC and other DMOs can receive relief specific to the hospitality industry and for loss revenues as result of the COVID-19 pandemic.

Bobby Singh asked approximately how much money could be available from the state and Mr. Newport stated roughly between \$10 million to \$15 million.

Mr. Womack asked that HFC include performing arts venues, such as the Ensemble Theater, should relief be made available.

- C. Supplier Diversity Report. Roger Harris provided the supplier diversity report. Mr. Harris stated that HFC has not been as active with community engagement due to the pandemic, but will participate in a City sponsored event next week. He then discussed the diversity supplier report that reflects 56% spend with diverse businesses through second quarter. He then provided a break down of diversity by ethnicity, which he stated is not reflective of past numbers due to the challenges faced in 2020, but he believes the figures will improve once HFC resumes normal operations.

Gerald Womack stated that there is room for improvement and commented on the percentage of African-American suppliers.

Jay Zeidman stated that it would be good to see both past and present data as a reference.

Bobby Singh stated that the HFC Diversity Program is different from other entities, however, other organizations like the City do not include prime contractors in their calculations for diverse suppliers so HFC's figures appear inflated.

Reginald Martin stated that HFC needs to be a better job of creating opportunities for small businesses and suggested that management create something unique to generate more opportunities.

Ryan Martin stated that HFC and the Procurement Committee should define what it means to be equitable.

Mr. Singh stated that competency should be number one and the numbers will follow, but it is important to give different firms opportunities. He also stated that if HFC is an extension of the City, there should be consistencies in tracking diversity participation.

Council Member David Robinson stated that there are many recognizable standards of reporting and he would love to understand the gold standard. He also stated that there should be a five year look back because it is important for HFC to know where it has been, but also where it is going.

Mr. Heckman stated that HFC has a strong commitment to diversity and he will take the comments made by Board Members and present them to management. He stated that he is proud of the work the organization has done, but there is always room for improvement.

5. Adjournment. The meeting was adjourned at 4:46 p.m.