

**HOUSTON FIRST CORPORATION**  
**MINUTES OF THE**  
**GOVERNANCE, AUDIT & FINANCE COMMITTEE**  
**October 27, 2017**

The Governance, Audit & Finance Committee of Houston First Corporation (the "Corporation"), a Texas non-profit corporation created and organized by the City of Houston as a local government corporation pursuant to TEX.TRANSF.CODE ANN. §431.101 et seq. and TEX.LOC.GOV'T.CODE ANN §394.001 et seq., held a meeting in the 2<sup>nd</sup> floor boardroom at the Partnership Tower, 701 Avenida de las Americas, Houston, Harris County, Texas 77010, on Friday, October 27, 2017, commencing at 10:30 a.m. Written notice of the meeting, including the date, hour, place and agenda was posted in accordance with the Texas Open Meetings Act. The following members participated in the meeting: Katy Caldwell, John Johnson, Alex Brennan Martin, Sofia Adroque, Linda Toyota and Dawn Ullrich. Council Member Martin was not present.

A quorum was established and a motion was made and duly seconded to call the meeting to order at approximately 10:34 a.m.

1. **Public Comments.** None.
2. **Review and Approval of Minutes.** A motion was made and duly seconded to approve the minutes from the June 12, 2017 meeting as presented.
3. **Presentations.**
  - A. **General Economic Conditions.** Frank Wilson referred to a report from the Federal Reserve Bank of Dallas that included the Houston Economic Indicators. The report states that the Houston economy continued to expand at a modest but slower pace through August. It suggests that while Hurricane Harvey's impact will be felt keenly, Houston and the Texas Gulf Coast are expected to recover quickly. The Business-Cycle Index and employment data were weaker due to a slow summer. The Dallas Fed also states that overall, while near-term outlook is uncertain, medium-term outlook remains positive.
  - B. **2017 Financials.** Brenda Bazan reports that the impact of Hurricane Harvey on Houston First facilities is approximately \$70 million. The facilities are insured under the city's insurance program. The majority of cost is expected to be reimbursed through insurance and FEMA which may take multiple years.
  - C. **2018 Budget Process.** Brenda Bazan described the budget process which includes developing/updating a rolling two-year Business Plan, updating current year's budget projection, beginning to build next year budget, presenting Business Plans and Budgets to appropriate committee for review and recommendation to the Board, presenting Sales and Marketing budgets to GHCVB Executive Committee and Board, then presenting approved Business Plans and Budgets to HFC Board and City Council. Brenda identified which committees review each department and discussed the Reserve Analysis.

4. **Committee Business.**

- A. Consideration and possible recommendation of the annual election of officers, including investment officer, pursuant to the Houston First Corporation Bylaws. The officers considered are Dawn Ullrich, President; Brenda Bazan, Treasurer; Pamela Walko, Secretary; and Frank Wilson, Investment Officer. Following discussion on this item, a motion was made and duly seconded to recommend the slate of officers as presented to the Houston First Corporation's Board of Directors for review and approval.
- B. Consideration and recommendation of the 2018 Administration Business Plans and Budgets. Following discussion on this item, the committee recommended that a vote not be taken and that another meeting be scheduled next week to allow more time to review the 2018 Administration Business Plans and Budgets.
- C. Consideration and recommendation of the Houston First Corporation's 2018 Business Plan and Budget, inclusive of Capital Plans and a \$75 million subordinate debt facility with Regions Bank, including immediate draws to fund recovery and restoration resulting from Hurricane Harvey. Following discussion on this item, the committee recommended that a vote not be taken and that another meeting be scheduled next week to allow more time to review Houston First Corporation's 2018 Business Plan and Budget, inclusive of Capital Plans and a \$75 million subordinate debt facility with Regions Bank, including immediate draws to fund recovery and restoration resulting from Hurricane Harvey.
- D. Consideration and possible recommendation of an increase to the Houston First 2017 Budget to fund supplemental flood insurance. Following discussion on this item, a motion was made and duly seconded to recommend an increase to the Houston First 2017 Budget to fund supplemental flood insurance to the Houston First Corporation's Board of Directors for review and approval.

5. **Updates.**

- A. Diversity Report. Roger Harris provided an update on the diversity within contractor organizations. His report indicates General Operations is at 48%, Service Contracts at 55%, and Hilton Americas at 33% participation rate through September 2017. He stated that a process has been implemented to improve communication with hotels regarding diversity. New contractors such as Levy, Staging Solutions, and construction projects at Wortham will be added to the next report.
- B. Mitigation. Roxsan Okan-Vick provided an update on mitigation efforts. She stated that the City Hall Annex is not managed by HFC, but water came through there and affected Tranquility Parking Garage. Three types of mitigation projects to consider moving forward are secure perimeter, primary and secondary barriers, and reservoirs. Forensic reports are not yet complete. She also mentioned potential future mitigation projects at Sam Houston Park and Jones Plaza.

- C. Hilton Room Renovation. Jacques D’Rovencourt stated that the original target date to begin renovation was July 2018; however, that date had already been pushed back to the 4<sup>th</sup> quarter prior to Hurricane Harvey. During the 2018 Budget process, it was decided to postpone funding the \$26 million room renovation until the total cost of damage to HFC facilities can be estimated. Hilton Americas is HFC’s largest revenue source and moving forward on the room renovation continues to be a high priority.
  
- D. 4 Houston Center Lease. Peter McStravick reviewed current lease terms and potential costs of early termination.

After a motion duly seconded, the meeting adjourned at approximately 12:04 p.m.

/s/ Diana Muñoz  
Diana D. Muñoz on behalf of Pamela Walko, Secretary