

# MINUTES

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**

**November 16, 2021 – 10:00 A.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, Tuesday, November 16, 2021 commencing at 10:04 a.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, Mayor Pro-Tem Dave Martin, Ryan Martin*

1. **Call to order.** The Chairman called the meeting to order at 10:04 a.m. and a quorum was established.
2. **Public Comments.** None.
3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of September 21, 2021 were approved as presented. Mayor Pro-Tem Dave Martin was not yet present at the time of the vote.
4. **Committee Business.**

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

The Committee considered the annual election of Officers; Michael Heckman, President & CEO, Frank Wilson, Treasurer, Lisa Hargrove, Secretary, and Frank Wilson, Investment Officer. Following a motion duly seconded, the Officers were approved.

- B. Consideration and possible recommendation of the Houston First Corporation 2022 Budget.

Houston First President & CEO, Michael Heckman, stated that the budget being presented for 2022 is responsible and competitive. He added that 2021 is projected to finish significantly better than its proposed budget and 2022 looks notably better than 2021.

Chief Financial Officer, Frank Wilson, began with the calendar year 2021 budget forecast. Total revenues are forecasted to be \$113 million. Operating expenses are forecasted to be \$55.7 million and Non-Operating expenses of \$84.9 million. The budget deficit for 2021 was originally forecasted at \$55 million; however, management is now forecasting to finish 2021 with a \$27.4 million deficit. The reduced deficit is due to a City loan of \$10 million, \$4.6 million of forgivable PPP loans, refinancing of bonds (saving \$4.9 million), and significant expense reductions. In addition, the \$125 million loan was refinanced on the Hilton Americas-Houston Hotel (the "Hotel") with favorable terms through 2026.

Mr. Wilson stated that the factors influencing the 2021 budget forecast are: Hotel revised 2021 budget, \$10 million loan from the City of Houston (2<sup>nd</sup> half of \$20 million total), \$6 million subordinated note, \$2 million PPP Forgivable Loan (2<sup>nd</sup> loan) for CCSI, \$2.6 million PPP Forgivable Loan for Houston First Holdings, LLC (Hilton Americas), \$2.2 million Shuttered Venue Operators Grant, strong management of expenses and cash, Dr. Seuss Experience (in the George R. Brown Convention Center (the "GRB") for three months generating \$442,000 in revenue), and \$2.25 million (amount by which Convention District Parking forecast to outperform budget due to consumer shows in Q1 and Q2).

Mr. Heckman identified the priorities for 2022, which include: launching of a unified brand campaign, accelerating promotion of Houston as an attractive location for TV and Film projects, increasing investment in Mexican market to return Houston as the top destination for Mexican travelers by 2023, celebrating the grand opening of Lynn Wyatt Square for the Performing Arts, aggressively refilling the convention sales pipeline for future years, using intelligent analytics to identify high-value sales projects, live event programming at Avenida Houston and Wyatt Square, initiating a rapid and sustained recovery for travel from Europe and Asia by Q3, developing and launching B2B & B2C annual events, promoting Houston as a leisure destination through an integrated, omni-channel marketing approach, and collaborating with surrounding-area DMO's for co-op marketing that stretches funds and benefits the region.

Mr. Wilson then presented the proposed 2022 budget. With a return to "normal", total revenues are \$183.2 million and total expenses are \$196.5 million. The budget includes a \$13.3 million deficit due to lingering COVID impacts on business travel and HOT revenues. The assumptions are that COVID variants do not deter return to in-person meetings, business travel and hotel stays return, downtown office workers return to in-person work and parking resumes in the Theater District Garage, 49% recovery of hotel occupancy tax ("HOT") to \$83.6 million, 150% recovery of Hotel EBIDTA to \$30 million, 200% recovery of food and beverage revenue to \$21 million, and 54% recovery of parking revenue to \$17 million.

Mr. Wilson further outlined how the budget deficit will be addressed. He said that Houston First has access to a \$20 million subordinated note program to fund the \$13 million deficit and \$14.8 million of capital expenditures, if necessary. After accessing the \$20 million, \$78 million should still be available, if needed. He added that he is expecting to create \$8 million of non-budgeted organic and non-organic revenue. Stimulus funding from the City of Houston would be helpful. The goal is to finish 2022 with \$20 million in emergency cash reserves.

Mr. Wilson then described the structure of the expense segments of the budget; Fixed is 54.2%, Contract is 28.5%, Variable is 11.4%, and Capital-LWS is 5.8% totaling \$196 million in expenditures. He also gave an overview of the major revenue trends compared to 2019: HOT is -\$3.8 million, Hotel net cash to HFC is -\$1 million, Food and Beverage is -\$1.6 million, Parking is -\$2.3 million, Facility Rental-Events is -\$1.2 million,

Building/Space Rental is +\$23,000, Transfers from the City of Houston are not expected, Total Revenues is -\$105 million. The Operating Expenses are -\$5.4 million from 2019.

Mr. Heckman stated that the personnel count for 2022 is 161 compared to 231 in 2019. The lower number includes early retirements, furloughs, and resignations.

Theater district facility operational losses totaled \$39 million between 2016 and 2020. Committee Members discussed and considered possible solutions to resolve the issue of these losses and will discuss further next year.

Mr. Wilson reviewed the outstanding debt of \$748 million. That amount is broken down by Revenue Bonds at 74.9%, AIG Loan at 16.2%, City Promissory Notes at 5.0%, Additional Credit Facilities at 3.5%, and Pension Bonds at 0.4%.

Finally, Mr. Wilson presented the proposed 2022 budget with operating revenues at \$88 million and operating expenses at \$92 million with a net income from operations of -\$3.9 million. The non-operating expense for 2022 is \$104.5 million and non-operating revenue is \$95.2 million. The total revenues for 2022 of \$183.3 million, total expenses of \$196.6 million, and a deficit of -\$13.3 million, which is a \$14 million improvement from 2021.

Following a motion duly seconded, the Houston First Corporation 2022 Budget was approved as presented.

5. Adjournment. The meeting was adjourned at 11:27 a.m.