

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

May 25, 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, May 25, 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, Alex Brennan-Martin, Reginald Martin, Ryan Martin, Gerald Womack, Council Member Robert Gallegos

- I. **Call to Order.** The Chairman of the Board called the meeting to order at 3:05 p.m. A quorum was established at 3:16 p.m. upon the arrival of Sofia Adrogué, Board Member.

II. **Public Comments.**

Willy Gonzalez, of Unite Here-Houston (“Unite Here”), explained that he represented workers in Hilton Americas Hotel (“Hilton”) and Marriott Marquis (“Marriott”). Mr. Gonzalez reminded the Board that the pandemic impacted the hospitality industry the hardest and described that Unite Here worked with employees at Hilton, Marriott, and Levy at the George R. Brown Convention Center (“GRB”) during and after the pandemic. He noted that he was attending the meeting to address health insurance concerns. He reported that he attempted to communicate with Hilton to ensure workers would retain their health insurance, but Hilton did not respond. According to Mr. Gonzalez, Hilton could amend its agreement to address his health insurance issues.

Jose Luis Piedra, a Hilton employee, stated that he worked for Hilton for 18 years. Mr. Piedra continued that previously, he was stressed due to the uncertainty of his insurance status when seeking medical care. According to Mr. Piedra, medical facilities asked him if he was insured, but his inconsistent insurance status caused anxiety. Mr. Piedra noted that he planned to visit cardiologists and lung specialists through July 2023, but was unsure if he would be insured. He added that he did not have health insurance issues before the pandemic, and he and his coworkers sought assistance.

Oscar Galvez, a Hilton employee, said he worked for Hilton for 11 years and wished to communicate his health insurance concerns. He provided that during Hilton's busy work periods, he and his coworkers work 14 to 15-hour days; however, during Hilton's slow periods, there was not enough work to qualify for health insurance. Mr. Galvez explained how his hands, shoulders, and back would become numb and how he was concerned about not having health insurance. He said he and his coworkers attended the meeting because they enjoyed their jobs and were proud to serve. However, he and his coworkers seek Hilton to recognize their concerns.

Niorca Perez, a Hilton employee, stated that she worked for Hilton for 20 years and received a bypass in 2014 due to a severe medical condition. Ms. Perez also indicated that her diabetes and progressive kidney failure required medication and highlighted that she was alarmed about how Hilton mistreated her after her years of service. She asked the Board to help her and her coworkers acquire the coverage they deserved.

Veronica Ortez, a Hilton employee, stated that she worked for Hilton for five years and attended the meeting to ask for assistance with health insurance. She provided that she required surgery, prohibiting her from working for two months. According to Ms. Ortez, her procedure would occur during Hilton's slower working months, specifically July 2023 and August 2023, when she would likely be uninsured. Ms. Ortez asked that the Board handle the issue with Hilton on behalf of Hilton's employees and their families. She also specified that she looked forward to a positive solution for a permanent fix.

Olga Mireles, a Hilton employee, stated that she worked for Hilton for ten years. Ms. Mireles explained that she had diabetes and a heart issue and how everyone should treat one another equally and humanely. Ms. Mireles said she felt dehumanized and scared to seek medical treatment due to the inconsistency of her health insurance coverage. Ms. Mireles emphasized that HFC was a decisive and responsive organization and asked that HFC aid Hilton's employees; otherwise, Hilton's employees would be left without health insurance when business slows.

Modesta Reyes, a Hilton employee, emphasized that the Board heard her coworkers' statements. Ms. Reyes indicated that she did not need health insurance because she had Medicare; nevertheless, she supported her coworkers because it pained her to see them unable to pay for medication or treatment. Ms. Reyes illuminated that she and her coworkers assisted their peers without coverage by speaking with Hilton's Human Resources Department and General Manager, but they did not respond. Ms. Reyes highlighted that the months with the least amount of work were imminent, which would exacerbate the situation. She added that Hilton reduced full-time employees' hours to four hours per day, which negatively affected their qualification for health insurance. She also noted that employees took time to prepare and pay to get to work to only work four hours. Ms. Reyes said that HFC could make Hilton comply and asked that it immediately act. She implored the Board to let her, and her coworkers know what they needed to do to have health insurance, and they would do what was necessary. She said it was not just for Hilton to fail to respond to their requests after she worked for the Hotel for eighteen years.

Norma Martinez, a Hilton employee, shared that Hilton's employees had to verify on the first of each month if they had insurance. Ms. Martinez explained that previously she contacted her insurance company on the first of the month, which informed her that she was insured; however, upon arrival to her appointment, the facility required her to pay out of pocket because it conveyed that she was uninsured. Ms. Martinez stated that Hilton's Human Resources Department informed her that it failed to cancel her insurance on the first of the month. Ms. Martinez added it was stressful not knowing whether she would have health insurance when she scheduled her appointments. Ms. Martinez also indicated that she received a stress test before the meeting and was trying to complete all her medical visits this month since she had insurance. According to Ms. Martinez, she went without her medications during her uninsured months because her medicine costs \$400 compared to a \$5 copay when insured. She asked the Board Members to help resolve this issue for her and her coworkers.

Chairman David Minberg stated that the Board could not act and asked Michael Heckman, President & CEO, to investigate and report on the matter at the next meeting scheduled for June 22nd, 2023. Mr. Gonzalez expressed his frustration and disappointment with HFC. He said he believed that HFC was aware of this issue because HFC released a statement that the matter only affected 24 employees and because there was a collective bargaining agreement. He added that he knew that the City of Houston contacted HFC and reiterated that HFC understood the problem. Chairman Minberg clarified that HFC was aware of the issue and that his statement referred to his inability to address the concern since it was not on the agenda.

Gerald Womack, Board Member, suggested that Mr. Heckman discuss this matter with Jacques D'Rovencourt, Hilton's General Manager, who was receptive to resolving issues in the past. Mr. Womack requested that Mr. Heckman speak with Mr. D'Rovencourt before the next Board meeting due to the issue's urgency. Mr. Heckman agreed to meet with Mr. D'Rovencourt to define the problems and review the contents of the comprehensively negotiated agreement entered into in July 2022. Mr. Gonzalez suggested that the union speak with HFC to clarify any mischaracterizations, and Mr. Heckman agreed to meet with Mr. Gonzalez whenever he was available.

Reginald Martin, Board Member, thanked the attendees for their time. He explained he understood the importance of front-line workers because of his twenty years as a chef and assured the Hilton employees that the Board would work through this process. Mr. Martin voiced his concern for HFC's lack of labor relations and his surprise that HFC lacked an employee tasked with avoiding the worsening of labor issues.

Ms. Adrogué thanked everyone for their attendance, service, and passion for their work. She added that many Board Members learned about the issue for the first time during the meeting and assured the speakers that their stories were impactful. She also reiterated that HFC would investigate the problem and that she hoped for a positive outcome.

Alex Brennan-Martin, Board Member, stated that HFC needed to be legally cautious because HFC was not a party to any of the contracts and could cause a contractual breach. He recommended seeking legal counsel before engaging in negotiations.

III. **Review and approval of minutes from prior meeting.** Following a duly seconded motion, the April 27th, 2023, minutes were approved as presented.

IV. **Presentations, Reports, and Updates.**

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

Chairman Minckberg reported that he toured Lynn Wyatt Square for the Performing Arts and that it looked terrific. He noted the project had a few challenges, but was advancing.

He informed the Board Members that the Texas Chapter of the American Public Works Association ("APWA") recognized HFC as APWA's Public Works Projects of the Year – Disaster or Emergency Construction Repair (Greater than \$75 million) in 2023 for HFC's Wortham Theater Center work.

B. **Market Update and Financial Report**

Nathan Tollett, Vice President of Citywide Convention Sales, reported that in HFC's first quarter for 2023, hotel revenues were up by 23% compared to the same period in 2022. According to Mr. Tollett, HFC had not recently experienced any significant event cancellations. Mr. Tollett also explained that compared to 2019, HFC revenues were up by 13.7%, and he emphasized that demand was up 5% compared to 2019, with more supply this year.

Mr. Tollett identified the competitive markets by Central Business District and highlighted that Houston's occupancy rate ranks fifth in the top 25 markets in the nation at 60.8% compared to 63% in 2019. Mr. Tollett explained that Houston ranks sixth, in ADR, in the downtown market, with rates up by 11.4% compared to 2019. He also illuminated that lodging, including short-term rentals, grew from October 2022 to March 2023 and returned to \$300 million in aggregate revenue. He added that short-term rentals comprised less than 10% of total revenue.

Mr. Tollett transitioned into reporting on the three recent significant events, including the 2023 NCAA Final Four, the Taylor Swift Concert, and the First Robotics Competition. In his comparison of the 2023 NCAA Final Four to 2016, Mr. Tollett stated that occupancy was down 4.6% due to 16,000 additional rooms added to the market, ADR was up 5.1%, and market revenue was up 29.2%. He also conveyed that the Taylor Swift Concert and First Robotics Competition significantly impacted market revenue during the weekend of the events. Mr. Tollett explained how the Downtown market was up by 115%, the Galleria market was up by 152%, the Medical Center/NRG market was up by 285%, and Houston's total market revenue was almost \$34 million.

Ryan Martin, Board Member, exclaimed his amazement at the results and urged HFC to continue to focus on selling conventions two to three years from the event date.

Frank Wilson, Chief Financial Officer, reported HFC's financial performance from 2019 through 2022. He stated that FEMA reimbursements from Hurricane Harvey in 2017 trickled to HFC between 2019 and 2021. Mr. Wilson explained that revenue recovery from 2021 and 2022 grew by 72.6% year over year and had a 9.8% increase over 2019. He also noted that expense recovery in 2021 and 2022 was 39%.

Mr. Wilson reported that in 2022, total revenues exceeded budget by \$18.8 million, primarily comprised of Hilton's Net Cash of \$41 million, which was \$11 million better than its expected \$30 million budget. He added that total expenses were \$2.5 million below budget, resulting in a variance of \$21.4 million in total revenues less expenses.

Mr. Wilson transitioned into identifying revenues with the more significant favorable variances, like \$11 million for Hilton's Net Cash, \$3 Million for Venues, \$4.4 million for Parking, and \$727,000 for Hotel Occupancy Tax ("HOT"). Mr. Wilson also explained expenses with notable favorable variances like \$3.8 million for Personnel, \$1.0 million for Food & Beverage, \$786,000 for Facility Maintenance, \$700,000 for Travel, Promotion & Events, and \$767,000 for Advertising & Promotion. He illuminated that the favorable variances were because, in 2022, meetings returned to GRB and the convention district, like fourteen major meetings, each hosting thousands of attendees.

Mr. Wilson reported significant revenues and expenses year-to-date as of April 30th, 2023. He stated that all significant revenues, except for Avenida Parking, outperformed their budget through April 30th, 2023. According to Mr. Wilson, Final Four parking was less than anticipated due to parking diversions to the Theater District. He also emphasized that as of May 5th, HOT exceeded expectations by \$1.7 million, and Hilton's Net Cash was \$3.6 million better than expected due to solid group and local catering business. Mr. Wilson highlighted that March 2023 was a record month for Hilton, which produced \$14 million in operating revenue and \$7.8 million in EBITDA. According to Mr. Wilson, the Hotel experienced strong transient demand caused by spring break and the final week of the Rodeo. He also noted that the Final Four drove group stays.

Mr. Wilson explained that Food and Beverage ("F&B") revenues continued outperforming other revenues relative to budget. He added that March 2023 experienced almost a \$2.9 million favorable variance due to large groups, including CERA Week, United Rentals, and the Final Four. He noted that, except for F&B, all expenses were near or below budget. According to Mr. Wilson, due to unfilled positions, Personnel variance was the highest at \$496,000; however, between February 2023 and April 2023, HFC made nine new hires, which would likely reduce variance for the remainder of the year.

According to Mr. Wilson, Security and Building Maintenance had significant budget variances of \$341,000 and \$444,000 due to staffing levels in HFC facilities. He emphasized that reductions were helpful due to an unexpected \$1 million increase in yearly property insurance costs. Mr. Wilson noted through April 30th, 2023, HFC's Total Actual Revenues of \$88.8 million exceeded Total Expenses of \$75.1 million by \$13.6 million, primarily driven by the \$15 million favorable revenue variance to budget. Mr. Wilson explained that \$49 million in Operating Revenues provided a favorable variance with \$11.5 million in Operating Revenues and \$39.6 million in Non-Operating Revenues, which exceeded expectations by \$3.5 million. He added that Expenses exceeded budget by \$276,000, but it was still early in the year, and he anticipated increased expenses in the months ahead.

Chairman Minchberg acknowledged Mr. Dennis Littlejohn, III, from Congresswoman Sheila Jackson Lee's office presence at the meeting.

C. Houston First President & CEO's Report

Mr. Heckman provided a legislative update on Senate Bill 1057 ("SB 1057"), which would provide state funding to transform the GRB and convention district. He stated that in 2013, Dallas and Fort Worth passed state legislation to allow incremental state HOT to return to municipalities for defined projects. He added that Houston was omitted then, but pursued similar legislation during this legislative session through an amendment. Mr. Heckman emphasized that SB 1057 achieved bipartisan support and passed the Senate in April 2023 by a 26 to 5 vote and recently passed the House by a 110 to 29 vote. He clarified that SB 1057 must return to the Senate for concurrence, which should pass, and then the legislature would send the bill to the Governor for his signature. Mr. Heckman highlighted that SB 1057 might provide Houston with up to \$2 billion in funding from incremental HOT.

Mr. Heckman congratulated the HFC team for an outstanding job on the 2023 NCAA Men's Final Four. He also informed the Board that HFC planned to provide it with detailed information about upcoming programming and events. Mr. Womack asked HFC for procurement information for the Final Four. Mr. Heckman informed Mr. Womack that the Sports Authority would have procurement information.

Mr. Heckman transitioned into reporting on Houston Week and explained that HFC sought to improve Houston Week in Mexico by making it bigger and stronger than previously. He noted that Mexico was Houston's most significant foreign market. According to Mr. Heckman, this year's trip would include representatives from the Texas Medical Center, the Houston Rockets, and a larger delegation led by Mayor Sylvester Turner. He also conveyed that two STEM-related Memorandums of Understanding were signed.

Jorge Franz, Vice President of Tourism and Industry Relations, mentioned that most tourists from Mexico were booking travel through agencies, wholesalers, and tour operators. He continued that it was important for Houston Week to include representatives from hotels, museums, airport systems, airlines, destination management companies, and other Houston entities that sell the Houston experience because the Mexican travel sector shifted. According to Mr. Franz, Mexican travel industry members were new and required training to market Houston most effectively. Mr. Franz added that Houston Week was also an attempt to remedy a drop in Houston travel, which had not returned to pre-pandemic levels.

Holly Clapham, Chief Marketing Officer, stated that the Houston Week concept amplified Houston marketing and noted that the events needed consolidation and branding. Ms. Clapham added that 2022 was HFC's first integrated marketing campaign launched in Mexico. She highlighted that this year, seventy media outlets RSVP'd to the Hola Houston event, three times the amount from 2022. According to Ms. Clapham, HFC left Houston Week with 275 million media impressions and planned to coordinate fourteen trips to Houston for Mexican journalists and about thirty influencers. Ms. Clapham highlighted that Houston was so amplified in Mexico that chefs volunteered to leave their Houston restaurants for a week to participate in the event. She concluded, "Houston came, Houston left, Houston remains through 2023."

Reginald Martin suggested that HFC present its Houston Week report at the subsequent Sales, Tourism, and Marketing Committee Meeting.

Roksan Okan-Vick, Urban Development Officer, reported that Lynn Wyatt Square's construction was progressing well and had noticeably advanced since its landscaping installation. Ms. Okan-Vick also clarified that the project completion date had shifted to early September due to unforeseen delays caused by product unavailability and issues related to extending the park. She also added that HFC would be planning tours for interested Board Members. Ms. Okan-Vick announced that in addition to receiving the APWA award, HFC received national recognition from the National APWA for Excellence in Management and Administration of Public Works Projects.

Mr. Heckman announced that HFC would host the third annual DE&I Hospitality Industry Internship Program, which received positive feedback. He indicated the program would run from June 5th, 2023, through July 28th, 2023. Mr. Heckman also announced that HFC would again participate in the Tourism Diversity Matters' Apprenticeship Program by employing one apprentice in 2023. He highlighted HFC hired Cory Young as a Convention Services Representative after his 2022 apprenticeship.

V. **Adjourn.** The meeting adjourned at 4:53 p.m.