

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
September 20, 2018 – 3:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC 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, Houston, Harris County, Texas, 77010, on Thursday, September 20, 2018, commencing at 3:00p.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, Katy Caldwell, Ryan Martin, Alex Brennan-Martin, Elizabeth Brock, Bobby Singh, Jay Tatum, Gerald Womack, Jay Zeidman, Council Member David Robinson, Ex-officio and Council Member Dave Martin, Ex-officio.

The Chairman of the Board called the meeting to order at 3:03 p.m. and a quorum was established.

1. **Public Comments.** Michael ("Mike") Kelly, General Manager for Midwest Maintenance, announced that an employee, Joshua Green, who works for Certified Staffing, successfully performed the Heimlich Maneuver on a patron at an event at the George R. Brown Convention Center.

Everyone in the meeting gave a resounding hand of applause and the Chairman of the Board thanked Mr. Green for his courageous act.

Susan McEldoon, President and General Manager of KHOU, discussed her enthusiasm in partnering with HFC to open the new KHOU Avenida Studio located in the George R. Brown Convention Center. She also introduced members of her team including Bobby Springer who will serve as her replacement upon retirement in February 2019, Mia Gradney, News Anchor, and Dale Lockett, Director of Community Marketing.

Ms. McEldoon stated that two years ago KHOU began discussions with Holly Clapham-Rosen about building a downtown studio and they are very excited for this new opportunity after vacating their studio during Hurricane Harvey.

A brand new logo was recently created for KHOU. The long term plan for the Avenida Studio is to do more live broadcasting during the week and various sporting events. They are also currently working on a pilot for a four o' clock news cast and would like to bring Great Day Houston to Avenida Plaza with a live audience. Bobby Springer stated he could not be more excited to be broadcasting from downtown in the heart of Houston.

Mia Gradney stated that as a native Houstonian she has witnessed the transformation of Houston, specifically the downtown area during Super Bowl LI, and was also very excited to partner with HFC.

Bobby Singh thanked Brenda Bazan and HFC staff for their efforts. David Mincberg stated he was extraordinarily excited about the opening and Gerald Womack also expressed his enthusiasm for the beginning of a great partnership.

Ms. McEldoon announced that an open house will take place on October 2, 2018 and all are invited to attend.

2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of August 16, 2018 were approved as presented.

3. **Presentations and Reports.**

- A. **Flood Recovery Status.** Jim Brownrigg of Turner Construction Company gave the Project Manager Report. He was happy to announce that as of noon September 20, 2018 permanent power has been restored to the Wortham Theater. There was a great deal of collaboration from the project team, HFC staff, and the City of Houston. Jim Brownrigg showed photos of the newly installed electrical equipment. Within twenty-four hours the old equipment was removed and the new equipment was installed. The sprinkler incident required a re-design of the electrical room with the bid, purchase, and instillation of substations in three weeks' time. Testing remains ongoing and should be completed shortly.

Mr. Brownrigg stated that the project schedule remains unchanged. The sprinkler incident will cost \$3,600,000 and includes the costs of temporary power, unit substation repairs, installation, insurance bonds, and fees. The guaranteed maximum (GMAX) amount of \$70,000,000 remains the same for repairs exclusive of the sprinkler incident.

A claim has been filed with two insurance carriers, but a request is being made to the Board for intermittent funding, until such time HFC receives insurance proceeds.

- B. **Financial Report.** Frank Wilson, Chief Financial Officer, stated HFC was currently in budget mode. Preliminarily, HFC expects to finish over budget for hotel occupancy taxes (HOT) by year end. Experts recently met with HFC stakeholders to forecast HOT for 2019. The experts provided an upbeat forecast with a preliminary budget of \$91,500,000 for HOT for 2019.

The Hilton Americas-Houston Hotel (Hotel) has been a superstar for major revenues through August. Food and beverage sales have also been very strong

year-to-date. The Hotel is ranked #1 according to the Hilton "Big Box" Hotels Property Ranking.

Frank Wilson also provided a report on the uses of cash for the Wortham Theater and Theater District Parking Garage Reconstruction Project. He also noted that a spending report was included in the Board packet.

Katy Caldwell discussed the review of the long-term financial model in the September Governance, Audit & Finance Committee Meeting. The Committee reviewed the optimistic, moderate, and severe scenarios. There is a capital shortfall of approximately \$104,000,000. Board Members may get with Frank Wilson and HFC staff to further review the presented scenarios. Desrye Morgan asked if there could be a stress test done with the 2019 budget.

Jay Ziedman asked where the Marriott's numbers were in comparison to the Hotel. Brenda Bazan, President & CEO, explained that HFC did not have access to that information.

- C. 2018 Purchase Orders between \$50,000-\$250,000. Gerald Womack asked who makes the final decision of what vendors receive purchase orders. He believes that HFC could do more with small and diverse businesses. Frank Wilson stated that the information provided was just part of the picture and that HFC had excellent diversity spend numbers. He also explained how diversity goals were determined in large service contracts. Gerald Womack stated there was a disparity in the value of purchase orders issued to African American owned businesses and his inquiry was specific to the purchase orders issued between \$50,000 and \$250,000.

Bobby Singh suggested that an additional column could be added to the information provided to show if a particular contract was divisible and at least show a good faith effort was made to hire a diverse company. Ryan Martin stated that if ethnicity was left blank we should understand why that information was not provided.

Brenda Bazan suggested that the staff go back and reformat the document and see if they can address Mr. Womack's concerns with a report at the next Board meeting.

- D. Community Sponsorship Report. Rob Jackson, Chief Policy Officer, gave the Community Sponsorship Report for June 2018-Dec.2018. He also noted a change made from the previous report provided at the earlier meeting.

David Minberg thanked the staff for doing a better job of informing the Board of upcoming events.

- E. Diversity Report. Roger Harris, Development Specialist Manager, gave the Diversity Report and stated that HFC has paid \$7,600,000 to diverse companies based on general operations contracts, service contracts, and the Hotel.

He also discussed various revenue contracts including, Levy and Staging Solutions. Levy is currently at 21% diversity participation with a full year remaining. Roger Harris is confident that Levy and Staging Solutions will meet their diversity goals.

Roger Harris also provided the diversity participation of the Wortham Theater and Theater District Parking Garage Recovery Project.

He expressed some concerns that Republic Parking will not meet its 32% diversity goal. He believes the original goal set was a bit ambitious and a more reasonable goal is 20% given the amount of divisible work.

Desrye Morgan asked what contracts were up for renewal and Roger Harris clarified that the parking operations and management services and security services contracts would expire soon.

Bobby Singh asked for clarity regarding the diversity spend related to the reconstruction project. Roger Harris explained that Harrison Kornberg and ARUP, a joint venture, was not included in the value reported, however, Harrison Kornberg was accounted for separately. He further explained City of Houston reporting practices.

Gerald Womack announced the Procurement Committee was finished with its report and had given it to General Counsel for review. The information will on next month's Board agenda.

- F. Tourism Update. Jorge Franz, Senior Vice President of Tourism, discussed the Houston Experience Marketplace and stated that good progress had been made on the initiative. There have been 2,222 experiences sold with approximately \$80,000 in sales revenue. Around 56% of the purchases were made in Houston and 43% of the purchases were made outside of the City. Top sellers include Space Center Houston, Typhoon Texas, Houston Museum Pass, and the Houston Brew Pass.

The former Tourism Incentive Program has been changed to a Cooperative Marketing Program to give organizations an opportunity to market products at a reduced price. The new program will be launched soon.

The Houston Insider Program was launched to get Houstonians excited about what the City has to offer and explore new experiences. Once you have completed the Houston Insider quiz, which takes approximately forty-five minutes to complete, you will receive a certificate and invitations to exclusive Houston events. There are 405 Houston Insiders at this time.

Houston has increased the number of visitors from Mexico this year and is now recognized as a soccer destination.

Jorge Franz just returned from China. The visit went well and our social media platform now has over 40,000 subscribers.

Jorge Franz also announced an upcoming event with Mike Waterman, President & CEO of Visit Houston, as the keynote speaker. Save the date for the next Tourism Summit April 25, 2019.

Ryan Martin stated that the number of Chinese subscribers was impressive and asked about the growth rate of We Chat.

4. **Board Business.** [Items 4A-4D were taken out of turn out of respect for guests attending the meeting.]

- A. Consideration of, and possible approval of a Tourism Advertising and Consulting Agreement with MMGY Global. Council Member David Robinson stated that this agreement was very important and central to HFC promoting world class advertising and branding.

MMGY Global will help create a brand for Houston and Beyond. They will also promote the Houston Experience Marketplace by creating a consumer friendly name and travel-trade section for the website. Their firm was the clear winner by double digit numbers and was vetted by HFC staff as well as outside subject matter experts. MMGY Global has also agreed to meet a 20% diversity goal.

A motion was made for the consideration and possible approval of a Tourism Advertising and Consulting Agreement with MMGY Global. The motion passed unanimously.

- B. Consideration of, and possible approval of the 2018 Houston Consular Ball on Saturday, Oct. 13, 2018 at the George R. Brown Convention Center.

Rob Jackson explained that the Consular Ball was organized in 1952 and is hosted by the Mayor of Houston annually. The proceeds from the event are used to streamline international outreach. Since 2013, HFC has been a primary sponsor for the event. HFC was asked to Sponsor \$50,000 for the event. The GHCVB agreed to provide \$25,000 in sponsorship funds. In its September meeting, the Governance, Audit & Finance Committee recommended a reduction in the \$50,000 sponsorship request to \$25,000. The Committee determined that HFC should be more judicious in its spending; therefore, a sponsorship request was approved and recommended to the Board in the amount of \$25,000.

Jay Zeidman reminded the Board of an earlier discussion regarding Community Sponsorship requests given by Arcy Muñoz, Community Relations Manager that the Board agreed to cut back on funding for sponsorship requests.

Katy Caldwell confirmed that the Committee's decision to reduce the amount of money granted this year was due to the same line of thinking. She also noted that the City failed to follow protocol in submitting a formal application.

The Chair declared that the Committee did what it was supposed to do, however, he was contacted directly by the City to further review its request.

Sofia Adrogué stated that she was in Argentina when she was made aware of this event and was approached by a number of leaders interested in HFC's

involvement. HFC should be cognizant as to what funding is being given to Latin American causes.

The Chair clarified that the motion on the table was to adopt a sponsorship request in the amount of \$50,000 for the Consular Ball. The motion failed.

Council Member Dave Martin stated he was most concerned with sending a mixed message to his fellow Council Members. Council Member David Robinson stated there is a clear message to City Hall and he appreciates what the Committee did to reflect a very real financial situation.

A motion was made to adopt the Committee's recommendation for a sponsorship request in the amount of \$25,000 for the Consular Ball. The motion passed.

- C. Consideration of, and possible approval of the negotiation and finalization of (i) a Services Agreement with WPC Organizing Committee and (ii) various other agreements, including a financial guaranty, that may be required to support and host the 23rd World Petroleum Congress in Houston, December 6-10, 2018.

Michael Heckman, Sr. Vice President of Partnerships and Event Development, gave a presentation on the World Petroleum Congress (WPC). The Council is made up of the 96% of the top oil and gas producing nations in the world.

Houston could not have won the bid to host the WPC 2020 without great partners like Galen Cobb, Chair of the U.S. National Committee and Vice President of Industry Relations at Halliburton.

Galen Cobb stated the Council was grateful to have the full support of the oil and gas industry and had never worked as closely with an organization as it had HFC. The industry is ready to have a successful WPC and timing could not be better to host the event in Houston. The WPC has not be hosted in the United States since 1997 when it was hosted in Houston so it's very exciting to have the opportunity to host the event in 2020 and show the world that Houston is the place to do business.

The theme of the WPC is "Innovative Energy Solutions," which Mayor Sylvester Turner was very happy to hear given his current initiative. WPC would like to highlight the cross collaboration of oil and gas and energy sectors with technology, NASA, and Texas Medical Center.

A non-profit was formed to take on the roles and responsibilities of hosting WPC with Jeff Shellebarger of Chevron, as Committee Chair, Mayor Sylvester Tuner, Honorary Chair, and a Board of Directors made of industry representatives with Brenda Bazan serving on the Executive Committee.

The WPC host city has full financial responsibility for marketing and operations of the event and will collect all revenues. The overall budget for the event is \$25,000,000 with an economic impact of \$80,000,000-\$100,000,000. HFC will receive a net income between \$5,500,000 - \$7,000,000 from rent of the George R. Brown Convention Center, food and beverage, a shared services fee, parking, and HOT.

A Diversity Program similar to the NFL Business Connect Program will be created to host events to connect vendors and sponsors. There is also a Young Professionals Program.

The WPC requires HFC to enter into a Services Agreement with the host organization to serve as financial guarantor for a \$4,000,000 loan with interest. Brenda Bazan will serve on the Executive Committee as Treasurer with the authority to contain expenses, as determined to be in the best interest of HFC.

The benefits to HFC in hosting the WPC include media exposure, net income, promotion of Avenida Plaza, and creating connections with the titans of the oil and gas industry.

In conclusion, Michael Heckman thanked David Stass and Brenda Bazan for all their hard work and dedication.

Gerald Womack requested that a diversity goal be set and voted on by the Board from the onset of the project.

Council Member David Robinson asked what the diversity goal was for the City and suggested a twenty five percent diversity goal.

Legal Counsel for WPC stated that the suggestion should be cautioned in setting a percentage too soon without looking into the opportunities available.

Desrye Morgan offered a proposed amendment to the motion and possible approval of the negotiation and finalization of (i) a Services Agreement with WPC Organizing Committee and (ii) various other agreements, including a financial guaranty, that may be required to support and host the 23rd World Petroleum Congress in Houston, December 6-10, 2018, subject to acceptance of good faith efforts to meet a twenty five percent (25%) diversity goal of all eligible expenditures. The motion was approved as amended and passed unanimously.

- D. Consideration of, and possible approval of additional funding for Manhattan Construction Company and a comparable increase to the guaranteed maximum amount (GMAX) for the repair and replacement of electrical equipment at Wortham Theater Center. Desrye Morgan further discussed the Project Manager Report given by Jim Brownrigg.

Jay Tatum asked about real value of the switch gear given the expedited timeline and the amount of overtime necessary to replace the electrical equipment.

Bobby Singh asked if there was a line item in the budget for the sprinkler system event and Jim Brownrigg confirmed that this was an additional item.

Peter McStravick clarified that the funds needed would come out of HFC reserve funds and any insurance payment made would be paid directly to HFC.

The motion for additional funding for Manhattan Construction Company and a comparable increase to the guaranteed maximum amount (GMAX) for the repair

and replacement of electrical equipment at Wortham Theater Center passed unanimously.

- E. Consideration and possible approval of design parameters and initial funding for the 2019 Hilton Americas-Houston Hotel capital plan for the guest room renovation project. David Solomon discussed the recommendation of the Hotel Committee for a Hilton Hotel room renovation in the amount of \$37,000,000. Hilton is a fifteen year old building and must compete with state-of-the-art hotels. The last hotel renovation took place in 2011, however, a lot of work was not completed. Jacques D’Rovencourt, General Manager of the Hotel, and the management team have done a great job thus far.

Jacques stated he was very proud of his team and the Hotel ownership and the last thing he wants to do is disappoint. He understands the financial burden of HFC, but he’s confident in the financial gain.

Peter McStravick stated he hopes to begin the renovation April 1, 2019. Solicitations for the purchase of long-lead items now must be initiated soon.

Peter McStravick is working with Roger Harris to determine how HFC can notify the local community and create opportunities for fabricators for drapery, wallpaper and carpet, among others.

Desrye Morgan asked if HFC might enlist the services of local designers in Launch. Peter McStravick explained that HFC intended to use local artists for some of the artwork, but there may be an opportunity to use some of Launch’s designers in the design of the suites.

Sofia Adrogué asked for more detail regarding the \$37,000,000 budget. Peter explained that \$25,000,000 of the budget was allocated for base services such as components in the rooms, the conversion of toilets, barn doors, etc. and an additional \$12,000,000 was aesthetic.

Bobby Singh asked if the banquet facilities were included in the budget. Jacques clarified that meeting space was included in the long term capital plan for the Hotel.

Gerald Womack stated he toured the newly renovated model rooms and encouraged other Board Members to see them as well.

Desrye Morgan suggested that the renovation include more outlets in critical areas.

Ryan Martin asked for the opinion of Mike Waterman given his background in the hotel industry. Mike stated he was in strong support of the renovation.

A motion was made to approve the design parameters and initial funding for the 2019 Hilton Americas-Houston Hotel capital plan for the guest room renovation in an amount not to exceed \$37,000,000. The motion passed unanimously.

5. **Executive Session.** Executive (closed session) pursuant to Texas Government Code Section 551.072 for the purpose of deliberations regarding real estate.

The Board entered executive session at 5:24 p.m. and returned from executive session at 5:40 p.m.

6. **Announcement.** Brenda Bazan announced the retirement of Chief Information Officer, Mary Ann Grant with a reception to follow the Board meeting.
7. **Adjournment.** The meeting was adjourned at 5:42 p.m.