

MINUTES

HOUSTON FIRST CORPORATION

**Governance, Audit & Finance Committee
August 15, 2018 – 2:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC BOARD ROOM**

The Governance, Audit & 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 Wednesday, August 15, 2018, commencing at 2:00 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 Committee members were present for the meeting: Katy Caldwell (Chair), Council Member Dave Martin (Vice-Chair), John Johnson, Alex Brennan-Martin and Linda Toyota.

The Committee Chair called the meeting to order at 2:02 p.m. and a quorum was established.

1. **Public Comments.** Pamela Quiroz, Director of the Center for Mexican American Studies at the University of Houston, returned to discuss her earlier sponsorship request to the Committee for Latino Art Now. Pamela stated that she has worked with HFC staff to determine what kind of in-kind support HFC could provide and submitted a request to the Committee for a cash contribution totaling \$18,500 for outstanding costs not covered by in-kind contribution.
2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of July 25, 2018 were approved as presented. Council Member Dave Martin was not present for the vote.
3. **Presentations and Reports.**
 - A. **Houston First Long Term Financial Model Report.** Frank Wilson, Chief Financial Officer, gave an overview of intermediate financing challenges and the long-term financial model for HFC. He states that, as of June 30, 2018 HFC has \$108,000,000 in unreserved funds, with \$54,000,000 earmarked for Wortham Theater and the Theater District Parking Garage.

Alex Brennan-Martin and John Johnson asked about the process of repayment of funds to the City of Houston (the "City") and whether HFC had received any

insurance proceeds. Frank explained that funds would be returned to the City and that HFC had received \$10,000,000 thus far.

Frank also provided an overview of high-priority projects through 2021 and their anticipated cost, including the Wortham Theater, Theater District Parking Garage reconstruction, Hilton room renovation, I-69 loading dock re-design, and flood mitigation projects. Katy Caldwell asked if HFC would receive any funding support from TXDOT for the I-69 project and Frank explained that HFC could receive some assistance. Frank clarified that the information provided did not include the cost of the pension and possible legal fees.

According to Frank, at this time, the total amount of funds committed to HFC for projects is \$121,000,000 and HFC has a shortfall of \$104,000,000. Frank and Brenda Bazan, President & CEO, both explained that they were assessing different ways to reduce the shortfall and possible finance options. Frank added that there is an action plan in place and HFC is working with its financial advisors.

Frank also discussed the long-term financial model used to test future scenarios and assist in reserve analysis showing both optimistic and realistic scenarios for future reserves. Frank stated that financial consultants will provide a forecast for hotel occupancy taxes and other revenues and expenses on September 13, 2018, and encouraged the Committee members to attend.

John Johnson asked what drove the assumptions in the financial model and suggested that a stress test be completed. Brenda Bazan explained that an in-depth analysis of HFC financials was completed in 2013, including a stress test, and that she and Frank had discussed a similar process for 2019.

Alex Brennan-Martin asked what the impact on growth would be as a result of the I-69 Project. Mike Waterman, President of Visit Houston, explained that until he received a definite date on impact and construction, the main focus was egress and ingress to the convention center. Mike added that the sales team is still booking events and will notify clients when they receive more information. Brenda Bazan further explained that communications between the sales team and George R. Brown Convention Center will be critical in managing client expectations. Jack Johnson recommended creating some flexibility in contract verbiage to account for disruptions due to the I-69 Project.

- B. 2019 Business Plan and Budget Process Update. Frank Wilson explained that HFC is in full budget mode for 2019 and preliminary revenues and capital plans are being input into HFC systems. He added that his goal for the upcoming year was to have a balanced budget, however, strict targets will need to be placed on operations. John Johnson recommended that the financial information presented to the Committee also be presented to the staff to create buy-in and accountability. In conclusion, Frank announced that the budget will be finalized in late October early November.

Susan Tucker, Director of Strategic Planning, addressed the Committee to explain recent changes to the HFC strategic planning process. Susan stated that HFC has adopted a balanced scorecard method and shifted to an organization-wide approach. She added that, in June of 2018, the strategic foundation was set by the management team and in July the plan was implemented through team workshops with a wide cross-section of HFC employees.

Susan provided an example of the Strategic Plan and gave a brief overview of the process and methodology. Brenda Bazan emphasized that HFC's mission, vision, and values have not changed during this process, however, HFC has laid the ground work for an overall shift in thinking.

4. Committee Business.

- A. Consideration of, and possible endorsement of a sponsorship request submitted by Latino Art Now for its 2019 conference. Katy Caldwell welcomed and invited Council Member Robert Gallegos to address the Committee. Council Member Gallegos expressed his support for Latino Art Now and the Latin Jazz Festival and stated that a press conference will be held in September. He thanked HFC staff for their assistance, including Arcy Munoz specifically.

Jonathan Newport, Vice President of Public Policy, explained that HFC staff has met with representatives of Latino Art Now, at the direction of the Committee, to assist the Committee in determining the amount of in-kind support HFC could provide. According to Jonathan, based primarily on the information submitted by Latino Art Now, the value of HFC's in-kind support is approximately \$50,000. Council Member Martin and Katy Caldwell asked for further clarification on the in-kind support and asked if there would also be any cash contribution. On her own initiative, Pamela Quiroz, Director of the Center for Mexican American Studies at the University of Houston, rose from the audience to address the Committee and clarify that a cash contribution of \$18,500 was being sought in addition to any in-kind contribution.

Council Member Martin stated that HFC should not provide any cash contributions until the budget shortfall is resolved. He emphasized that the Committee needs to send a consistent message to all groups seeking sponsorship requests, including other members of City Council.

A motion was made that HFC provide an in-kind only contribution to Latino Art Now valued at \$50,000. The motion passed unanimously.

B. Consideration and possible recommendation of a sponsorship request submitted for Diaz Music Institute for its Holiday Latin Jazz Festival. Jonathan Newport explained that the request made was for in-kind support in the amount of \$750 for use of Jones Plaza November 24, 2018.

A motion was made to grant the sponsorship request for in-kind support in the amount of \$750 for use of Jones Plaza. The vote passed unanimously.

5. **Adjournment.** The meeting was adjourned at 3:14 p.m.