

# MINUTES

## HOUSTON FIRST CORPORATION

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### **BOARD OF DIRECTORS MEETING**

**March 23, 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, March 23, 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), Alex Brennan-Martin, Nicki Keenan, Ryan Martin, Paul Puente, Tom Segesta, Bobby Singh, Gerald Womack, Jay Zeidman, and Council Member Robert Gallegos.*

- I. **Call to Order.** The Chairman of the Board called the meeting to order at 3:05 p.m., and a quorum was established.
- II. **Public Comments.**

Cathy Martinez, a Director with Service Employees International Union of Texas (“SEIU”), conveyed that during the December Board meeting, she heard that Caring Commercial Cleaning, Inc. (“Caring”) agreed to hire 80% of the prior contractor’s staff; however, she received an email from Caring stating that the majority of its employees did not originate from Midwest, the previous contractor. According to Ms. Martinez, employees indicated they were not receiving the same benefits they previously received from Midwest and that Caring refused to bargain with SEIU. She then reminded the Board that Elsa Caballero, the President of SEIU, brought this issue to the Board’s attention at the February Board meeting; nevertheless, Caring fired four workers involved in the bargaining process which appeared in SEIU flyers, and took pictures with HFC Board members. Ms. Martinez emphasized that business was peaceful during the last ten years under Midwest; however, in three months under Caring’s management, Caring retaliated against workers, and the SEIU had to file two charges against Caring with the National Labor Relations Board. She added that employees feared termination and that Caring instructed them to avoid communication with the union.

Ms. Martinez then noted that Caring won the bid for this new contract by submitting a proposal that was \$200,000 less than other bidders and questioned whether Caring's offer included a planned reduction in employee benefits while paying the required compensation of \$15.00 an hour as mandated by Mayor Sylvester Turner. She illuminated that employees were losing five days of vacation and that some employees with more than three years of employment were not receiving benefits reflective of their tenure. Ms. Martinez also added that employees previously received vacation, sick, and bereavement leave; however, they no longer received these benefits with Caring. Ms. Martinez also reiterated that she had repeatedly voiced her concerns and that action needed to occur.

Adan Reyes, addressed the Board Members with the assistance of Carmen Mayorga, SEIU representative, who served as translator. Mr. Reyes stated that he worked at the George R. Brown Convention Center ("GRB") for thirteen years, and for the last ten years, he assisted SEIU. Mr. Reyes noted that employees experienced multiple managing companies like Midwest, Aramark, and Caring. Correspondingly, he indicated that when he and other employees applied for their jobs, the application stated that his employment would be with Caring; however, when he and other employees clocked in, the company's name appeared as The Source. According to Mr. Reyes, the company offered five PTO days available after a year of employment with Caring. He also reported that on March 3, 2023, Caring asked him and his coworkers Blanca Garcia, Veronica Dueñes, and Olga Villegas for their badges. Correspondingly, Mr. Reyes said that soon after, to his surprise, Caring informed him of his termination, and he believed that he, Blanca Garcia, Veronica Dueñes, and Olga Villegas were released because of their SEIU support since they were photographed in a SEIU flyer. Mr. Reyes stated that the company also said that they were incompetent at their jobs, which Mr. Reyes refuted because of the certificate he received from Midwest for good conduct and behavior. He then reiterated that he worked at the GRB for thirteen years.

David Minckberg, Board Chairman, said he and the entire Board were sorry to hear how Caring treated Mr. Reyes and many other employees. He then reiterated that he asked Michael Heckman, HFC's President & CEO, to investigate the issue. He also highlighted that Board Members addressed their concerns. He emphasized that HFC could not thoroughly discuss the matter, but assured the speakers that HFC was expediently assessing the situation and taking appropriate actions.

Mr. Heckman thanked the speakers for their comments and illuminated that HFC was swiftly investigating the matter, had almost finished its report, and had completed several steps to resolve the issue. According to Mr. Heckman, HFC planned to complete its report with potential solutions by the next Board meeting, if not sooner. He also provided that HFC would have a specially called Board meeting in two weeks.

Paul Puente, Board Member, chastised Caring for mistreating its employees and taking advantage of a highly needed organization. He also emphasized that firing employees for standing up for their rights was terrible.

Council Member Robert Gallegos, Board Member, agreed that Caring's contract should have a clause concerning a contractor's inability to meet contractual terms and asserted

that HFC should remove Caring as its janitorial contractor. He stated Ms. Villegas spoke about the janitorial issue at the City Council's Public Session. He stated that Ms. Villegas worked at the GRB for four years and Ms. Garcia worked at the GRB for fourteen years and that it was inappropriate for Caring to terminate her and her coworker via phone. Council Member Gallegos reiterated Mr. Reyes' point that Carings' intent was discernable because it fired four employees photographed in an SEIU flyer. He then highlighted that these employees worked through multiple disasters, but Caring heartlessly terminated their employees through a phone call. He said he would wait for the outcome of HFC's investigative report, but stated that something must occur.

Gerald Womack, Board Member, said he was very disappointed that HFC hired a barbaric contractor that treated its employees poorly considering their employment tenure and that HFC needed to investigate the issue. He highlighted that the employees who transitioned from Midwest received reduced benefits and were under Caring's management. Mr. Womack stated that Board Members needed to ensure that the CEO resolved this matter before the next meeting since Caring recently started working for HFC and because the Mayor supported a \$15.00 an hour payment and the retention of employee benefits.

Bobby Singh, Board Member, said that during the Board's minimum wage conversation before HFC executed its new contract, he and the Board supported procuring a new contractor only if they complied with stated expectations. He then noted that he did not want the speakers and guests at the meeting to feel that their issues were not HFC's priority because HFC was working on them. He applauded Mr. Heckman and the team for providing the resources necessary to gather all the facts to ensure an accurate response.

Mr. Singh left the meeting at 3:38 p.m.

Desrye Morgan, Board Vice Chair, expressed her embarrassment on behalf of HFC and declared that retaliation against the employees is not acceptable. Ms. Morgan stated that waiting 30 days for the next meeting was unacceptable, and the Board needed to act more swiftly. She also indicated that the terminated employees were incomeless because HFC believed the contractor would honor its obligations and encouraged management to seek outside counsel if necessary.

Chairman Minberg informed Board Members that he planned to call a specially called meeting two weeks from today.

Jay Zeidman, Board Member, emphasized the economic impact for the terminated employees and suggested the Board determine a method to financially support the employees for their loss of income instead of waiting an additional two or three weeks for HFC to complete its investigation.

Ms. Villegas said that she came to a Board meeting when HFC contracted the new company to ensure that the company would respect her benefits. She told the Board that on her day off, March 3, 2023, she received a call from Caring that they no longer needed her services, coincidentally after a meeting where she spoke to her coworkers about their benefits. She added that she never received complaints about the quality of her work

during her four years of employment. She also asserted that it was unjust for the new company to terminate employees cruelly and highlighted that she was single and provided for herself. She added that this issue would not have occurred if the employees had a contract and pleaded for the Board's assistance to convince Caring to give its employees their jobs back because she could not be jobless.

Ms. Dueñas stated that she enjoyed working at the GRB for sixteen years and was a bargaining member of SEIU. She explained that she worked with Midwest until December 31, 2022, and began with Caring on January 2, 2023. She commented that a few days into her employment, she spoke with Maria Rivera at Caring regarding her benefits, and she told her that Caring would not provide benefits because of its small size. She conveyed disheartenment about Ms. Rivera's comments and noted that she and other coworkers met briefly with Carmen Mayorga on March 2, 2023 at the company to discuss their concerns. She then said that on March 3, 2023, the company took her and Mr. Reyes' badges at the end of their shift. According to Ms. Dueñas, Mr. Reyes asked how they could park the following day, and Caring told them not to worry, but she received a call stating Caring no longer needed her services. She added that she always did more than her assigned duties without complaining and had worked eight to ten days in a row. She maintained that she loved her job, and it hurt that Caring terminated her after dedicating her life to her career.

Ms. Garcia told the Board that she worked at the GRB for fourteen years and negotiated alongside the union for ten years. She stated she worked at the GRB under Aramark for seven years and then under Midwest for seven and a half years without issue. Ms. Garcia illuminated that business was peaceful under Caring until employees asked about their benefits and vacation. Ms. Garcia said that Caring said they were a small company and could not offer benefits, even after she told Caring that she had worked at GRB for fourteen years. She said Caring responded by stating that she would have one week of vacation, but only after working one year. According to Ms. Garcia, it was unjust for Caring to strip her of her benefits after working for fourteen years without any complaints. She informed the Board that she did not receive a termination letter or any warnings and did not believe that she had not done anything wrong. Ms. Garcia insisted that she and her coworkers worked hard at the GRB and that she was single and cared for her grandson, who had disabilities, and her 90-year-old mother. She said she wanted to let HFC know that Caring was not a good company and that her coworkers also feared termination. Ms. Garcia then highlighted that she asked coworkers to attend the meeting, but they refused out of concern for their job security. She then explained that she and her coworkers had the right to work in the United States and pleaded for HFC to help her and her coworkers because she did not know what she had done wrong.

Ms. Claudia, a union organizer with Local 23 for Hilton Americas, Marriott Marquis, and Levy, said she came to the meeting to support SEIU and vocalized her anger at Caring's treatment of its employees. She highlighted that inflation was affecting people and that it was unjust for Caring to terminate employees simply for being on a flyer. She also noted that HFC could resolve the issue and was glad it would schedule an emergency Board meeting in two weeks.

Chairman Mincberg thanked everyone for their attendance and propounded that HFC was moving expeditiously and would have a Board meeting in two weeks concerning only the janitorial issue.

- III. **Review and approval of minutes from prior meetings**. Following a duly seconded motion, the meeting minutes of February 16, 2023, were approved as presented.

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

A. Houston First Chairman Report

Chairman Mincberg stated that he attended Discovery Green's 15<sup>th</sup> Anniversary Gala, which discussed Discovery Green's successes. He added that he expects similar exceptional outcomes for Lynn Wyatt Square, which would have its ribbon-cutting ceremony in April. He last noted that in fifteen years, people would remember that Lynn Wyatt Square was something that the Board and HFC accomplished.

Mr. Heckman said he expects Lynn Wyatt Square's grand opening to occur on April 28, 2023, and that further information was coming.

B. Houston First President & CEO Report

Mr. Heckman stated that January 2023, and February 2023, were great months, and March 2023 looked promising and would end with the Final Four.

Frank Wilson, Chief Financial Officer, congratulated John Solis, Senior Vice President of Sales and Client Services, and his team because large groups are returning to HFC. Mr. Wilson also thanked Luther Villagomez, Chief Operating Officer, and John Gonzalez, Senior Vice President and General Manager, for their recent upsells. Mr. Wilson indicated that the return of large events exceeded HFC's expectations and reported that through February 2023, all Major Revenues had outperformed their budgets except for Avenida Parking. He explained that HFC attributed the \$31,000 underperformance of the Avenida South and Tundra parking lots to ride-sharing programs and a lack of parking. Mr. Wilson also said Hotel Occupancy Taxes ("HOT") through February 2023 overperformed expectations by \$1.7 million which only included collections through Q4 of 2022. He outlined that the Hilton Americas Net Cash was \$2 million better than budgeted, the GRB's Food and Beverage \$2.9 better than budget, GRB Facility Rental at \$237,000 better than budget, and Parking Revenue Theater District at \$266,000 better than budget.

Mr. Wilson highlighted that HFC's most significant variance occurred in major expenses, which included Personnel at \$544,000 under budget, Building Maintenance Contract at \$276,000 under budget, and Security Contract at \$176,000 under budget. He stated that his previously described reductions were helpful because the property insurance for HFC buildings would increase by \$1 million, forty percent premiums increase caused by an increased number of named storms and extreme weather events.

Mr. Wilson reported that total revenues exceeded expenses by \$16.7 million through February 28, 2023. He also indicated that Moody's Investors Service affirmed HFC's A2 rating and assigned a stable rating outlook.

Mr. Gonzalez reported that the Final Four moved into the GRB on March 21, 2023, and contractors built a stage in Discovery Green on March 20, 2023. He added that the stage was larger during this installation because of the talent performing. Mr. Gonzalez then highlighted that the first significant event would occur the week of March 27, 2023, on the Opening Day of the Astros. Correspondingly, Mr. Gonzalez noted that the Astros and Rockets would be in town throughout Final Four. Mr. Gonzalez also illuminated that the event had an ingress and egress event traffic plans and emphasized that HFC expects significant crowds, particularly on Friday, March 31, 2023.

Mr. Gonzalez noted that Megan Thee Stallion would perform on Friday, March 31, 2023, Lil Nas X and Maggie Rogers on Saturday, April 1, 2023, and Tim McGraw, Keith Urban, Little Big Town, and Mickey Guyton on Sunday, April 2, 2023. Mr. Gonzalez also explained that a fireworks display would conclude the Sunday evening performances.

Cindy Decker, Vice President of Business Intelligence and Market Strategy, stated that the market looked promising with January and February ahead of, not just 2022, but trending in hotel revenues about 7.4% ahead of 2019 and HFC expected March to be the most robust March in the history of the market. She reported that the Downtown market was up over 2019, the Medical Center market was showing strong trends over 2019, and the Galleria market was still struggling in occupancy but was seeing some growth.

Ms. Decker also reported that HFC saw its most substantial rate growth in submarkets. She also noted that the ADR for Houston year-to-date through February was 11.4% over last year and almost three percent ahead of 2019. According to Ms. Decker, compared to 2019, the Downtown market was ahead by about 10.9%, the Medical Center market was flat, and the Galleria market was up 10.8%.

She stated that compared to other competitive CBD markets, Houston was ranked fourth in recovery, down 7.8% in occupancy compared to 2019, and ranked fifth in ADR with a variance rate of 7.9% compared to 2019. She added that Houston was ranked fourth in REVPAR compared to other markets.

Ms. Decker noted that business travel was trending ahead of 2019 since January 2023, with Downtown, the Medical Center, and the Energy Corridor markets all ahead of pace, and the Galleria market still trending down from 2019.

Mr. Solis, informed the Board that Houston was awarded the International Association of Exhibitions and Events Annual Convention for 2025, which would occur in December 2025. He added that the conference represents 4,000 events and exhibition managers.

Mr. Solis reported that lead production in room nights was ahead in 2023, with more than 850,000 room nights compared to about 680,000 in 2019. He added that there was significant growth beyond the three-year timeframe, which benefited large businesses. He also reported that lead production in meetings was ahead in 2023, with 462 compared to 349 in 2019. Mr. Solis noted that international conferences were returning strong, with 21 in 2023 compared to one in 2019.

Mr. Solis provided an analysis of the market segment represented by the leads, which included Engineering, Science, and Technology at 35%, Business, Finance, and Insurance at 32%, Sports at 12%, Medical at 12%, and Educational at 8%. He also provided insights by category, which included Corporate at 48%, Association at 29%, SMERF at 10%, Sports at 10%, and Third-Party Planner at 3%. Mr. Solis announced that Dallas and Austin convention centers would undergo construction from 2026 through 2029, increasing business. He added that Houston already saw leads come in from the Dallas market.

Mr. Solis conveyed that 2019 had the highest recorded bookings with sixty meetings and 28,000 room nights; however, 2023 was up 40% from 2019 with seventy-nine meetings and 68,500 room nights. He concluded his report by indicating that sales activities included twenty-three site visits, six tradeshow/conferences, and three promotional trips.

Mr. Puente and Mr. Womack expressed concerns about insufficient staffing for foot traffic growth. Mr. Heckman replied that resources would be available if HFC needed additional staffing.

Holly Clapham, Chief Marketing Officer, stated her marketing philosophy was "Dominate, Don't Dabble;" therefore, Houston seeks to be in its own marketing space by focusing resources in less competitive avenues. Ms. Clapham continued that HFC was reaching its marketing objective through a cover wrap campaign, partnering with LinkedIn, redesigning meeting pages on VisitHouston.com, and a CVENT initiative. Ms. Clapham added that HFC placed Houston within the Global Distribution System ("GDS"), which was important for the business and leisure segment, which would affect ADR by adding Houston to three of the largest GDS systems in the world:

Nicki Keenan, Board Member, stated that ensuring HFC had enough product to handle increased business was important.

Mr. Heckman announced that Miller Outdoor Theatre ("MOT") would have its 100-year celebration on May 21, 2023, and that HFC would host a reception with the MOT Advisory Board on a date that has yet to be determined.

Mr. Heckman transitioned into updating the Board on the W Hotel development. He mentioned that HFC laid a path forward with an agreed-upon timeline to receive approvals by February 28, 2023. He also affirmed that HFC has received and is reviewing multiple materials from the developer.

Mr. Heckman announced that the Houston Business Journal ("HBJ") would proctor a yearlong series on Houston's image called "Reimagining Houston." He also told the Board that HFC and Greater Houston Convention and Visitors Bureau ("GHCVB") would promulgate a joint release on April 4, 2023 revealing the GHCVB's new name.

Mr. Puentes reiterated the urgency of resolving the janitorial issues.

## **V. Board Business**

- A. Consideration and possible approval of a new one-time Grant Agreement between Houston First Corporation and Midtown Arts and Theater Center Houston ("MATCH").



This item was taken out of order to ensure a quorum would be present. Chairman Mincberg recused himself from this item and asked Ms. Morgan to conduct the item before he left the room.

Desrye Morgan informed the Board Members that after a thorough discussion on March 20, 2023, the Operations Committee approved this item and agreed to include a clause requesting quarterly updates from Midtown Arts and Theater Center Houston ("MATCH").

Mr. Heckman stated that the extension would be for eighteen months starting in October 2023. He added that if the Board approved this item, it would provide MATCH two years to determine its next course of action. He noted that the Operations Committee decided that the allotted time would allow MATCH an opportunity to locate alternative funding. Ms. Morgan also illuminated that MATCH would reassess its business model, which HFC offered to assist. Mr. Womack inquired how much MATCH received from HFC. Ryan Martin, Board Member, responded that HFC would provide MATCH with \$3.6 million over ten years. Mr. Heckman emphasized that MATCH was an organization that did wonderful things for the community. He added that others could see the money as a grant that MATCH could use for further fundraising, similar to Jones Hall. Mr. Martin mentioned that HFC was not a philanthropic organization, but did partner with the arts, and as a partner, HFC could support MATCH. Mr. Heckman reminded the Board that 19% of HOT collections went to the arts via Houston Arts Alliance, which would be around \$19 million according to budget predictions.

Following a duly seconded motion, Board Members unanimously approved a new one-time Grant Agreement between Houston First Corporation and Midtown Arts and Theater Center Houston ("MATCH").

Chairman Mincberg returned to the room following the discussion and vote.

**VI. Adjournment.**

The meeting adjourned at 5:00 p.m.