

# MINUTES

## HOUSTON FIRST CORPORATION

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**BOARD OF DIRECTORS MEETING**  
**March 24, 2022 – 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 24, 2022, 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), Elizabeth Brock, Reginald Martin, Alex Brennan-Martin, Paul Puente, Bobby Singh, Gerald Womack, Jay Zeidman.*

1. **Call to Order.** The Chairman of the Board called the meeting to order at 3:04 p.m. and a quorum was established.
2. **Public Comments.** Three speakers signed up to speak. Mr. Willie Gonzalez was present to represent the Hilton Americas-Houston Hotel (“Hotel”), the Marriott Marquis Hotel, and the George R. Brown Convention Center food and beverage workers. Mr. Gonzalez stated that workers are struggling and need more pay. He reported that the City took a step by raising airport employees to \$15 an hour and is asking for Houston First Corporation (“HFC”) to do the same for the hotel and food and beverage workers.

Ms. Modesta Reyes stated that she is from Mexico and has been in the United States for 48 years. She added that she moved to Houston 18 years ago and has worked for the Hotel for 17 years. Ms. Reyes emphasized that the group present, as well as those unable to attend, are frustrated because they have worked very hard and done the work of two to three people, but have not received a raise and have fallen behind in pay. Ms. Reyes informed the Board Members that housekeeping and banquet employees are making \$13 an hour after giving more than 13 years of service. Ms. Reyes said the low pay is more of a problem now due to inflation, with the increasing prices of gas, groceries, and utilities. Ms. Reyes noted that she makes \$17-18,000 a year and still continues to work hard. Ms. Reyes expressed her desire to help coworkers more, but she cannot afford it. Ms. Reyes is asking for \$15 an hour for herself and her coworkers. Ms. Reyes asked Board Members to reach out to the Mayor to approve her request. Ms. Reyes stated that she knows that

the Mayor's mother was a housekeeper. Ms. Reyes said that she and her coworkers walked with the Mayor to get him elected and would like his help.

Ms. Mikaela Hernandez is a housekeeper and is paid \$13.25 an hour. Ms. Hernandez stated that she is a mother of four children and works a lot to provide for her children. Ms. Hernandez explained that she has missed time with her children because of the amount of time she has to work. She asked Board Members to take her request to be paid \$15 an hour into consideration. Ms. Hernandez explained that she works six days, and even seven days, a week to make ends meet. Ms. Hernandez told Board Members that her pay is minimal and prices keep rising. Ms. Hernandez emphasized that they all deserve a raise.

Paul Puente thanked the speakers and workers for coming to share their experiences with the Board. Bobby Singh said the workers are heroes and did what a lot of people could not do; keep the lights on. Mr. Singh is committed to assisting and asked HFC to look into this request further. Gerald Womack echoed his colleagues and remembers union members attending before to ask for raises. Mr. Womack would like to see workers receive \$15 an hour as he has to put gas in his car too and knows that it is difficult for those making \$17-20,000 a year. Elizabeth Brock agreed and added that the last couple of years were hard. Ms. Brock added that Houston benefited from the workers continuing to work through the difficult time. Ms. Brock thanked the workers for all they do and reports that they are heard.

David Minberg said he stands firmly with them. Mr. Minberg added that he appreciates each one of them for coming this afternoon. Mr. Minberg asked HFC CEO, General Counsel, and CFO to consider the presence and comments of all the speakers and guests to see what concrete steps can be taken and report back at the next meeting. Mr. Minberg thanked them for coming.

3. **Review and approval of minutes from prior meetings.** Following a motion duly seconded, the meeting minutes of November 18, 2021, and February 3, 2022, were unanimously approved.

Elizabeth Brock arrived at 3:15 p.m. and did not vote on the minutes.

4. **Presentations and Reports.**

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

David Minberg congratulated Gerald Womack for his reappointment to the Board. He stated that Council Member David Robinson is no longer on the Board and that Mayor Turner appointed Council Member Robert Gallegos to take his place. Bobby Singh will take over as Chair of the Sales, Tourism, and Marketing Committee and Nicki Keenan will serve as Vice-Chair. Mr. Minberg asked Board Members for thoughts on the frequency of Board meetings. Paul Puente is fine with meeting once a month. Reginald Martin asked for consistency. Elizabeth Brock suggested that if there is not an action item, there is no need to meet. Ms. Brock stated she is used to quarterly meetings and suggested another format, i.e. socials, etc. Ms. Brock added that if there is an issue that arises, then meetings can be scheduled to address those issues. Mr. Puente added that quarterly is too infrequent and thinks maybe every other month will

work. Ms. Brock said if meetings are held quarterly, then they could be two or three-hour meetings. Mr. Singh suggested nine meetings a year, instead of twelve. Alex Brennan-Martin said meetings could be flexible, if scheduled in advance, and add more meetings if needed. Gerald Womack suggested not meeting if there were no business items and added that the Chair and CEO take into consideration whether a meeting is needed and provide enough notice to Board Members.

Mr. Mincberg said he would discuss with Mr. Heckman to determine how to proceed.

## B. Houston First President & CEO's Report. –

President and CEO, Michael Heckman updated the Board regarding the transition of team members from Convention & Cultural Services, Inc. (“CCSI”) to HFC, effective close of business on December 31, 2021. CCSI terminated its 401(k) Plan on December 31, 2021, and Houston First opened its 457(b) Plan, effective January 1, 2022. The transition results from team members beginning active participation in the Houston Municipal Employees Pension System (“HMEPS”) on March 11, 2022. Mr. Heckman then asked General Counsel, Lisa Hargrove, and Chief Financial Officer, Frank Wilson, to provide more detail about the settlement of the pension lawsuit and its financial impact on Houston First.

General Counsel, Lisa Hargrove stated that the City of Houston (“City”) approved a final settlement and release of the lawsuit.

The pension settlement addresses three specific tranches. The first tranche is on a go-forward basis. Beginning with the March 11 pay date, for the pay period February 19 through March 4, team members had either have three, four, or eight percent deducted on a pre-tax basis. Employee contributions are being deducted every pay period thereafter. Also beginning March 11, HFC began sending approximately 8.4% of payroll, as the employer pension contribution for each pay period, to HMEPS. On March 11, HFC additionally funded HMEPS amounts due from January 1 - February 18.

The second tranche is a settlement amount payable to HMEPS of \$16 million dollars representing the retroactive amount due, from approximately 2011 through 2021. The City will pay the settlement in three payments over two years. However, HFC has agreed to repay the City the \$16 million in a series of payments that will begin in January 2031.

The third tranche constitutes the pension “legacy liability” which represents an amount that the City underfunded HMEPS over a period of years. Several years ago, the City and HMEPS settled their disagreement over the legacy liability and the City agreed to repay the legacy liability over 30 years. Each year, the City and HMEPS calculate the current year’s legacy liability, and each City department is assigned a portion of the calculated liability to include in their annual budget. HFC is treated as a City department and must pay its portion of the legacy liability going forward. For CY2022, HFC did not budget any funds to pay its allocated share of the liability. Since the City,

which is on an FY budget, beginning each July 1, has already budgeted for the full year from July 1, 2021, through June 30, 2022, it will pay the HFC portion for this period. Beginning July 1, 2022, through December 31, 2022, the City has informed HFC that it will review our revenues and determine if HFC can pay its portion of the legacy liability (\$1.8 million) for the final six months of 2022. For 2023 and beyond, HFC must budget for the legacy liability, approximately \$3.5 million a year in addition to 8.4% of every payroll.

Frank Wilson reiterated that the City is paying the \$16 million settlement. By way of explanation, Mr. Wilson discussed three different promissory notes previously executed by Houston First to the City titled: Harvey Insurance Proceeds Loan, Harvey Loan, and Pandemic Loan. The promissory notes began last year and will continue through 2030. HFC was able to structure a re-payment schedule for the \$16-million-dollar loan. After most of the re-payment of the three loans, HFC will begin paying back interest only on the \$16-million-dollar loan in 2025. HFC is deferring and capitalizing interest until 2025. The actual principle will begin in 2031, which is immediately following the completion of installments for the existing three promissory notes. Between 2031 and 2034 HFC will begin paying back principal and interest on the \$487,000.

Vice President, Business Intelligence and Market Strategy, Cindy Decker reported a recap on Houston Market trends and Revenue Per Available Room (RevPAR). Ms. Decker stated that the trends have improved since 2019. The RevPAR in the city is 16% down from 2019 and has improved from 23%. Since spring break, places like Miami, Tampa, and the San Diego area are at the top of the market trends, and Houston is ranked at the bottom, as Houston's RevPAR is \$66.00 and Miami's RevPAR is \$284.00. Houston has historically been at the bottom, but has improved ranking on where it sits against the top 25 Markets, and Houston is the fifth largest supply market in these 25 top markets.

Ms. Decker stated that, from a competitive standpoint, when you look at rates, especially for the downtown market, look at the convention-driven market, Houston stands fifth and has been for a while. Houston is at 104% on rate for the downtown market since 2019. The downtown market has recovered very well and continues to do great.

Ms. Decker reports Austin, Atlanta, San Antonio, and Chicago have exceeded their 2019 market rates. She states that Houston is in good accompany and when she looks at the competitive market, Houston is ahead of San Antonio and Dallas on rates.

Ms. Decker states business travel is down by 30% since 2019. During the pandemic, business travel was down by 95%, so there has been an increase and improvement.

Ms. Decker reports room nights in the Houston market are down by 30% from last April through February. Houston has not quite recovered from 2019, but is definitely ahead of last year and that trend will continue as we move forward. Business travel for Houston makes up about 35-40% depending on what area of the city you are in. A nice improvement in business travel is expected. The downtown market is actually one of the slowest markets in business travel as a percentage and always has been

as it is mostly convention-driven, but other markets like the Energy Corridor, Medical Center, and Galleria are seeing business travel return.

Mr. Wilson reported on January and February Q1 revenues. He reports that revenue for February is \$30.4 million and it has exceeded the total expenses of \$26.5 million by \$3.9 million.

Mr. Wilson states the actual revenue of \$12.2 million reflects back that HFC received \$4 million of contribution for the Lynn Wyatt Square project in December although it was budgeted for January. It is going to be a few months of actual revenue this year that will be falling below budget revenue, for that reason it will take a few months to catch up.

Michael Heckman informed the Board that the Mexico Mission trip to Monterrey and Mexico City is scheduled for March 28<sup>th</sup> through April 1<sup>st</sup> and that the Mayor, Greater Houston Partnership, and Houston Airport System are participating in the mission.

HFC hosted a Top Chef watch party on March 3<sup>rd</sup> and other watch parties were held in Chicago, Denver, and Washington DC with 30 clients.

HFC is hosting the University of Houston Watch Parties and will host another party on March 24<sup>th</sup> beginning at 7 p.m.

Mr. Heckman said that convention attendance has been very good with Cattleman's Beef reporting 16,000 attendees and Alpha Kappa Alpha Sorority reporting 5,500 attendees.

Lisa Hargrove provided an update on the W Hotel development. The Development Agreement was executed in February 2020. Letters were received from the developer on April 4, 2020, and April 7, 2021, alleging that Force Majeure was causing an 18 to 20-month delay. Ms. Hargrove added that as of October 21, 2021, the developer stated that the original lender was no longer in the picture and the developer was pursuing other lending options. There has been no communication from the developer since October 2021.

Gerald Womack asked if there is something HFC can do for Juneteenth to draw tourists to Houston since it is now a national holiday. Mr. Heckman said the Mayor has already been discussing such a plan.

Mr. Heckman said the Supplier Diversity Report for the calendar year 2021 is being concluded and will be provided next month.

David Minberg mentioned that he heard wonderful things about the Houston Livestock Show and Rodeo. He also attended the unveiling of the star for Andrés Orozco-Estrada at the Wortham Theater Center and gave kudos to HFC management for such a great event.

Bobby Singh asked for a follow-up to his previous request regarding compensation. Mr. Heckman reported that he is in his final process of reviewing and making determinations, after having received market data. He expects to report back to the Board and Benefits, Compensation & Finance Committee soon.

Paul Puente mentioned the speakers and guests that attended and asked for further discussion. Mr. Mincberg said that there were time restraints due to agenda items and stated that compensation for hotel and food and beverage workers would be added as an agenda item at the next Board meeting.

5. **Adjournment**. The meeting was adjourned at 4:31 p.m.