

# AGENDA

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**

**August 18, 2021 – 8:30 A.M.**

**Partnership Tower, 701 Avenida de las Americas, Ste. 200  
Houston, Texas 77010  
HFC BOARD ROOM**

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**COMMITTEE MEMBERS:**

Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, Mayor Pro-Tem Dave Martin, Ryan Martin, David Mincberg

*In accordance with the Texas Open Meetings Act, this Agenda is posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting on the bulletin board located on the exterior wall of the Houston City Hall building, located at 901 Bagby. The Agenda is also available online at <https://www.houstonfirst.com>.*

*To reserve time to appear, come to the meeting at least ten minutes prior to the scheduled public session shown on the Agenda.*

*Any questions regarding this Agenda, or requests for special needs assistance, should be directed to Lisa K. Hargrove, General Counsel at either 713.853.8965 or [Lisa.Hargrove@houstonfirst.com](mailto:Lisa.Hargrove@houstonfirst.com)*

- I. Call to Order**
- II. Public Comments**
- III. Minutes – July 26, 2021**
- IV. Presentations, Reports, and Updates**
  - A. 23<sup>rd</sup> World Petroleum Congress Update
  - B. Financial Report
  - C. Staff Retention
- V. Adjourn**

**III. Minutes – July 26, 2021**

# MINUTES

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**

**July 26, 2021 – 1:30 P.M.**

**Partnership Tower, 701 Avenida de las Americas, Ste. 200  
Houston, Texas 77010  
HFC Board Room**

*The Benefits, Compensation, and 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, Monday, July 26, 2021 commencing at 1:30 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: Alex Brennan-Martin (Chair), Jay Zeidman (Vice Chair), Sofia Adrogué, John Johnson, David Mincberg, and Mayor Pro Tem Dave Martin. Also, in attendance was Desrye Morgan.*

The Chairman called the meeting to order at 1:36 p.m. and a quorum was established.

1. **Public Comments.** None.
2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of April 7, 2021 were approved as presented.
3. **Discussion.**

**Staff Retention.** HFC Acting President & CEO, Michael Heckman, opened the discussion regarding an increase in employee resignations and stated that the issue is industry-wide in the wake of the COVID-19 pandemic. According to Mr. Heckman, a total of nine employees have resigned in the last nine weeks and he anticipates more to come. HFC’s employees are its greatest asset, he said, and it is important to retain talented employees. In exit interviews, stagnancy in salary and lack of guidance on future opportunities have been identified as reasons for leaving. He explained that staff have endured furloughs, layoffs, and pay cuts due to financial challenges related to the pandemic. Although tough decisions were necessary for HFC to survive, new challenges are becoming imminent. He then asked HFC Chief Financial Officer, Frank Wilson, to discuss a recent analysis on market conditions.

Mr. Wilson discussed that the consumer price index (CPI) has increased five percent from May of last year and compensation continues to lag behind. He stated that

management is now tasked with determining next steps as inflation continues to erode buying power for all employees.

Council Member Dave Martin asked if employees who experienced a reduction in pay are now receiving their normal salary. Mr. Heckman stated that all employees were made whole as of January 2021.

Mr. Heckman then stated that management is engaging Chase Source to perform market studies for various job descriptions to determine if such positions are competitive in the job market and he will report the findings to the Committee beginning at its August meeting.

HFC Sr. VP of Finance, Karen Williams, explained that Chase Source will evaluate each job description to ensure it is up-to-date and then will evaluate where such positions rank compared to similar job markets in Houston and the U.S. She informed the Committee that the entire process will take four to six weeks to complete.

John Johnson asked about staffing levels and if such levels were at maximum effectiveness. Mr. Heckman stated that pre-COVID, HFC had 219 employees and staff had been reduced to 150 employees. Mr. Johnson stated that the data will assist HFC in understanding where it is in the market, but it is also important to know where HFC wants to be in the future in terms of total investment.

Jay Zeidman asked if management could further elaborate on where employees leaving are going and also asked Council Member Dave Martin what HFC can anticipate from the City of Houston as it navigates this issue.

Council Member Dave Martin discussed the Mayor's perspective on HFC salaries as compared to his own and other City of Houston officials. He stated that there is opposition because many of his colleagues come from public servant backgrounds, whereas he has worked in the private sector and understands the need to compensate key employees for their performance.

Michael Heckman elaborated by stating that employees terminating are accepting positions with several going to companies like Amazon.

David Minberg stated that HFC must navigate between municipal concerns and competition with private sector jobs like Facebook, where his son-in-law recently accepted a job, and was offered stock options that vest annually.

John Johnson stated that the market is competitive and his business has seen higher than normal turnover, as some employees would prefer to work remotely.

Mr. Heckman stated that while HFC is being compared to other destination management organizations, there are very few organizations similar in size and with the same level of responsibility as HFC.

Mr. Johnson added that HFC should focus on rebuilding its culture moving forward because it is his belief that people quit on people not companies.

Sofia Adrogué stated while you may love working for an organization, the economics may not allow you to do so.

The Committee Chair agreed with all comments made and stated that he is now handling similar issues with his staff and further explained that all HFC can do is gather the information from Chase Source to move the discussion forward.

John Johnson stated that management should consider giving Michael more bargaining power and the ability to compensate star players that the organization wants to retain. Several Committee Members agreed.

Mr. Heckman stated that it would be difficult telling employees they will be measured against their competitors in similar markets, but will not receive the same compensation.

Council Member Martin stated that HFC should develop a system to identify key players because there would be a huge loss if people like Holly Clapham or Nathan Tollett left the company.

Mr. Heckman stated that HFC has a great team and there certainly will be a great loss should certain team members leave the company. He further stated that he recently met with HFC Board Member Bobby Singh to discuss succession planning. He also stated that while HFC is working hard to overcome financial challenges, management has been effective in communicating that the company is experiencing positive financial changes, but such changes have not been applied to employees personally.

Desrye Morgan stated that HFC should be proactive in identifying new talent.

The Committee Chair summarized the discussion and the request of the management team.

4. **Executive Session.**

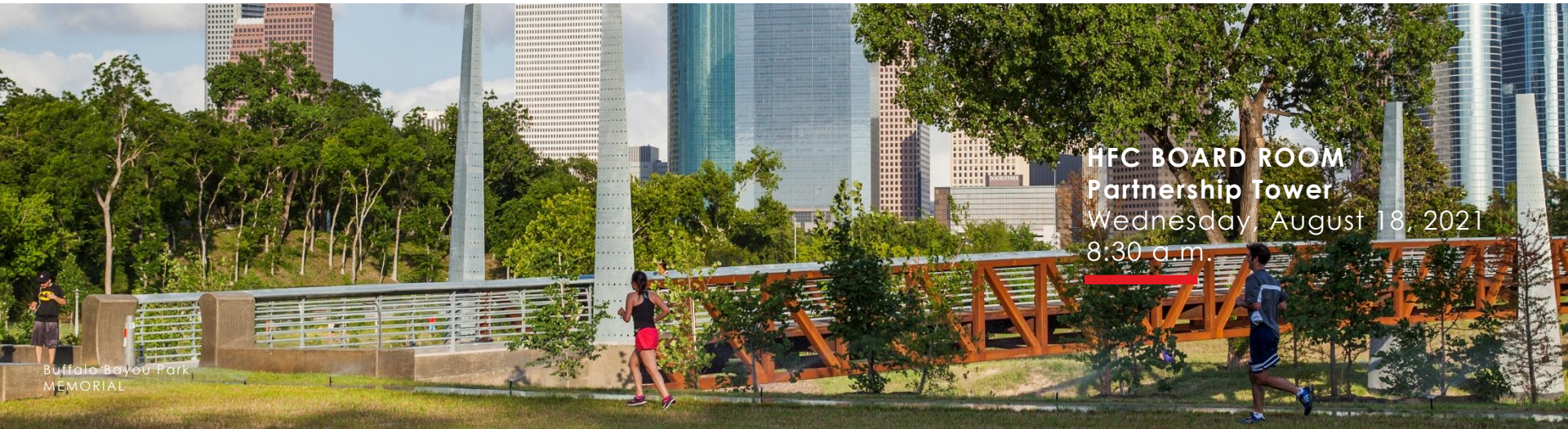
Executive (closed) session pursuant to Texas Government Code Section 551.074 for the purpose of discussion regarding the compensation of the President & CEO position of Houston First Corporation.

The Committee entered executive session at 2:13 p.m. and returned at 2:43 p.m. No Committee action was taken.

5. **Adjournment.** The meeting was adjourned at 2:43 p.m.

HOUSTON FIRST CORPORATION

# BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING



**HFC BOARD ROOM**  
**Partnership Tower**  
Wednesday, August 18, 2021  
8:30 a.m.

# PUBLIC COMMENTS

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Anyone who wishes to address the Committee during the Public Comment session may do so by signing up on the Public Comment sign-in sheet at the front of the room.

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

August 18, 2021



# MINUTES

July 26, 2021

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

August 18, 2021





# COMMITTEE UPDATE

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## A. World Petroleum Congress Update

**Jeff Shellebarger**

*Chairman, 23rd WPC Organizing Committee*

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

August 18, 2021



# COMMITTEE UPDATE

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## B. Financial report

### PRESENTER

**Frank Wilson**

*Chief Financial Officer*

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

August 18, 2021

# RECENT UPDATES

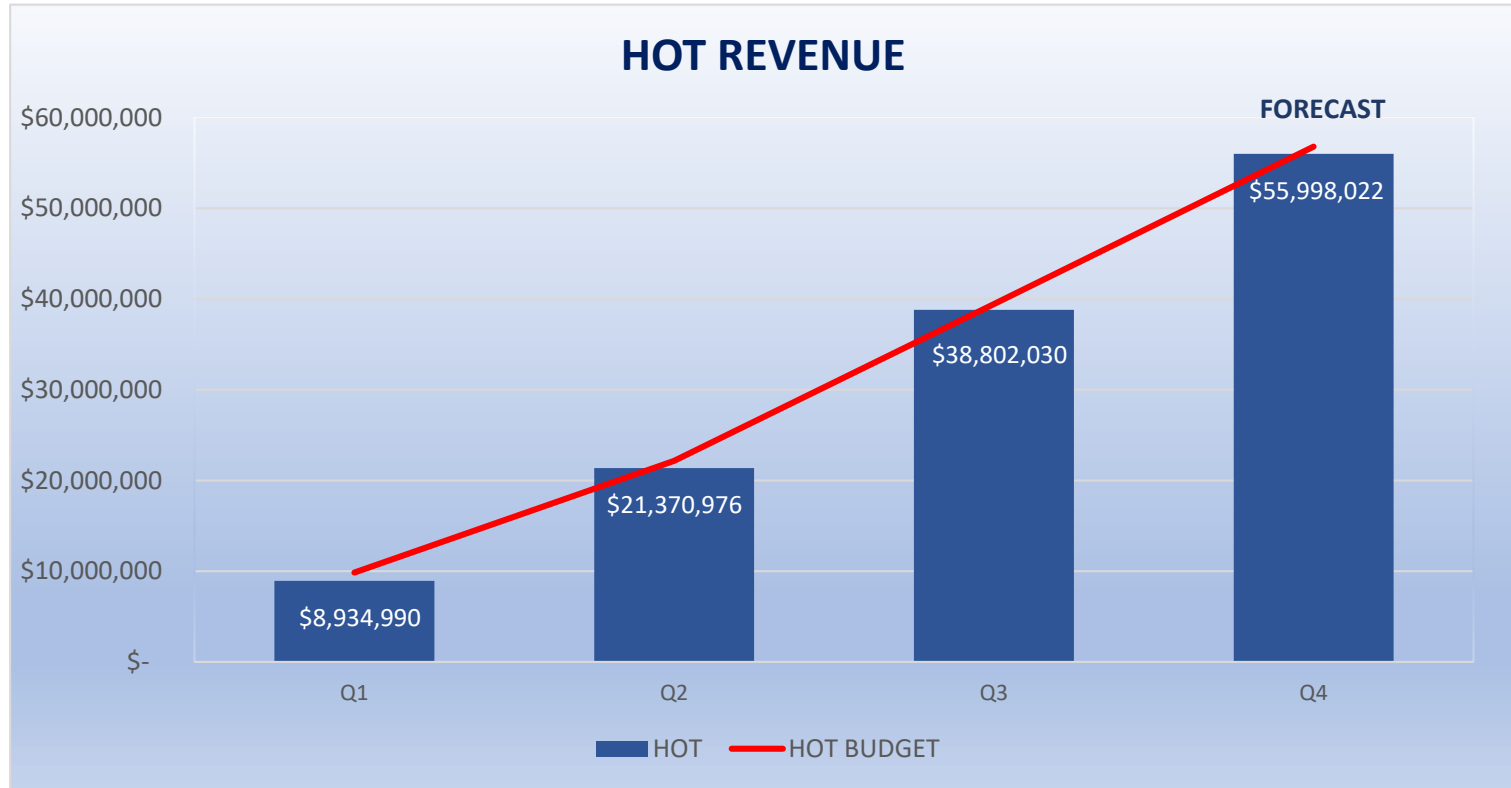
- \$4.2 M PPP Loan to CCSI forgiven
- \$660,503 SVOG received
  - Personnel
  - Supplies
  - Insurance
  - Advertising
  - Capital
- \$31,165,000 C & E Facilities Department HOT & Special Revenue Refunding Bonds, Series 2021
  - Closed August 5th
  - NPV savings: \$6.5 M
  - \$4.9 M budget savings in 2021
  - % of savings of refunded bonds: 18.8%
  - All-In true interest cost: 1.56%

# BUDGET VS ACTUAL

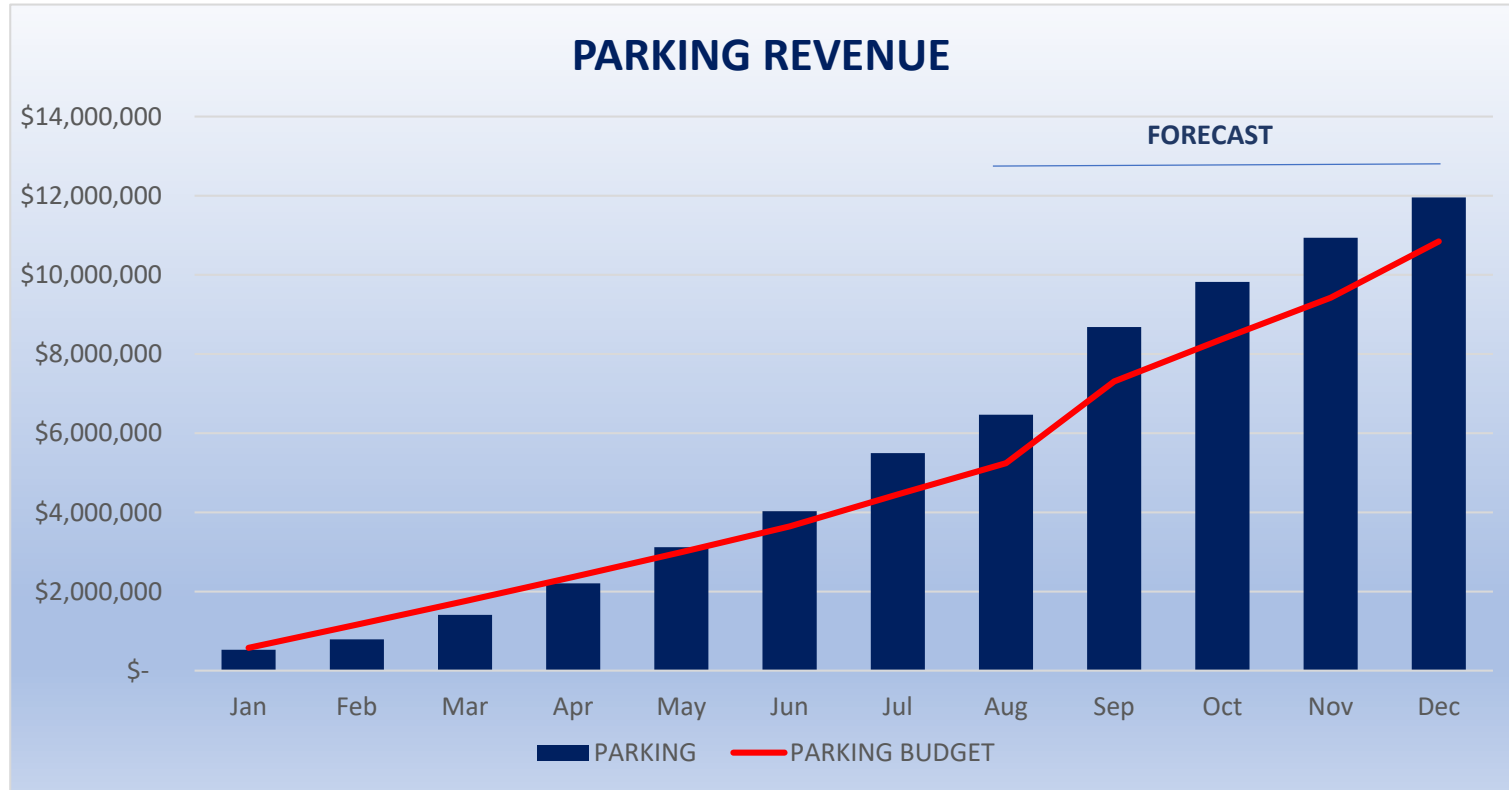
YTD Through June 30, 2021

	CY21 BUDGET	CY21 ACTUAL	VARIANCE
TOTAL REVENUES	\$ 41,935,337	\$ 36,352,444	\$(5,582,893)
TOTAL EXPENSES	\$ 73,449,737	\$ 62,333,263	\$(11,116,473)
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>\$ (31,514,399)</b>	<b>\$ (25,980,819)</b>	<b>\$5,533,581</b>

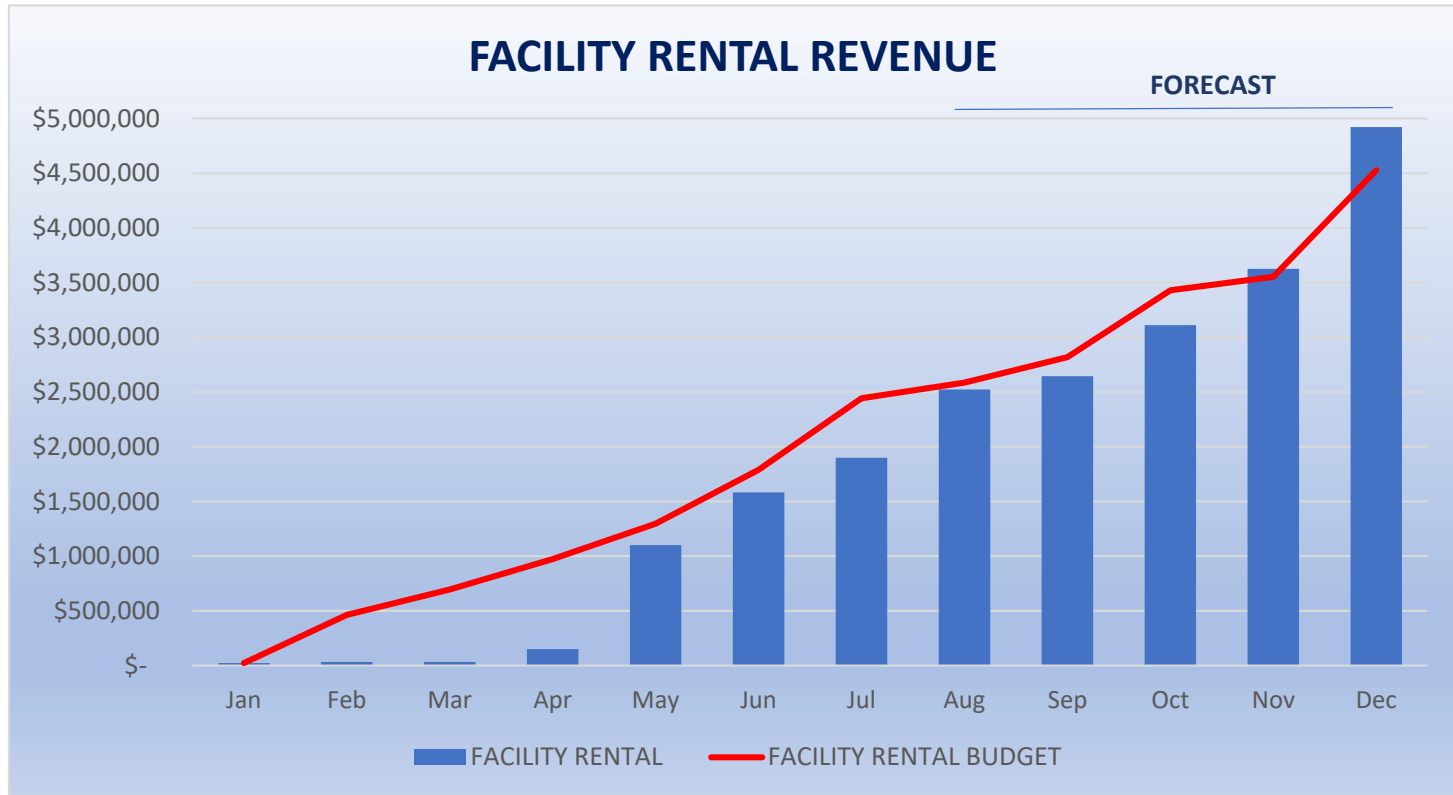
# REVENUE TRENDS



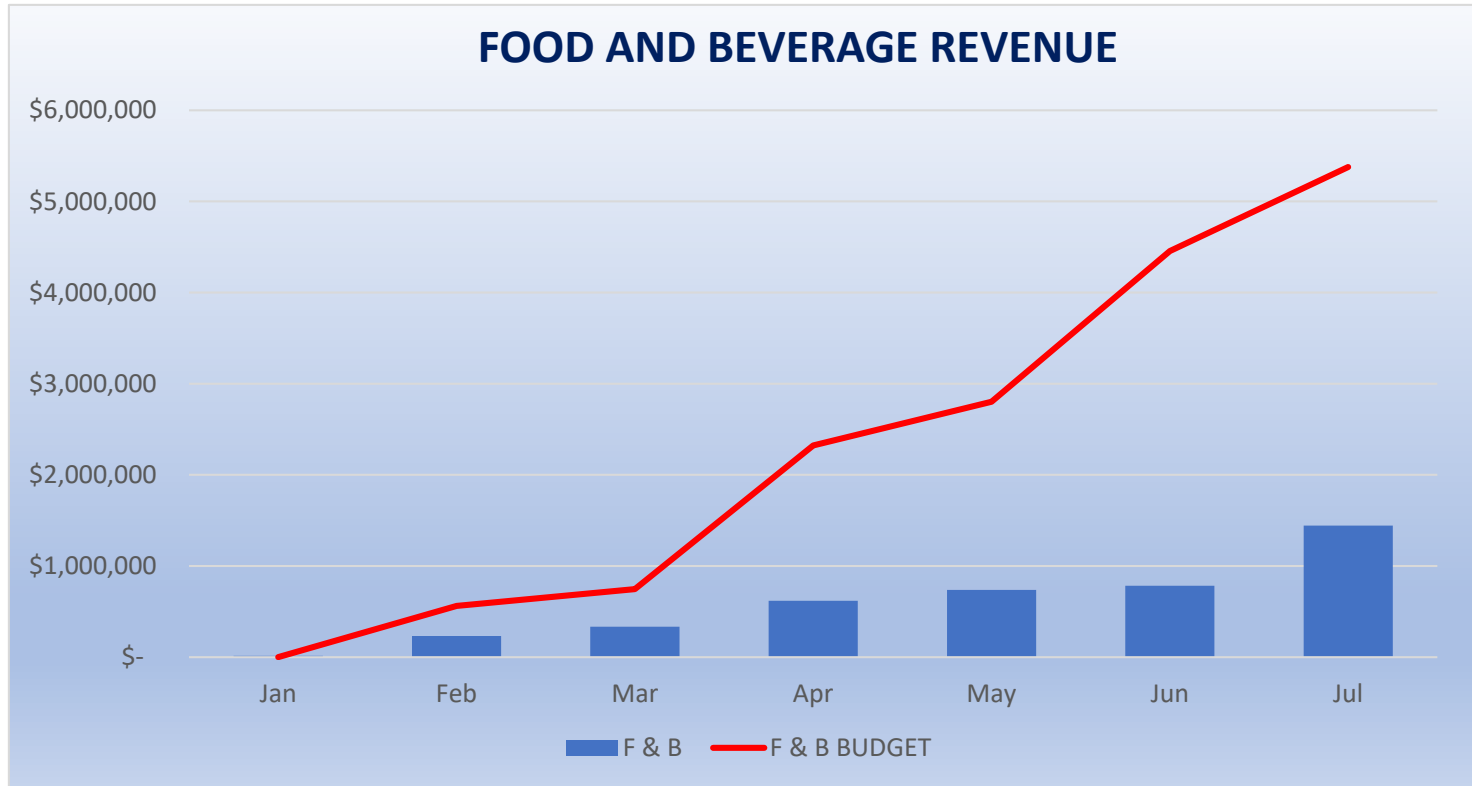
# REVENUE TRENDS



# REVENUE TRENDS



# REVENUE TRENDS





# MAJOR REVENUES & EXPENSES

YTD AS OF JULY 31, 2021

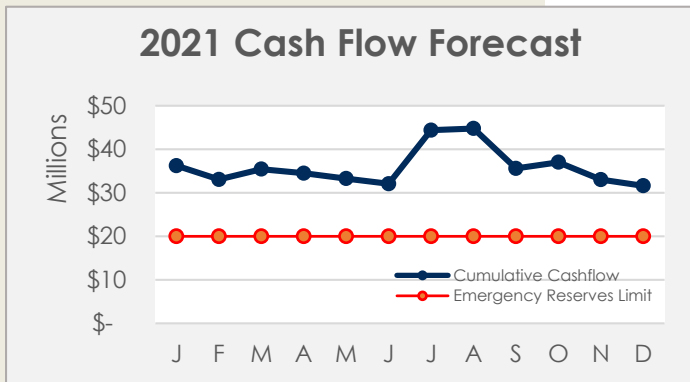
MAJOR REVENUES	2020 Actual	2021 Budget	2021 Actual	Over (Under) Budget (\$)	Over (Under) Budget (%)
Hotel Occupancy Tax Collections*	\$39,796,000	\$38,875,000	\$33,136,727	(\$5,738,273)	-14.7%
Hilton Americas Net Cash	\$7,000,000	-\$915,000	\$1,184,375	\$2,099,375	229.4%
GRB Facility Rental	\$1,513,802	\$2,443,277	\$1,831,055	(\$612,222)	-25.1%
GRB Food and Beverage Revenue	\$8,884,699	\$5,376,435	\$1,444,083	(\$3,932,352)	-73.1%
Parking Revenue-Avenida	\$2,206,276	\$1,614,035	\$3,528,563	\$1,914,528	118.6%
Parking Revenue-Theater District	\$2,241,538	\$2,840,529	\$2,193,289	(\$647,240)	-22.8%
MAJOR EXPENSES	2020 Actual	2021 Budget	2021 Actual	Over (Under) Budget (\$)	Over (Under) Budget (%)
Personnel	\$9,268,893	\$11,288,085	\$8,061,738	(\$3,226,347)	-28.6%
Security Contract	\$1,497,179	\$2,507,893	\$1,705,957	(\$801,936)	-32.0%
Bldg. Maintenance Contract	\$1,498,900	\$1,630,586	\$1,355,278	(\$275,308)	-16.9%
Parking Contract	\$1,037,720	\$1,191,344	\$821,161	(\$370,183)	-31.1%
Janitorial Contract	\$1,651,596	\$1,757,716	\$1,121,248	(\$636,468)	-36.2%
GRB Food and Beverage	\$5,300,492	\$4,039,991	\$1,737,317	(\$2,302,674)	-57.0%

\*2021 Budget includes Q3 amount, 2021 Actual reflects collection through July 31, 2021. Additional \$4.2 M collected in August.

# HILTON FINANCIAL HIGHLIGHTS

- For the month, EBITDA improved by \$1.3 M vs. the July budget
- On \$16.9 M of Operating Revenue, hotel has earned EBITDA of \$2.8 M YTD
- Room revenue increase of +\$215 K primarily driven by the increase in Group from two conferences
- Banquet - Group: F&B additional spend from Archdiocese of Galveston and Shriners International, Local: F&B all events performed well over expected attendance up +\$138 K
- Parking +\$114 K with increases in both garage and valet revenues

# CASH FLOW



**Available cash as of 12/31/2020** **\$37,081,919**

Total Revenues \$112,412,568

Total Expenses -\$146,850,420

Total Revenue less Expenses -\$34,437,852

Disaster Expense -\$1,239,563

Cashflow (Negative)/Positive \$1,404,504

NON-BUDGETED effects to Cashflow:

WPC Receivable \$1,100,000

RIDA development loan payment \$250,000

COVID Relief / FEMA Proceeds \$2,966,552

Advance from COH \$20,000,000

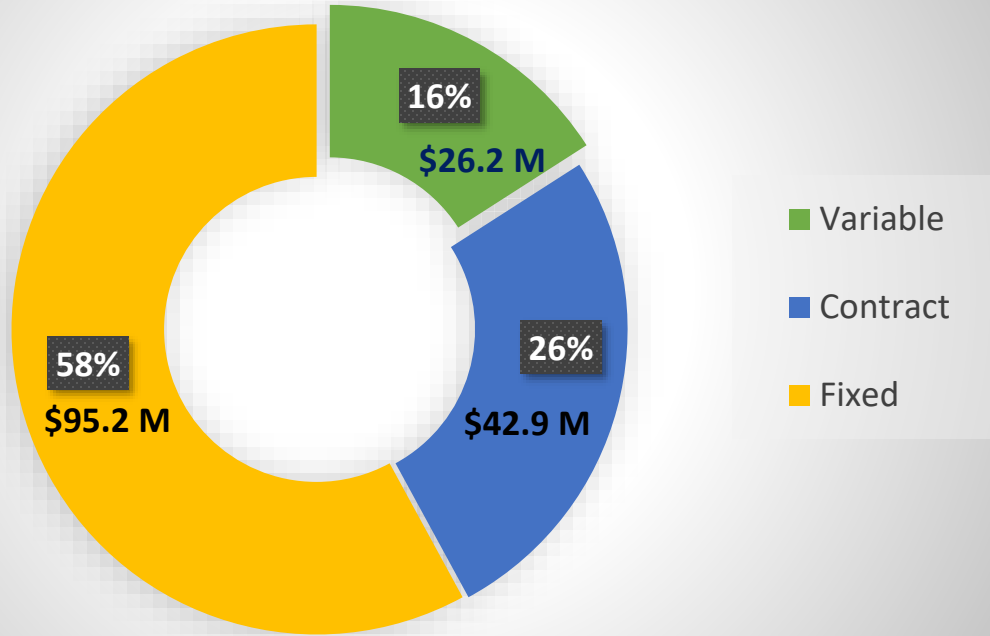
Advance from LOC \$6,000,000

Cumulative Cashflow \$31,721,056

# BUDGET DISCUSSION

## 2021 BUDGET SEGMENTS: FIXED, CONTRACT & VARIABLE EXPENSES

### BUDGET EXPENSE SEGMENTS



	2021 BUDGET	%
Variable	\$ 26,158,120	16%
Contract	42,926,273	26%
Fixed	95,181,122	58%
<b>TOTAL*</b>	<b>\$ 164,265,515</b>	<b>100%</b>

\*Not fully funded by organic revenues.

# BUDGET DISCUSSION

## 2021 BUDGET SEGMENTS: FIXED, CONTRACT & VARIABLE

	2019 Actual	2020 Actual	2021 Budget	% Change
<i>Advertising &amp; Promotion</i>	\$ 7,691,486	\$ 2,463,600	\$ 3,689,300	49.8%
<i>Travel, Promotion, and Events</i>	\$ 5,179,252	\$ 976,643	\$ 1,834,354	87.8%
<i>Consulting</i>	\$ 3,603,056	\$ 2,030,949	\$ 1,860,448	-8.4%
<i>Supplies</i>	\$ 1,412,250	\$ 458,240	\$ 873,580	90.6%
<i>Legal Expense</i>	\$ 349,821	\$ 385,764	\$ 750,000	94.4%
<i>Other</i>	\$ 1,059,673	\$ 460,046	\$ 461,390	0.3%
<i>Contingency</i>			\$ 1,000,000	---
<i>Capital Spending</i>	\$ 3,007,999	\$ 3,631,660	\$ 15,689,048	332.0%
	\$ 22,303,537	\$ 10,406,903	\$ 26,158,120	



# COMMITTEE UPDATE

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## C. Staff Retention

**PRESENTER**

**MICHAEL HECKMAN**

*President & CEO*

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

August 18, 2021

# COMPENSATION MARKET ANALYSIS

## STRATEGY

- Market study of approximately 80 titles comparing current comp to market, and
- Pay equity analysis for company, evaluating by gender and ethnicity

## METHODOLOGY

- Evaluate current employee JDs to obtain clear understanding of duties, role, scope, qualifications, and functions
- Compare current compensation data to market
- Identify benchmark positions and provide each position with a market analysis and recommendation
- Comparable data will include the hospitality sector of the economy -- tourism (DMO), convention, and hotel.
- Timeframe: Six weeks, Start date August 23rd

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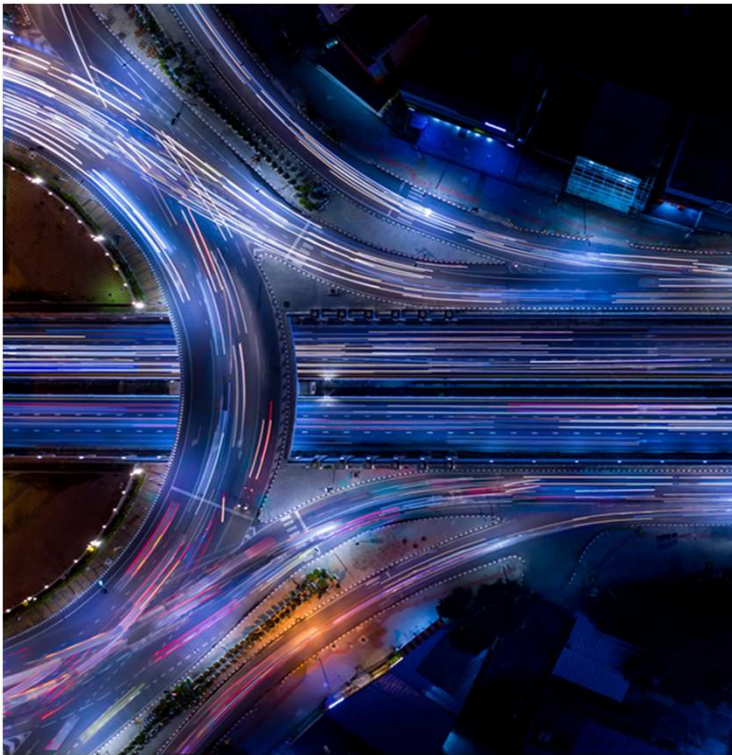
**23<sup>RD</sup> WPC ORGANIZING COMMITTEE  
HFC FINANCE COMMITTEE UPDATE  
AUGUST 18, 2021**

DECEMBER 5-9, 2021 | [23WPCHOUSTON.COM](http://23WPCHOUSTON.COM)



# CONGRESS OUTLOOK

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- + HEALTH & SAFETY IS OUR HIGHEST PRIORITY
- + STABLE FINANCIAL POSITION
- + ON TRACK TO DELIVER A FIRST-CLASS, BUSINESS- FOCUSED  
EVENT FOR 3,500 DELEGATES
- + OPPORTUNITY TO SHOWCASE HOUSTON ON A GLOBAL SCALE

DECEMBER 5-9, 2021  
23WPCHOUSTON.COM



# WPCOC DELIVERABLES TO HFC AS OF AUG 18

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- + \$4MM HFC loan repaid on-time and in full, plus cost of capital (\$92K)
- + \$1.1MM HFC pre-Organizing Committee formation expenses repaid
- + \$500K of HFC service agreement paid to date (of \$1MM)
- + 13% to date of 25% event goal toward Supplier Diversity Program spend

# 23<sup>RD</sup> WPC BUDGET

23<sup>RD</sup> WORLD PETROLEUM CONGRESS

AS OF 8/2021

<b>Operating Revenue (USD, in thousands)</b>	<b>Aug 20 Budget</b>	<b>Aug 21 Forecast</b>	<b>As of 06/30/21</b>
<b>Sponsorship Sales</b>	<b>20,650</b>	<b>18,150</b>	<b>17,150</b>
<b>Exhibit Sales</b>	<b>5,947</b>	<b>2,247</b>	<b>822</b>
<b>Registration Sales</b>	<b>5,120</b>	<b>3,880</b>	<b>261</b>
<b>Other Revenue/Financing</b>	<b>4,827</b>	<b>5,532</b>	<b>4,724</b>
	<b>36,544</b>	<b>29,809</b>	<b>22,957</b>
<b>Expenses (USD, in thousands)</b>			
<b>WPC Commissions &amp; Royalties</b>	<b>3,987</b>	<b>2,795</b>	<b>2,340</b>
<b>Congress Expenses</b>	<b>14,438</b>	<b>10,606</b>	<b>3,656</b>
<b>Business Development Expenses</b>	<b>4,410</b>	<b>3,991</b>	<b>2,257</b>
<b>Administration Expenses</b>	<b>12,264</b>	<b>12,376</b>	<b>10,097</b>
	<b>35,099</b>	<b>29,768</b>	<b>18,350</b>



# DISCUSSION

