

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

June 22, 2023 – 2:00 P.M.

Partnership Tower, 701 Avenida de las Americas, Ste, 200

Houston, Texas 77010

HOUSTON FIRST 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., held a meeting at the George R. Brown Convention Center (GRB), 701 Avenida de las Americas, 2nd Floor Boardroom, Houston, Harris County, Texas 77010 on Thursday, June 22nd, 2023, 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 participated in the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, and Ryan Martin.

- I. **Call to Order**. The Committee Chair called the meeting to order at 2:00 p.m. and a quorum was established.
- II. **Public Comments**. None
- III. **Review and approval of minutes from prior meeting**. Following a duly seconded motion, the May 16th, 2023, minutes for were approved as presented. Sofia Adrogué, Board Member, was absent for the vote.
- IV. **Committee Business**.
 - A. **Consideration and possible recommendation for the Houston First 2022 Annual Financial Audit**

Stephany Bland, HFC’s Controller, reported that HFC’s Annual Audit included Venues, Hilton Americas-Houston Hotel, Visit Houston (Destination Marketing, Tourism, Destination Sales), and Parking Garages. She added that her determinations excluded the City’s Convention and Entertainment Facilities Department debt and fixed assets.

Ms. Bland indicated that her findings showed a change in net position with an increase of \$38 million. She added that HFC used \$25 million of its position increase to pay down debt and \$13 million to fund capital projects without acquiring debt.

According to Ms. Bland, HFC's total assets decreased by \$2.6 million, and total liabilities decreased by \$27 million. Ms. Bland reported that HFC's four highest revenues were Hotel Revenues at \$86.5 million, Intergovernmental Revenues from Primary Government at \$74.2 million, Venue Revenues at \$41.1 million, and Avenida Parking Revenues at \$18.3 million. She highlighted that all HFC's revenues doubled from 2021, except for parking revenues. Ms. Bland emphasized 2021 revenue variances, including Hotel at 103%, Venue at 95%, Parking at 58%, and Other at 105%.

Ms. Bland reported that HFC's four highest expenses in 2022 were Venue at \$48.8 million, General and Administrative at \$35.9, Hotel at \$28.3 million, and Visit Houston at \$20.1 million. She noted that the variance increases were 87% for Hotel, 56% for Venue, 28% for Parking, 68% for Visit Houston, and 30% for General and Administrative. According to Ms. Bland, HFC's COVID-19 recovery caused total operating revenues in 2022 to increase by 94% to \$152.6 million and operating expenses to increase by 43% to \$166.5 million. She also indicated that HFC experienced a \$13 million increase in hotel expenses and a \$17.6 million increase in venue expenses.

According to Ms. Bland, HFC's non-operating revenues increased to \$32.4 million due to a \$16 million pension-related settlement in 2021 and a \$17.1 million primary government revenue increase.

Tino Robledo, RSM's Senior Director and Engagement Leader, provided the results of HFC's 2022 Financial Audit. He explained that HFC did not change the planned audit strategy significantly, as communicated to the Benefits, Compensation, and Finance Committee. He added he did not believe there were any significant risks after those reported on March 21, 2023. Mr. Robledo said that in 2022, HFC adopted Pensions' accounting and financial reporting standards. He added that there were no audit adjustments, uncorrected misstatements, or any reportable internal control deficiencies identified in the audit. He concluded by noting HFC's audit was clean.

Mr. Robledo emphasized that RSM was committed to HFC's diversity participation initiative and introduced their subcontractor Stephen Yoe of Yoe CPA, LLA ("Yoe CPA"). Mr. Yoe explained that Yoe CPA was a minority-owned business that worked alongside RSM's team for the audit. He stated Yoe CPA primarily assisted RSM with audit items like investments, capital assets, long-term debt, and selected income statement line items.

Mr. Robledo revealed that the pension addition was the only audit difference from 2021 and stated that the method used to determine values was consistent with authoritative literature. He reiterated that HFC's audit had no significant issues, disagreements, difficulties, or contentions with management. He added that the audit did not include consultations with other accountants regarding accounting or auditing matters. Mr. Robledo then reemphasized that HFC's audit was clean.

Following a duly seconded motion, the recommendation for the Houston First 2022 Annual Financial Audit was approved as presented.

V. **Adjourn.** The meeting adjourned at 2:24 p.m.