

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
February 21, 2019 – 3:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Ste. 200
Houston, Texas 77010
HFC 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, Houston, Harris County, Texas, 77010, on Thursday February 21, 2019, 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), Sofia Adrogué, Bobby Singh, Paul Puente, Alex Brennan-Martin, Jay Tatum, Gerald Womack, Jay Zeidman, Council Member David Robinson, Ex-officio and Council Member Dave Martin, Ex-officio.

The Chairman of the Board called the meeting to order at 3:05 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 meeting minutes of February 15, 2019 were approved as presented. Jay Tatum was not present for the vote.
3. **Presentations and Reports.**
 - A. **CFO Financial Report.** Frank Wilson began the presentation with an overview of the 2018 preliminary financial results. He noted that total revenues exceeded expenses due to the commendable performance of the Hilton Americas-Houston Hotel.

Mr. Wilson stated that HOT collections were under budget; however, parking revenues were over budget despite the on-going construction in the Theater District Parking Garages.

Mr. Wilson also discussed debt restructuring and a recent solicitation issued by the City of Houston to restructure HFC's variable rate debt and fund various capital projects.

David Minberg asked that a list of all indebtedness be circulated to members of the Board for further review and that the document be organized by amount, maturity date, rate, and term.

4. Committee Business.

- A. Consideration and possible approval of 2019 Property Insurance Options. Alex Brennan-Martin introduced the item on behalf of the Governance, Audit, and Finance Committee.

Peter McStravick provided some background on the properties insured by the City of Houston (the "City"), including the assets managed by HFC. The George R. Brown Convention Center ("GRB") and Wortham Theater are among the top valued properties. He noted that HFC-managed facilities suffered \$152,085,000 in flood damage related to Hurricane and the City insurance policy only covered \$100,000,000 in damages.

Mr. McStravick stated that the City has acknowledged HFC's exposure after Hurricane Harvey and for the first time HFC was invited to go to London with a delegation from the City to market the City's property insurance policy. As a result, according to r. McStravick, HFC has the opportunity to secure a stand-alone policy at GRB as well as a separate stand-alone policy for all other assets managed by HFC. For clarity, he noted that HFC will be the named insured on both insurance policies.

Lisa Hargrove and Brenda Bazan both stated this was a big step for the City as HFC has requested its own separate insurance policy for eight years.

Following a motion duly seconded, the 2019 Property Insurance Options were approved unanimously.

- B. Consideration and possible approval of a payment of \$440,000 for attorneys' fees related to the settlement between the City of Houston and Municipal Employees Pension System and release of claims. Lisa Hargrove provided some background related to the on-going civil suit between the City and Houston Municipal Employees Pension System ("HEMPS").

Ms. Hargrove explained that the City had been sued for violations of the Texas Public Information Act ("TPIA") and failure to release CCSI employee data. She added that the claim was later severed from the lawsuit and the City and HEMPS have agreed to settle the TPIA claim, until such time the parties can settle the remaining claims.

As part of the item before the Board, as explained by Ms. Hargrove, HFC is being asked to pay a settlement of \$440,000 directly to HMEPS for attorney's fees related to the TPIA claim. She noted that, while HFC is not a party to the suit, HFC

has consistently tried to work with the City, including through use of outside counsel, to support and advance the best interests of HFC.

Council Member Martin voiced his strong opposition to paying any settlement on behalf of the City and stated that requests for funding from HFC are excessive and need to stop.

There was much discussion regarding the on-going suit and several members of the Board voiced their concern that HFC has not had an opportunity to participate in the negotiations of this settlement between the City and HMEPS.

Sofia Adrogué asked if there was precedent to support the City's request and Lisa Hargrove explained that similar payments had been made in a previous lawsuit. Brenda Bazan further explained that despite HFC not being a party to this suit, it is an issue that relates to the well-being of HFC employees.

Ryan Martin questioned how HFC's decision to pay the TPIA settlement might impact HFC's financial obligation related to the later settlement.

Paul Puente asked if HFC had set aside funds for the pension. Brenda Bazan clarified that HFC had earmarked funds in HFC reserves, however, they have been re-allocated to Hurricane Harvey related expenses.

Bobby Singh stated that he had some concerns with this settlement payment based on HFC's current financial position.

Chairman Mincberg characterized the pension as an unfortunate long-term issue analogous to the insurance matter. He reiterated Brenda's statement that this is a matter that impacts HFC employees, and added that it is important that HFC work to resolve this matter.

A motion was made to approve payment of \$440,000 for attorneys' fees related to the City of Houston and Houston Municipal Employees Pension System and release of claims. The motion failed, with six opposed. Mr. Puente and Ms. Adrogué voted in favor of the item. Mr. Womack abstained.

- C. Consideration and possible approval of a Hotel Asset Management Services Agreement with CHMWarnick, LLC for the Hilton Americas-Houston Hotel. Frank Wilson introduced this item. Mitch Miskowski discussed the solicitation process. He stated that five proposals were received and evaluated and the top two firms with the highest scores, CHMWarnick, LLC and Jones Lang Lasalle, participated in interviews with the selection committee. Upon final evaluation, according to Mr. Miskowski, the firm that received the highest score was CHMWarnick, LLC.

Chad Sorenson of CHMWarnick, LLC and Vivienne Young of ykcreative addressed the Board, expressing their appreciation and stating that they look forward to working with HFC.

A motion was made to approve the Hotel Asset Management Services Agreement with CHMWarnick, LLC for the Hilton Americas-Houston Hotel. The motion passed unanimously.

5. **Executive Session.**

Executive (closed) session pursuant to Texas Government Code Section 551.072 for the purpose of deliberations regarding real estate.

The Board entered Executive Session at 4:25 p.m. and returned at 5:02 p.m.

6. **Board Business Cont'd.**

D. **Consideration and possible approval of a Third Amendment to a Lease with Kulture, LLC.**

A motion was made for the approval of a Third Amendment to a Lease with Kulture, LLC. The motion passed unanimously.

7. **Announcements.**

A. **Report by Houston First Chair.** David Minberg stated that he is waiting for Mayor Turner's decision on Board appointments to finalize Committee assignments.

He also reminded Board members that all correspondence regarding official HFC business is subject to the Texas Public Information Act.

B. **Report by Houston First President.** Brenda Bazan recognized several HFC staff members. Cheryl Ross-Josey received the HFC Diversity Advocacy Award and Arcy Muñoz was recognized by Solo Mujeres Magazine for her work in the community.

Brenda thanked David Minberg for his efforts to bring the announcement of the James Beard Award recipients to Houston.

Brenda also recognized Board member, Elizabeth Brock, for her installment to the Greater Houston Women's Chamber of Commerce.

Frank Wilson announced that HFC is accepting applications for 2019 summer internship program.

8. **Adjournment.** The meeting was adjourned at 5:10 p.m.