

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS & COMPENSATION

July 24, 2018 – 9:00 A.M.

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

The Benefits & Compensation 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 Tuesday, July 24, 2018, commencing at 9:00 a.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), Bobby Singh (Vice Chair), Sofia Adrogué, Ryan Gullion, Nicki Keenan, Council Member Dave Martin, and Kevin O'Brien.

The Chairman of the Committee called the meeting to order at 9:06 a.m. and a quorum was established. Sofia Adrogué and Nicki Keenan were present via conference call.

1. **Public Comments.** None.
2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of April 3, 2018 were approved as presented.
3. **Presentations and Reports.**
 - A. **Mid-Year Medical Claims Report.** Jason Ellis of Alliant presented a Mid-Year Medical Claims Report. Health insurance renews on December 1, 2018 so in mid-August HFC will have a firm number for health insurance renewals. The break-even point is an 83% loss ratio. HFC has had a lot of volatility with claims over the years. Of the claims paid in 2018 72% are pharmacy claims and 28% medical. The renewal projection was completed by a certified actuary with about a 4% increase, which is a bit aggressive. Alex Brennan-Martin asked how long HFC has been with Blue Cross Blue Shield and if we should consider finding a new carrier. Jason stated HFC has been with Blue Cross Blue Shield since 2011 because they are the most competitive each year.
 - B. **Financial Report.** Frank Wilson, Chief Financial Officer, gave a financial report through June of 2018. There is a strong positive variance due to the performance

of the Hilton Americas-Houston Hotel and Hotel Occupancy Taxes ("HOT"). HOT collections are trending toward \$87,000,000 on budget due to new hotels coming on-line. The Hotel is performing well, primarily due to parking revenues and food and beverage sales. There is a continued favorable occupancy trend and the hotel has had twelve sell-outs this year. It is projected to finish the year at \$8,600,000 over budget. There has also been a strong positive variance in operating expenses for personnel of \$668,389 due to vacant positions and not paying executive bonuses.

Alex Brennan-Martin asked what impact the agreement with OTC's and Airbnb had on HOT. Rob Jackson, Senior VP of Public Affairs, clarified that there was no agreement in place between HFC and Airbnb and it was their preference to enact a state-wide tax.

Council Member Dave Martin emphasized the need for a financial commitment to complete the Hotel renovation and ensure the Hilton remains a top-tier hotel, especially if Houston wins the bid for the DNC 2020.

Chairman of the Board, David Minberg, asked where HFC was with the pension lawsuit and Lisa Hargrove, General Counsel, explained no further action had been taken in the courts, nor had HFC been in contact with the City of Houston.

- C. CEO Report. Brenda Bazan, President & CEO, gave a report on the HFC re-organization. HFC has taken a look at right-sizing the company and created a total of twenty vacant positions. Of those twenty vacancies, fifteen were already unfilled and five employees entered into separation agreements with HFC. As a result, HFC will reduce expenses by approximately \$1,500,000. However, this will not be seen until the 4th Quarter of 2018 and fully in 2019. HFC projected a three percent attrition in the 2018 budget so the attrition and separation should fully address right-sizing.

4. Committee Business.

- A. Consideration of, and possible approval of the 2018 Employee Merit Program. Karen Williams, Vice President of Finance, stated that HFC would utilize a method similar to the City of Houston with a three percent merit-based increase for all staff. The cost in providing a three percent increase would be \$500,718, which is less than the projection of \$586,736 in the 2018 approved budget.

Bobby Singh said there should be some incentive for exemplary performance, and the support of those selling Houston, noting the work done by the sales team. Council Member Martin stated he supported the program if it was similar to that of the City of Houston.

Ryan Gullion and Kevin O'Brien both stated they were seeing a similar trend of a three percent increase in the industry. Both Ryan Gullion and Alex Brennan-Martin noted some of the changes in the labor market with higher starting wages and wage increases and noted that we may have to re-visit this item at a later date.

The motion to implement the 2018 Employee Merit Program passed unanimously.

5. **Adjournment.** The meeting was adjourned at 9:47 a.m.