

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

October 12, 2023 – 12:00 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 Partnership Tower, 701 Avenida de las Americas, Suite 200, Houston, Harris County, Texas 77010 on Thursday, October 12, 2023, commencing at Noon.

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, Mayor Pro-Tem Dave Martin, Ryan Martin, and David Mincberg.

- I. **Call to Order.** Committee Chairman Alex Brennan-Martin called the meeting to order at 12:09 p.m. with an established quorum.
- II. **Public Comments.** None
- III. **Review and approval of minutes from prior meetings.** Following a duly seconded motion, the August 1, 2023, minutes were approved as presented. Mayor Pro-Tem Dave Martin was absent from the vote.
- IV. **Presentations, Reports, and Updates.**
 - A. **Financial Report & Budget Discussion.**

Michael Heckman, President and CEO, reminded the Committee that this meeting was a budget preview.

Frank Wilson, Chief Financial Officer, reported on HFC’s financials through August 31, 2023. He expressed that all of HFC’s notable revenues outperformed expectations through August 2023, apart from Avenida Parking’s underperformance. Mr. Wilson stated that Hotel Occupancy Tax Collections (“HOT”) by 11.6%, GRB Food and Beverage by 27.2%, and Parking Revenue – Theater District by 25.6% were HFC’s highest overperforming significant revenues. According to Mr. Wilson, the Hilton Americas-Houston Net Cash was \$3 million or 10.3% higher than budgeted.

Mr. Wilson reported that three of HFC's largest expenses were over budget because of increased activity at the George R. Brown Convention Center and an eventful summer. He included that HFC's three most significant favorable variances in major expenses were Personnel, Security Contract, and Building Maintenance Contract.

According to Mr. Wilson, HFC's Total Revenues exceeded Total Expenses by \$29.4 million through August 31, 2023, primarily caused by a \$21.6 million favorable revenue variance to budget.

Mr. Wilson emphasized that the HOT revenue was at or above the University of Houston and Tourism Economics' forecasting numbers. He said that HFC's philosophy for 2024 would be to create a balanced budget, make strategic investments, and increase reserves. According to Mr. Wilson, HFC's philosophy was based on insights from outside economists to build a foundation for revenues.

Mr. Heckman identified and briefly discussed how HFC's 2024 strategic priorities aligned with its budget process.

Mr. Wilson described that HFC reviewed a five-year revenue forecast to determine growth by evaluating baseline, low, and high growth based on assumptions like a possible recession, HOT, inflation, interest rates, and other factors.

According to Mr. Wilson, Dr. Bill Gilmer of the University of Houston Bauer School predicted Houston's HOT baseline growth forecast was \$110 million in 2024 and \$150.6 million in 2028. He added that HFC's low growth expectations would be \$106.3 million in 2024 and \$136.7 million in 2028, and its high growth expectancies were \$109.4 million in 2024 and \$159.6 million in 2028.

Mr. Wilson reported that HFC paid \$78 million in 2023 toward debt services and that HFC planned to pay down unbudgeted debt by \$13 million by year-end.

V. **Adjourn.** The meeting was adjourned at 1:02 p.m.