

# MINUTES

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**  
**July 15, 2022 – 9:00 A.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, Friday, July 15, 2022, 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), John Johnson, Ryan Martin, and David Minberg.*

1. **Call to order.** The Chairman called the meeting to order at 9:07 a.m. and a quorum was established.
2. **Public Comments.** None
3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of April 18, 2022, were approved as presented.
4. **Presentations, Reports, and Updates**
  - A. **Financial Report**

Frank Wilson, Chief Financial Officer, reported that almost all significant revenues year-to-date as of June 30, 2022, continue to outperform budget, with the more significant variances being Hilton Americas-Houston Hotel Net Cash at 24%, GRB Facility Rental at 28.8%, and Avenida Parking Revenue at 54.9%, better than budgeted. Mr. Wilson added that the Theater District Parking Garage is recovering, but is 5.5% under budget.

Mr. Wilson stated that the more significant variances in major expenses are Personnel at -21.5%, Building Maintenance Contracts at -22.1%, and George R. Brown Convention Center food and beverage at -13.7% under budget.

The financial performance year-to-date, as of May 21, 2022, for total revenues are approximately \$5.4 million over budget and total expenses are roughly \$7.6 million under budget.

Mr. Wilson stated that year-to-date recovery trends for operating revenue and expense are improving.

## 5. **Committee Business**

### A. Consideration and possible recommendation of the Houston First 2021 Annual Financial Audit.

Mr. Wilson stated that HFC had to undertake a significant adjustment in 2021 due to the pension resolution. In addition, he reminded the committee that the 2021 budget ended with a \$14M deficit.

Karen Tang, Assistant Controller, reported that the leased assets (George R. Brown Convention Center, Wortham Theater, Jones Hall, and Miller Outdoor Theatre, Hilton Americas-Houston Hotel, and destination marketing expenses were included in the annual report, but did not include Convention and Entertainment Facilities Department debt and fixed assets.

Ms. Tang stated that total assets decreased by \$8 million over 2020 and total liabilities increased by \$14.4 million over 2020 due to a \$20 million loan from the City of Houston, a note of \$6 million with Regions, and a \$2.6 million PPP loan that will be forgiven in 2022.

Ms. Tang informed the Committee that the overall results of operations are a net loss of \$18.4 million, which is a decrease of \$2.9 million from 2020. Revenues in 2021 came from four sources; \$57.1 million from Intergovernmental Revenue from the City of Houston, \$42.6 million from Hilton Americas-Houston Hotel, \$21.1 million from venues, and \$11.5 million from Avenida parking. She added that expenses in 2021 were \$28.9 for the facilities, \$27.6 million for general and administrative, \$15.2 million for Hilton Americas-Houston Hotel, and \$11.9 million for Visit Houston.

Ms. Tang reported that total operating revenues increased by \$16.8 million due to the recovery in the hospitality and convention industries from the COVID-19 pandemic. Hotel revenues benefitted from the increase in leisure travel in Houston and a 56% increase in occupancy. In addition, operating expenses increased from \$5.9 million to \$116.6 million in 2021 due to increased use of the managed facilities and an increase of \$1.3 million in depreciation expense.

Ms. Tang stated that the total non-operating revenues decreased by \$9.1 million from 2020 due to \$16 million related to pension settlement and offset by a \$10.3 million revenue increase (\$2.3 million grant revenue and \$8 million from the fund-raising organization for Lynn Wyatt Square).

Stephanie Bland, Controller, reported that the \$16 million pension settlement is treated for accounting purposes as a liability between HFC and the City of Houston. Ms. Bland explained that the City is doing an actuarial study to determine the allocation of pension funds to all City employees, including HFC employees, and will allocate a portion to HFC. Ms. Bland added that repayment to the City will begin in 2031.

Tino Robledo, Senior Director of Audit Services for RSM, stated that the financial and compliance audit report was performed under Government Auditing Standards due to federal funding.

Mr. Robledo reported no significant changes to the planned audit strategy and did not identify audit adjustments and uncorrected misstatements. Mr. Robledo emphasized that RSM did not identify material weaknesses or significant deficiencies and that it was a clean audit.

Mr. Robledo commented that RSM teamed up with Yoe CPA, LLC, subcontractor, to partner with and assisted HFC in its responsibility to foster the development and growth of diverse companies. Mr. Stephen Yoe, Managing Partner, thanked RSM and HFC for the opportunity to participate in and assist with the audit.

Katherine Lutz, Manager of Audit Services for RSM, reiterated that there were no significant issues with the audit and no disagreements with management.

After discussion for consideration and possible recommendation of the Houston First 2021 Annual Financial Audit, a motion was made and duly seconded for approval. The motion passed unanimously.

**B. Consideration and possible approval of the 2022 Convention Sales Incentive Program.**

Michael Heckman reported reactivating the Convention Sales Incentive Program, which had been suspended after the onset of the COVID pandemic.

Mr. Heckman stated the 2022 Incentive Program is substantially similar in structure as before the pandemic. Mr. Heckman cited a couple of differences for 2022, which are split between definite bookings and tentative opportunities and team goals instead of individual goals.

Karen Williams, Senior VP of Finance, reported that the 2022 Sales Incentive Program is a team program that applies to all Sales team members and two Revenue Management Team Members. Ms. Williams emphasized that the team payouts are based on reaching a minimum of 90% of the combined definite bookings and tentative opportunities to be eligible for the annual commission payout.

After discussion for consideration and possible approval of the 2022 Convention Sales Incentive Program, a motion was made and duly seconded for approval. The motion passed unanimously.

**C. Consideration and possible approval of adjusting the requirement for a quorum from a simple majority of the total Committee membership to three members.**

After discussion for consideration and possible approval of adjusting the requirement for a quorum from a simple majority of the total Committee membership to three members, a motion was made and duly seconded for approval. The motion passed unanimously.

**6. Adjourn** – The meeting adjourned at 10:03 a.m.