

MINUTES

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

October 20, 2022 – 3:00 P.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, Thursday, October 20, 2022, 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 Committee Members were present for the meeting: Alex Brennan-Martin (Chair), John Johnson, and Ryan Martin.

1. **Call to order**. The Chairman called the meeting to order at 3:04 p.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 July 15, 2022, were approved as presented.
4. **Presentations, Reports, and Updates**
 - A. **President & CEO’s Report**.

Michael Heckman, President and CEO, remarked that HFC is in process of finalizing the 2023 budget process. Each committee that oversees the individual departmental budgets will review their respective budgets, and then the full corporate budget will be presented to the Benefits, Compensation, and Finance Committee on November 9th for approval.

Mr. Heckman reported that HFC has fully recovered from the pandemic from an operations perspective and business has normalized. Finally, HFC will have a balanced budget for 2023.

B. Financial Report.

Frank Wilson, Chief Financial Officer, presented a five-year financial forecast. Through September 2022, major revenues are \$14.6 million above budget, and major expenses are \$2.1 million below budget. Mr. Wilson emphasized that the Hilton Americas-Houston Hotel continues to exceed budget in spectacular fashion with net assets at \$9.5 million over budget.

The largest reduction in major expenses is personnel at approximately \$2.7 million under budget. The largest unfavorable major expense is for janitorial services at approximately \$1.2 million over budget.

HOT is forecasted to be \$94.5 million in 2023.

Mr. Wilson provided five-year revenue forecast assumptions which included a forecast model growth and stress factors for baseline, mild recession, and deep recession. He reported Baseline Revenue Stress / Growth for 2024 at 7%, 2025 at 5%, 2026 at 4%, and 2027 at 3%; Mild Recession Revenue Stress / Growth for 2024 at -2%, 2025 at -0.5%, 2026 at 7%, and 2027 at 3%; Deep Recession Revenue Stress / Growth for 2024 at -8%, 2025 at -4%, 2026 at 12%, and 2027 at 3%.

Mr. Wilson reported a five-year HOT forecast for baseline, mild recession, and deep recession with Baseline for 2023 at \$99 million, 2024 at \$105.9 million, 2025 at \$111.2 million, 2026 at \$115.7 million, and 2027 at \$119.1 million; Mild Recession for 2024 at \$97.00 million, 2025 at \$96.5 million, 2026 at \$103.3 million, and 2027 at \$106.4 million; Deep Recession for 2024 at \$91.1 million, 2025 at \$87.4 million, 2026 at \$97.9 million, and 2027 at \$100.8 million.

Finally, HFC's rating was affirmed as an A rating, and the outlook was changed from negative to stable.

5. **Adjourn** – The meeting adjourned at 3:51 p.m.