

# AGENDA

## HOUSTON FIRST CORPORATION

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**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**

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**COMMITTEE MEMBERS:**

Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, Mayor Pro-Tem Dave Martin, Ryan Martin, David Mincberg

*In accordance with the Texas Open Meetings Act, this Agenda is posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting on the bulletin board located on the exterior wall of the Houston City Hall building, located at 901 Bagby. The Agenda is also available online at <https://www.houstonfirst.com>.*

*To reserve time to appear, come to the meeting at least ten minutes prior to the scheduled public session shown on the Agenda.*

*Any questions regarding this Agenda, or requests for special needs assistance, should be directed to Lisa K. Hargrove, General Counsel at either 713.853.8965 or [Lisa.Hargrove@houstonfirst.com](mailto:Lisa.Hargrove@houstonfirst.com)*

- I. Call to Order**
- II. Public Comments**
- III. Minutes – August 1, 2023**
- IV. Presentations, Reports, and Updates**
  - A. Financial Report & Budget Discussion**
- V. Adjourn**

**III. Minutes – August 1, 2023**

# MINUTES

## HOUSTON FIRST CORPORATION

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**BENEFITS, COMPENSATION, AND FINANCE COMMITTEE**

**August 1, 2023 – 3:00 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 the Partnership Tower, 701 Avenida de las Americas, 2<sup>nd</sup> Floor Boardroom, Houston, Harris County, Texas 77010 on Tuesday, August 1<sup>st</sup>, 2023, 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 Committee Members participated in the meeting: Alex Brennan-Martin (Chair), Sofia Adrogué, John Johnson, Mayor Pro-Tem Dave Martin, and Ryan Martin.*

- I. **Call to Order.** The Committee Chair called the meeting to order at 3:02 p.m. and a quorum was established.
- II. **Public Comments.** None
- III. **Review and approval of minutes from prior meeting.** Following a duly seconded motion, the June 22<sup>nd</sup>, 2023, minutes were approved as presented. Committee Members Sofia Adrogué and Ryan Martin were absent for the vote.
- IV. **Presentations, Reports, and Updates**
  - A. **Year-To-Date Financial Report**

Frank Wilson, Chief Financial Officer, reported HFC’s financials through June 30<sup>th</sup>, 2023. He stated that apart from Avenida Parking’s underperformance, all major revenues exceeded expectations through June 2023. Mr. Wilson continued that HFC’s highest overperforming major revenues included Hotel Occupancy Tax (“HOT”) Collections by 19.4%, George R. Brown Convention Center (“GRB”) Food and Beverage by 27.4%, and Theater District Parking Revenue by 29.5%.

According to Mr. Wilson, all major of HFC’s expenses were performing at or below budget, except for GRB Food and Beverage, which surpassed budget by 28.3%. He added that HFC’s three most significant variances in major expenses were Personnel, Security, and Building Maintenance.

Mr. Wilson highlighted that Total Revenues exceeded Total Expenses by \$15.3 million due to a favorable budgetary revenue variance of \$19 million.

## V. Committee Business

- A. Consideration and possible recommendation of a Framework Agreement for the 2028 Republican National Convention in Houston, Texas, between Houston National Convention Host Committee 2028, Republican National Committee, City of Houston, and Houston First Corporation.

Michael Heckman, President and CEO, stated that HFC placed a bid on the 2028 Republican National Convention ("RNC") and worked through the process for the past year. He continued that the RNC required an executed framework agreement between HFC, the City of Houston, the RNC, and the Host Committee for HFC to proceed in the selection process. According to Mr. Heckman, the language for the framework agreement was negotiated and would be presented to and voted on by City Council on Wednesday, August 9th, 2023. He stated that HFC expected a decision by the RNC by the end of August 2023.

David Staas, Outside Counsel, explained the overall agreement. He outlined that if the RNC selected HFC, then the RNC would hold the 2028 Convention in Houston and HFC would provide DMO functions and execute a license agreement to use the GRB. Mr. Staas added that the City would provide essential city services like police, fire, security, and Emergency Medical Services in and around the convention complex. He noted that the Houston Police Department would be a lead agency. According to Mr. Staas, the Host Committee would be responsible for raising money for hosting-related expenses. Correspondingly, he highlighted that HFC and the City of Houston were not contractually obligated to the RNC to raise funds.

Mr. Heckman added that HFC would support the Host Committee in pursuing and securing state funding through the Major Event Funding Program, and the Host Committee would acquire the balance through private financing.

Following a duly seconded motion, a recommendation of a Framework Agreement for the 2028 Republican National Convention in Houston, Texas, between Houston National Convention Host Committee 2028, Republican National Committee, City of Houston and Houston First Corporation was approved.

- B. Consideration and possible recommendation of the designation of a geographic area within the City of Houston to be known as "Project Financing Zone Number One, City of Houston, Texas" ("Zone") and providing an expiration date for the Zone; making certain findings related thereto; directing the Texas Comptroller of Public Accounts be notified of the Zone's creation within thirty days of its designation; requesting the Texas Comptroller of Public Accounts deposit incremental hotel-associated tax revenues collected by or forwarded to the Texas Comptroller of Public Accounts into a separate suspense account held in trust for Houston First Corporation; providing for notification to the Texas Comptroller of Public Accounts in the event that qualified project activities are abandoned or not commenced within five years of the initial deposit to the suspense account; and containing other related matters; providing a severability clause; and providing an effective date.

Mr. Heckman explained that Senate Bill 1057 established a Project Zone within a three-mile radius of the GRB and how the State would provide HFC with a portion of

HOT within the area based on incremental State HOT that exceeded a benchmark set in 2023. According to Mr. Heckman, the issue before the Board was establishing the three-mile radius administratively. He highlighted that the law goes into effect on September 1<sup>st</sup>, 2023, when HFC would notify the Texas Comptroller's Office of its eligibility to receive funds from the State of Texas beginning January 1st, 2024.

Mr. Staas added that HFC could use funds for qualifying projects as defined in the statute. He explained that the resolution would convey that the GRB and any related expansion, improvements, and infrastructure were qualifying projects that could use the proceeds of the tax revenues.

Mr. Heckman emphasized that HFC envisioned funds for reimagining the GRB and convention district within the limits of the law.

Following a duly seconded motion, a recommendation of the designation of a geographic area within the City of Houston to be known as "Project Financing Zone Number One, City of Houston, Texas" ("Zone") and providing an expiration date for the Zone; making certain findings related thereto; directing the Texas Comptroller of Public Accounts be notified of the Zone's creation within thirty days of its designation; requesting the Texas Comptroller of Public Accounts deposit incremental hotel-associated tax revenues collected by or forwarded to the Texas Comptroller of Public Accounts into a separate suspense account held in trust for Houston First Corporation; providing for notification to the Texas Comptroller of Public Accounts in the event that qualified project activities are abandoned or not commenced within five years of the initial deposit to the suspense account; and containing other related matters; providing a severability clause; and providing an effective date was approved.

**VI. Adjourn.** The meeting adjourned at 3:40 p.m.

HOUSTON FIRST CORPORATION

# BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING

Houston Botanic Garden  
PARK PLACE BOULEVARD

**HFC BOARD ROOM**  
**Partnership Tower**  
Thursday, October 12, 2023  
12:00 p.m.



# PUBLIC COMMENTS

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Anyone who wishes to address the Committee during the Public Comment session may do so by signing up on the Public Comment sign-in sheet at the front of the room.

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

October 12, 2023



# MINUTES

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August 1, 2023

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

October 12, 2023



# COMMITTEE UPDATE

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A. Financial Report & Budget Discussion.

**HFC BENEFITS, COMPENSATION, AND  
FINANCE COMMITTEE MEETING**

October 12, 2023

# MAJOR REVENUES & EXPENSES

YTD AS OF AUGUST 31, 2023

MAJOR REVENUES	2023 Budget	2023 Actual	Over (Under) Budget (\$)	Over (Under) Budget (%)
Hotel Occupancy Tax Collections	\$71,500,000	\$79,795,617	\$8,295,617	11.6%
Hilton Americas Net Cash	\$29,000,000	\$32,000,000	\$3,000,000	10.3%
GRB Facility Rental	\$4,714,805	\$5,263,756	\$548,951	11.6%
GRB Food and Beverage	\$17,075,416	\$21,714,400	\$4,638,984	27.2%
Parking Revenue-Avenida	\$7,835,152	\$7,540,833	(\$294,319)	(3.8%)
Parking Revenue-Theater District	\$4,278,718	\$5,372,212	\$1,093,494	25.6%
MAJOR EXPENSES	2023 Budget	2023 Actual	Over (Under) Budget (\$)	Over (Under) Budget (%)
Personnel	\$17,866,403	\$17,099,958	(\$766,445)	(4.3%)
Security Contract	\$3,645,109	\$3,019,589	(\$625,520)	(17.2%)
Bldg. Maintenance Contract	\$4,070,612	\$3,552,460	(\$518,152)	(12.7%)
Parking Contract	\$1,578,416	\$1,621,555	\$43,139	2.7%
Janitorial Contract	\$4,319,488	\$4,546,388	\$226,900	5.3%
GRB Food and Beverage	\$10,105,485	\$13,627,911	\$3,522,426	34.9%

# FINANCIAL PERFORMANCE

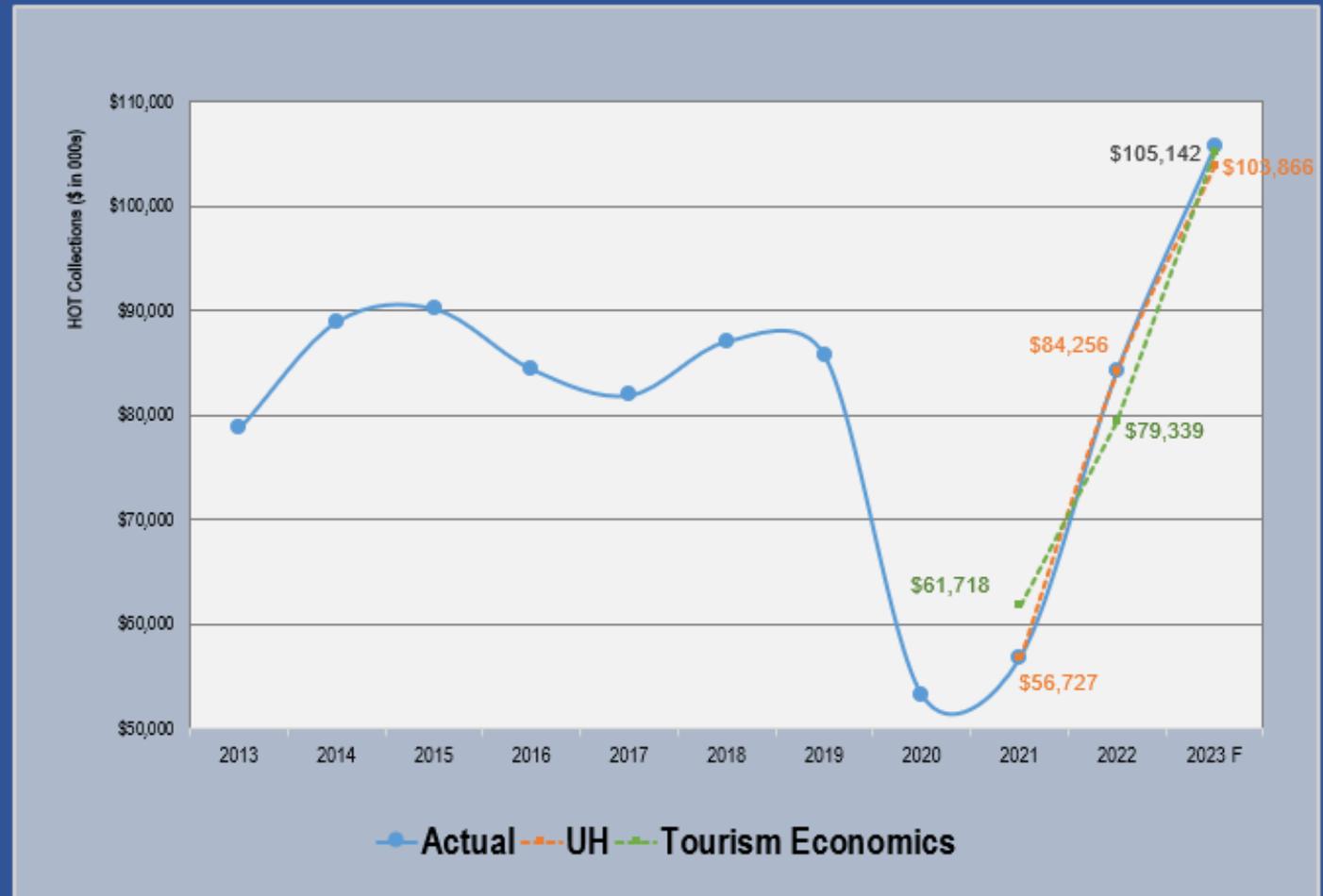
YTD AS OF AUGUST 31, 2023

	2023 Budget	2023 Actual	Variance
<b>TOTAL REVENUES</b>	<b>\$145,288,077</b>	<b>\$166,952,679</b>	<b>\$21,664,602</b>
<b>TOTAL EXPENSES</b>	<b>\$135,968,489</b>	<b>\$137,472,905</b>	<b>\$1,504,416</b>
<b>TOTAL REVENUES LESS EXPENSES</b>	<b>\$9,319,588</b>	<b>\$29,479,775</b>	<b>\$20,160,186</b>

# HISTORICAL HOT AND 2023 FORECAST

## HISTORICAL HOT REVENUE

	Actual	
	(\$ in 000s)	% chng y/y
2004	43,110	6.2%
2005	44,877	4.1%
2006	54,519	21.5%
2007	59,262	8.7%
2008	66,439	12.1%
2009	57,617	-13.3%
2010	54,525	-5.4%
2011	60,801	11.5%
2012	69,392	14.1%
2013	78,777	13.5%
2014	88,979	13.0%
2015	90,183	1.4%
2016	84,395	-6.4%
2017	81,927	-2.9%
2018	87,080	6.3%
2019	85,726	-1.6%
2020	53,208	-37.9%
2021	56,720	6.6%
2022	84,256	48.5%
2023*	105,700	25.5%



\* 2023 Forecast assumes fourth quarter revenue is \$27.5 M

# CY 2024 BUDGET PHILOSOPHY

- **Create balanced budget** that positions the company to take advantage of targeted growth opportunities --especially as we and other Texas convention centers embark on expansion and redesign projects.
- **Make strategic investments** in personnel, programs and facilities that drive performance and revenues in years to come.
- **Increase reserves** while seeking out opportunities to reduce debt and mitigate risk.

# CY 2024 BUDGET PHILOSOPHY

2024 STRATEGIC PRIORITIES	
Strengthen Houston's Brand Equity	Seize Emerging International Markets
Foster Greater Synergy as a Destination	Promote Exceptional 360 Degree Visitor Experience
Boost Economic Impact of Leisure Travel	Implement Phase 1: Convention District Transformation
Accelerate Booking Pace 2025 to 2027	Enhance Destination Appeal at HFC Facilities
Develop Aggressive Sales Strategies for Transformed Convention District	Increase Number of Houston TV & Film Projects
Deliver Superior Convention Client Experiences	Explore P3 Opportunities to Address Structural Challenges in HFC Budget
Increase Market Share of Mexican Visitors	Pursue Excellence in Corporate Culture

# 5-YR REVENUE FORECAST ASSUMPTIONS

## FORECAST MODEL GROWTH FACTORS

Baseline	2024	2025	2026	2027	2028
Revenue Growth Factor	--	3%	3%	3%	3%

Low Growth	2024	2025	2026	2027	2028
Revenue Growth Factor	--	1%	1%	1%	1%

High Growth	2024	2025	2026	2027	2028
Revenue Growth Factor	--	5%	5%	5%	5%

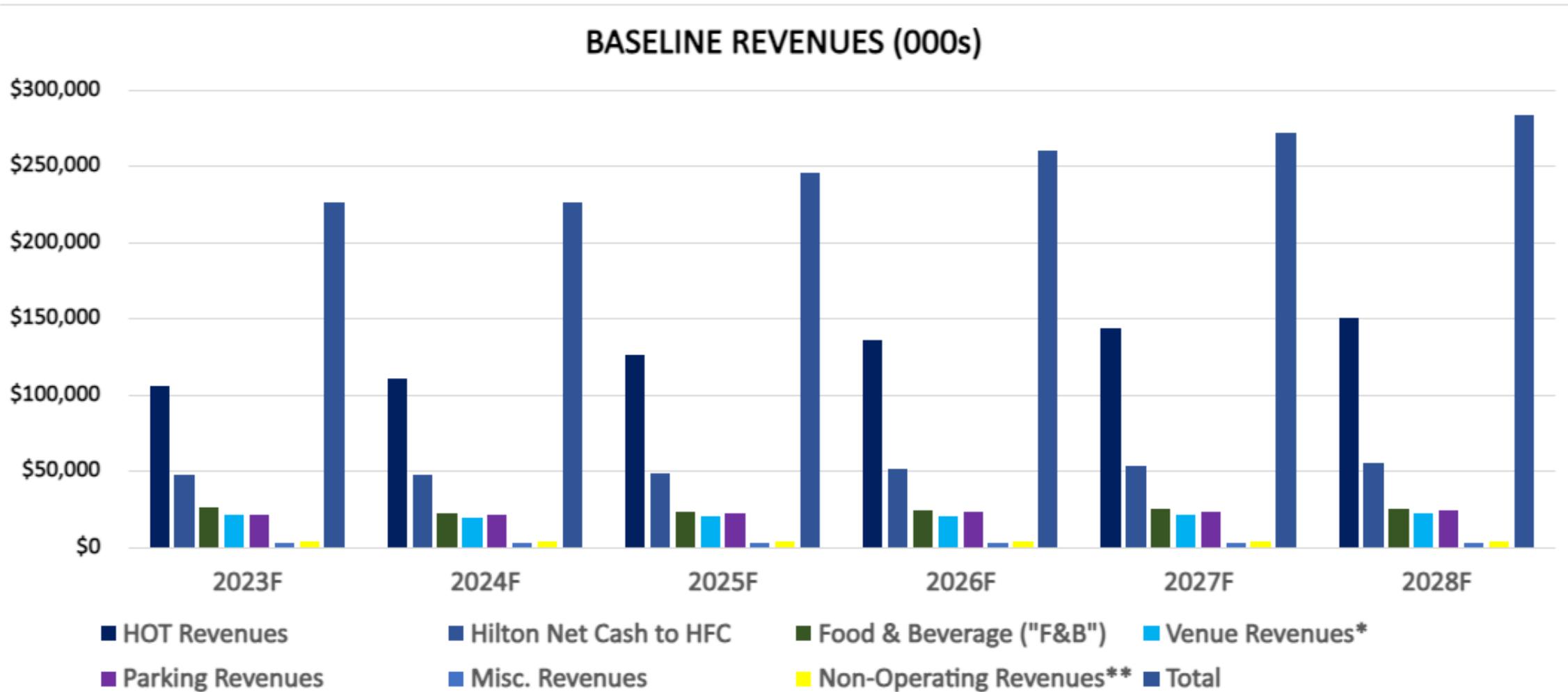
- Possible mild recession in 2024, not predicted to impact travel economy
- HOT growth forecast based on Dr. Bill Gilmer modeling – no recession.
- Hilton growth forecast based on Hilton America's extension of three-year proforma
- Continued inflation at 3% beginning in 2024
- Business travel continues recovery in 2024
- Leisure travel continues (and tapers), and Houston tourism continues to improve.
- Hotels see improvement in occupancy and ADR, but slower growth.
- Downtown office occupants continue return to in-person work in 2024, not 5 days.
- Rising interest rates through first half of 2024.

## HISTORICAL HOT REVENUE

	Actual (\$ in 000s)	% chng y/y
2004	43,110	6.2%
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2021	56,720	6.6%
2022	84,256	48.5%
2023*	105,700	25.5%

\* 2023 Forecast assumes fourth quarter revenue is \$27.5M

# 5-YR REVENUE FORECAST



# 5-YR HOT FORECAST

## BASELINE AND GROWTH SCENARIOS

Dr. Bill Gilmer, U of H Bauer School

*\$ in Millions*

	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
<b>BASELINE</b>	\$85.7	\$53.2	\$56.7	\$84.2	\$105.7	\$110.0	\$125.4	\$135.8	\$143.6	\$150.6
<b>LOW GROWTH (\$40 OIL)</b>						\$106.3	\$119.4	\$126.1	\$131.4	\$136.7
<b>HIGH GROWTH (\$80 OIL)</b>						\$109.4	\$129.5	\$142.0	\$151.4	\$159.6

# 5-YR REVENUE FORECAST

(\$000s)

<b>Medium Growth (Baseline)</b>			2023F	2024F*	2025F	2026F	2027F	2028F
HOT		\$	105,752	\$ 110,000	\$ 125,414	\$ 135,869	\$ 143,675	\$ 150,613
Hilton Net Cash to Owner		\$	47,385	\$ 47,203	\$ 48,599	\$ 51,056	\$ 53,098	\$ 55,222
F & B Revenues		\$	25,769	\$ 22,417	\$ 23,090	\$ 23,782	\$ 24,496	\$ 25,231
Parking Revenues		\$	20,657	\$ 21,281	\$ 21,919	\$ 22,577	\$ 23,254	\$ 23,952
Misc Revenues		\$	2,088	\$ 2,604	\$ 2,682	\$ 2,763	\$ 2,845	\$ 2,931
Non-Operating Revenues w/o HOT		\$	3,087	\$ 3,324	\$ 3,424	\$ 3,526	\$ 3,632	\$ 3,741
Venue Revenues (w/o Hilton Net Cash & F&B)		\$	20,856	\$ 19,268	\$ 19,846	\$ 20,441	\$ 21,055	\$ 21,686
<b>Total Revenues</b>		<b>\$</b>	<b>225,594</b>	<b>\$ 226,097</b>	<b>\$ 244,974</b>	<b>\$ 260,015</b>	<b>\$ 272,055</b>	<b>\$ 283,376</b>

\* 2024 Preliminary Budget

<b>Low Growth</b>			2024F	2025F	2026F	2027F	2028F
HOT		\$	108,240	\$ 119,394	\$ 126,222	\$ 131,463	\$ 136,757
Hilton Net Cash to Owner		\$	46,530	\$ 48,113	\$ 50,545	\$ 52,567	\$ 54,670
F & B		\$	22,641	\$ 22,867	\$ 23,096	\$ 23,327	\$ 23,560
Parking Revenues		\$	20,788	\$ 20,996	\$ 21,206	\$ 21,418	\$ 21,632
Misc Revenues		\$	2,630	\$ 2,656	\$ 2,683	\$ 2,710	\$ 2,737
Non-Operating Revenues w/o HOT		\$	3,357	\$ 3,391	\$ 3,425	\$ 3,459	\$ 3,494
Venue Revenues (w/o Hilton Net Cash & F&B)		\$	19,461	\$ 19,655	\$ 19,852	\$ 20,050	\$ 20,251
<b>Total</b>		<b>\$</b>	<b>223,647</b>	<b>\$ 237,073</b>	<b>\$ 247,029</b>	<b>\$ 254,994</b>	<b>\$ 263,100</b>

# 5-YR REVENUE FORECAST

(\$000s)

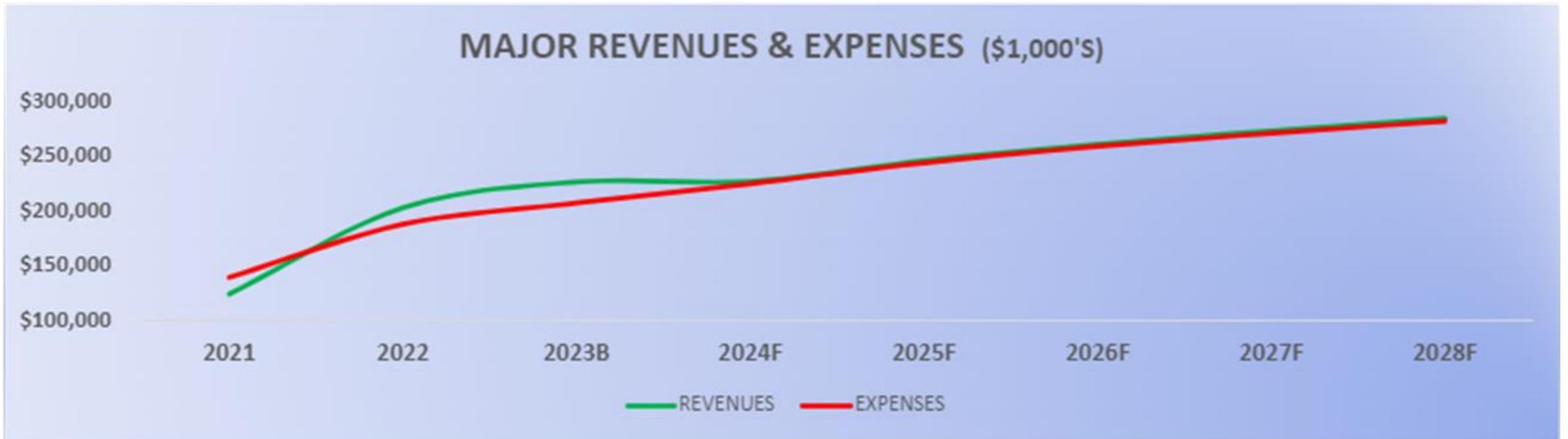
High Growth								
Revenues	2024F	2025F	2026F	2027F	2028F			
HOT	\$ 111,430	\$ 129,427	\$ 141,983	\$ 151,433	\$ 159,650			
Hilton Net Cash to Owner	\$ 49,350	\$ 51,029	\$ 53,609	\$ 55,753	\$ 57,983			
F & B	\$ 23,538	\$ 24,715	\$ 25,951	\$ 27,248	\$ 28,611			
Parking Revenues	\$ 21,611	\$ 22,692	\$ 23,826	\$ 25,017	\$ 26,268			
Misc Revenues	\$ 2,734	\$ 2,871	\$ 3,014	\$ 3,165	\$ 3,323			
Non-Operating Revenues w/o HOT	\$ 3,490	\$ 3,665	\$ 3,848	\$ 4,040	\$ 4,242			
Venue Revenues (w/o Hilton Net Cash & F&B)	\$ 20,231	\$ 21,243	\$ 22,305	\$ 23,420	\$ 24,591			
<b>Total</b>	<b>\$ 232,385</b>	<b>\$ 255,641</b>	<b>\$ 274,536</b>	<b>\$ 290,078</b>	<b>\$ 304,669</b>			

# 5-YR REVENUE FORECAST



# 5-YR REVENUE & EXPENSE FORECAST

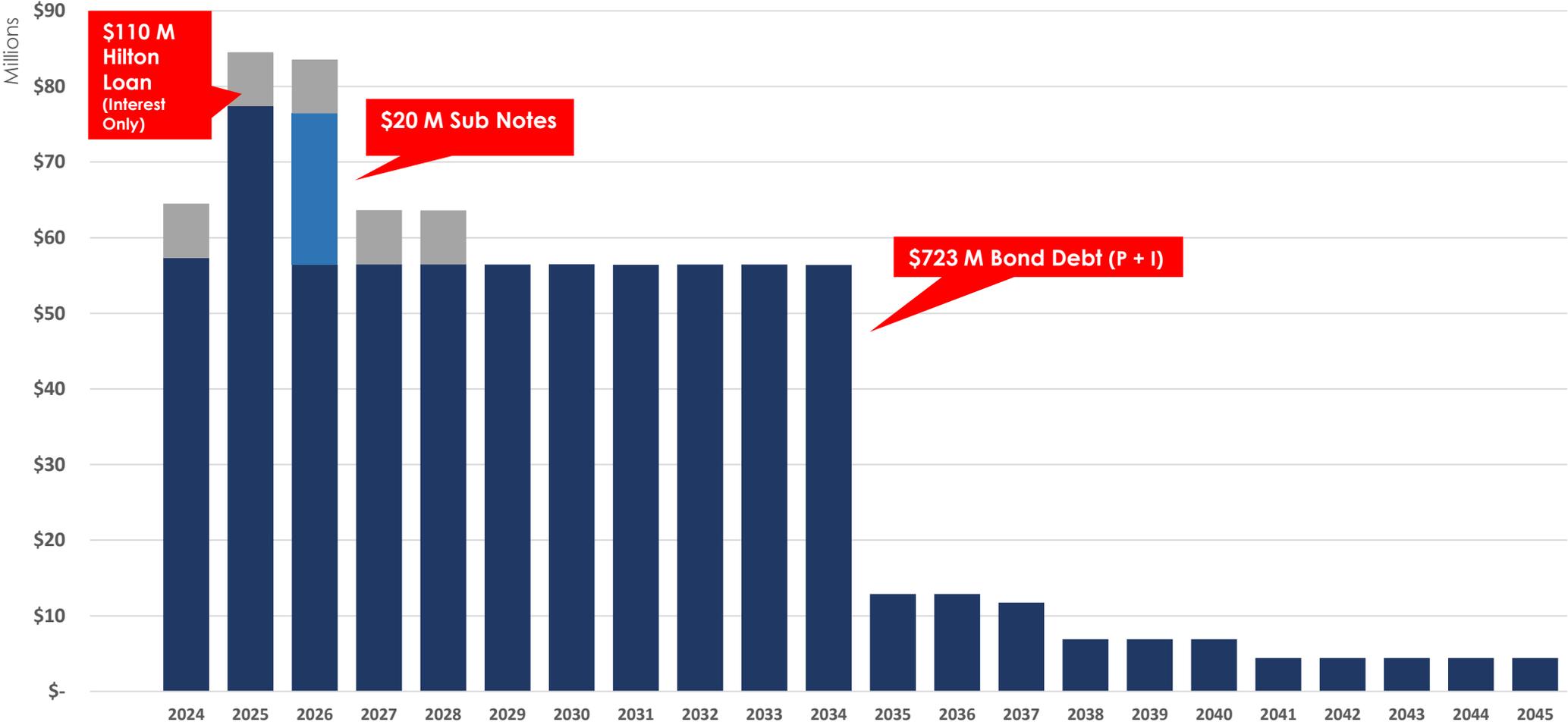
## BASELINE



# DEBT SERVICE PAYMENT IN 2023

BOND SERIES	PRINCIPAL	INTEREST	TOTAL
HOT & Special Revenue Bonds (SER01B) 2001B	\$ 11,492,518	\$ 12,727,482	\$ 24,220,000
HOT & SPECIAL REVENUE BONDS (SER2014)	1,085,000	3,334,750	4,419,750
HOT & Special Revenue Refunding (SER2015)	6,040,000	3,627,250	9,667,250
HOT & Special Revenue Refunding Bonds, Series 2015	730,000	1,486,000	2,216,000
HOT & Special Revenue Refunding (SER2017)	1,140,000	234,855	1,374,855
2019 Hotel Refunding Bonds	8,060,000	3,940,000	12,000,000
2021 Hotel Refunding Bonds	2,195,000	1,109,450	3,304,450
AIG Hilton Loan	10,000,000	6,529,652	16,529,652
Regions Subordinated Flexible Rate Notes	153,027	487,257	640,284
JP Morgan Subordinated Flexible Rate Notes	1,000,000	41,908	1,041,908
City of Houston Promisory Notes	2,600,000	65,766	2,665,766
<b>TOTAL PAYMENT CY 23</b>	<b>\$ 44,495,545</b>	<b>\$ 33,584,370</b>	<b>\$ 78,079,915</b>

# ANNUAL C&E, HILTON AND HFC BOND DEBT SERVICE



# CASH RESERVES ON HAND

- Began **2023** with **\$47 M** in available cash reserves
- Forecast to finish year with **\$46.5 M** in available cash reserves.
- In **2022 and 2023** we have produced free cash flow of **\$14.9 M** and **~\$18.7 M** respectively, or **\$33.6 M**.
- This and last year used cash flow to fund capital expenditures of **\$17.3 M** instead of financing saving **~\$778,500** in interest.
- Will pay down unbudgeted debt by **\$13 M** by year end (**\$10 M** Hilton loan, **\$1 M** JPM notes and **\$2 M** of Regions notes).

Houstonfirst<sup>SM</sup>