

DRAFT

**HARRIS COUNTY – HOUSTON SPORTS AUTHORITY
MINUTES OF THE BOARD OF DIRECTORS MEETING
JUNE 24, 2020**

STATE OF TEXAS }
HARRIS COUNTY – HOUSTON }
SPORTS AUTHORITY }

A meeting of the Board of Directors (the “Board”) of the Harris County – Houston Sports Authority (the “Authority”), a sports and community venue district, was held virtually commencing at 10:00 a.m. on Wednesday, June 24, 2020. Written notices of the meeting, including the date, hour, place, agenda, and detailed instructions for connecting to the virtual meeting using Zoom Meetings, were posted in Harris, Fort Bend and Montgomery Counties in accordance with the Texas Open Meetings Act, and an electronic copy of the Agenda was posted on the Authority’s website, as well. Due to health and safety concerns related to COVID-19, this meeting was conducted virtually in accordance with the provisions of Section 551.127 of the Texas Government Code that have not been suspended by order of the Governor.

The following Directors participated in the meeting: Chairman J. Kent Friedman, Directors Willie Alexander, Chad Burke, Joseph Callier, Lawrence Catuzzi, Cindy Clifford, Zina Garrison, Martye Kendrick, Dr. Juan Sanchez Munoz, Dr. Laura Murillo, Bruce Oakley, Tom Sprague and Robert Woods. Ms. Janis Burke, CEO for the Authority; Mr. Tom Waggoner, Controller for the Authority; Mr. Mark Arnold, Hunton Andrews Kurth LLP, Counsel for the Authority; Mr. Trey Cash and Ms. Tina Peterman, Masterson Advisors LLC, Financial Advisors for the Authority, were also present.

Guests in attendance were: Commissioner Adrian Garcia, Harris County Precinct 2; Mr. Robert Belt, Mr. Mike Brotherton and Mr. Daniel Hebert from Belt Harris Pechachek LLLP, the Authority’s audit firm; Mr. Chris Canetti, Canetti, President, 2026 Houston World Cup Bid Committee; Mr. Doug Hall, Houston Rockets/Toyota Center; Mr. Marcel Braithwaite, Houston Astros; Mr. Adrian Collins, Harris County Sports & Convention Corporation; and Ms. Patti Smith, Mr. Chris Massey, Mr. Tom Waggoner, Mr. Phil Ochoa and Ms. Jessica Townsend, Authority staff members.

1. **Call to order.** Recognizing that a quorum was present, Chairman Friedman called the meeting to order at approximately 10:00 a.m.

2. **Presentation and approval of the minutes from the Board of Directors Meeting held on February 13, 2020.** Chairman Friedman presented the draft minutes from the Board Meeting held on February 13, 2020, which had been previously circulated for the Board's review, and called for a motion to approve. Motion was made by Director Catuzzi, seconded by Director Callier, and passed unanimously.

3. **Chairman's Report.**

a. **Remembering Rev. Manson B. Johnson II.** Chairman Friedman reported that Rev. Manson B. Johnson II, a former member of the Board, recently succumbed to complications from COVID-19. He called attention to an article from the *Houston Chronicle* on Rev. Johnson's passing that had been circulated to the Directors previously. He then asked that all present observe a moment of silence in tribute to Rev. Johnson. Chairman Friedman said that Manson Johnson was one of the longest-serving members of the Authority's Board, had served almost from the inception of the organization until 2018, and that he had contributed greatly to its growth and success through the years.

b. **Saying farewell to Dr. Juan Sanchez Munoz, Director, City Position 2.** Chairman Friedman noted that Director Munoz is relocating to California to become Chancellor of the University of California at Merced, after serving with distinction as President of the University of Houston Downtown. Chairman Friedman commented that when Director Munoz joined the Authority's Board a few short months ago, he hit the ground running and became as knowledgeable about how the Authority works as many who have been on the Board for significantly longer terms. He said that while Director Munoz' time on the Authority Board was relatively short, he will leave some big shoes to fill and the Authority wishes him all the best and thanks him for his service.

Chairman Friedman commended Ms. Burke and the staff for continually striving to set an example of being inclusive of all members of our community and for planning and doing things that make a difference in our community. He specifically mentioned:

- The Qd-Up show's special edition that spoke to Black Lives Matter with kids from the Boys & Girls Club of Houston;
- Women in Sports & Entertainment (WISE) Houston chapter, which Janis helped launch and now serves as President; participated in a virtual diversity session with Ms. Lillian Majeed, Senior Vice President of Diversity & Inclusion at the NBA;

- HCHSA staff participation in a virtual diversity and inclusion session with Lillian Majeed, Senior Vice President of Diversity & Inclusion at the NBA;
- Mahoghani Johnson of the Sports Authority staff participated in the march in downtown Houston organized by Bun B; and
- Assisted the Sports ETA national organization to start a diversity program called Propel and sponsored three interns from local universities for this national program.

Chairman Friedman recalled that over the years, the Authority had done many things to involve local inner-city kids in its events, including field trips for students whose ages range from elementary through high school:

- SWAC basketball and football championships, which included college fairs and scholarship opportunities;
- Get Hooked on Fishing initiative during the BassMasters event;
- Kids' Dribble from the George R. Brown to Toyota Center for the WNBA site visit;
- Refurbishing soccer fields in city parks; and
- Involvement in BMX Bike Park activities, including one with a STEM program as part of the activities.

Chairman Friedman closed with a salute to the staff and asked everyone present to join together, making a difference and ensuring that all men and women are treated equally in our city, county, state and country.

c. Reminder that Personal Financial Statements covering calendar year 2019 will be due to the Texas Ethics Commission by July 31, 2020. Chairman Friedman reminded the Directors that their 2019 Personal Financial Statements would be due to the Texas Ethics Commission on or before July 31, 2020. This represents an extension of the usual June 30 due date, and there will be no further extensions granted. Chairman Friedman referred to an instruction page in the Board packets that provides all of the information necessary to file. He reminded everyone that a copy needs to be provided to the Authority for its files.

4. Belt Harris Pechacek, LLLP to give independent auditors' report for year 2019. Chairman Friedman asked Director Callier, as Chair of the Finance Committee, to introduce Mr. Robert Belt, Managing Director of the audit firm of Belt Harris Pechacek, LLLP, to present the Authority's 2019 Audit Report. Mr. Belt recognized management for its diligent work in executing the plan set out by the Board and referenced the Independent Auditor's Report included in the Board packet.

Mr. Belt began by saying that it was not possible to talk about the 2019 financial report without mentioning COVID-19 and its impact on the organization. Through a Zoom screen share, he called the Directors' attention to a Subsequent Event footnote in the Audit, which describes the basic event, COVID-19, and speaks to the known and unforeseen implications, as well as management's plans to mitigate those implications.

Turning to the 2019 Audit results, Mr. Belt reported that he was pleased to announce a clean, unmodified opinion, which is the highest level of assurance that can be provided to the Board, that there were no deficiencies or lack of internal controls, and that all disclosures required by Generally Accepted Accounting Principles have been included in the financial statements and are materially correct.

Mr. Belt stated that the question of whether an organization can maintain itself as an Ongoing Concern has to be evaluated whenever there is economic uncertainty. He noted that this had been addressed with Authority management and the determination had been made that the Authority has enough cash on hand and other resources available to be able to make it through to its next fiscal year, thus, there is no focus on a matter of Ongoing Concern within the Audit report. He said that this is exactly the report that the Authority wants to receive.

Mr. Belt then referenced the Statement of Net Position, which is a snapshot of the financial condition of the Authority as of December 31, 2019. The Statement shows Total Assets of \$528.7 million and Total Liabilities of \$1.03 billion, resulting in a Net Deficit of \$498.6 million. He said that while this sounded alarming, he noted that this is because of very unusual circumstances in that NRG Stadium is not an asset on the books of the financial statements of the Authority, yet the debt is, and until that debt is paid off, the Authority will have a deficit financial position.

Mr. Belt noted that there was a positive change in the net position of the Authority of approximately \$19.3 million for the year, and this is excellent news. He said that at the end of the year, current resources for the general fund was \$119 million, which was a decrease of approximately \$5 million. He stated that the reason for this decrease is that the Authority paid off a large portion of its debt this past year. He noted that there is a deficit position in the Special Revenue Bonds because there was a deferred amount of revenues for an event that was going to be held in January, but due to timing, had not been recognized for this report. Mr. Belt highlighted the comparison of revenues for 2018 of \$89 million versus \$109 million for 2019. He closed his report by explaining that a Management Letter was issued to the Board any time there were internal control issues or deficiencies detected, but he said that a Management Letter was not necessary for the Authority's 2019 audit report.

Director Callier thanked Mr. Belt for his report.

5. Financial Report.

a. Current Year-to-Date Unaudited Investment Results. Director Callier presented the investment results for the five months ending May 31, 2020. He reported that Investment Earnings

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totaled \$879,619 as of May 31; the average portfolio bond equivalent yield was at a rate of 1.61 percent, which exceeded the benchmark rate of 1.12 percent, or .49 basis points; and that all investments are in compliance with the Public Funds Investment Act.

Director Callier spoke to the COVID 19-related shutdowns that began in March of this year and said that they will have a negative impact on the Hotel Occupancy Tax (HOT) and Motor Vehicle Rental Tax (MVRT) collections for the remainder of the year. He noted that the Federal Reserve's pandemic response was to quickly lower short-term interest rates to provide liquidity and stimulate the economy, and this has resulted in a dramatic reduction in short-term overnight interest rates from 1.45 percent in February, to .12 percent at the end of May. Director Callier said that due to extreme pressure on HOT and MVRT collections, along with a steep reduction in interest rates, the Authority will not make its 2020 year-to-date budget for investment income of \$2 million, and that the current forecast is \$1,060,000 by year's end.

b. Discussion and review of unaudited year-to-date financials. Director Callier reported that MVRT revenue is under budget by 1.2 percent, or (\$114,668), and reflects collections through March 2020. HOT revenue is over budget by 2.8 percent, or \$393,767, and reflects collections for hotel stays through March 31, 2020. The next quarter will reflect the results of the slowdown due to COVID-19. Stadium revenues are down by 20 percent, or (\$578,436), due to the cancellation of 12 days of the Rodeo in March and the cancellation of events at NRG Stadium during April and May.

c. Bondholder disclosure overview presented by the Authority's financial advisors, Masterson Advisors LLC. Director Callier asked Mr. Cash for his presentation. Mr. Cash gave a brief overview of the debt structure of the Authority. He began by stating that there were three main tranches of debt that the Authority has, the majority of which is supported by HOT, MVRT and the Astros Lease payment. Mr. Cash said that the second tranche is supported by NRG-related revenues, which include lease payments from the Texans and the Rodeo, and ticket, parking and sales tax rebate from events held there either by the Texans, Rodeo or Harris County. He said that the third tranche of money is supported solely by a lease payment from the Houston Rockets and pledged to the Toyota Center bonds. Mr. Cash stated that each of the three have reserves to handle changes in revenue, and with the recent downturn in revenue associated with the pandemic, the staff has determined that the Authority will be able to make its required payments this year, including a possible draw on reserves.

Mr. Cash stated that the real challenge becomes what next year and the years following will look like, depending on the speed of the recovery, particularly the HOT and MVRT supported bonds. He said that the Authority will be looking at possible restructuring options.

Chairman Friedman said that as the Authority begins looking at possible alternatives for restructuring its debt, he announced a formation of a task force to work with him on this project. He named Directors Catuzzi and Kendrick, who have experience in this arena, and Director Callier as Chairman of the Finance Committee, to the task force to take a serious look at alternatives before the end of this summer. Director Callier asked that the inaugural meeting of the task force be scheduled.

6. Discussion and possible action on resolution adopting the Authority's 2020 Investment Policy, and other matters related thereto. Director Callier announced that according to the rules of the Public Funds Investment Act, the Authority's Investment Policy needs to be renewed for the next year. He said that the Policy is the same as that of Harris County, and there is no change from the expiring policy. Director Callier said that the recommendation of the Finance Committee is that the Policy be adopted. He called for a motion on the matter, motion was made by Director Alexander, seconded by Director Clifford, and upon call for a vote of the Board, passed unanimously.

7. Discussion and review of the proposed renewal of the Interlocal Agreement between Harris County and the Authority for provision by the County to the Authority of public funds investment services for a one-year period, effective July 31, 2020; and other matters related thereto. Director Callier reported that Harris County executes the Authority's investment transactions under contract for an annual fee of \$45,000. He said that the recommendation of the Finance Committee to the Board is that the Authority renew this contract for another year, effective July 31, 2020, on the same terms and conditions as the expiring contract. Director Callier called for a motion on the matter, motion was made by Director Clifford, seconded by Director Catuzzi, and upon call for a vote of the Board, passed unanimously.

8. Chief Executive Officer's Report. Ms. Burke's report included updates on events and staff activities that have occurred since the February Board meeting. She asked Mr. Chris Canetti for his update on the 2026 World Cup Bid Committee's efforts. His report included the following points:

- Process began January 2019, organizational year of setting up the organization as a 501(c)6; naming a Board of Directors with 22 members; raised over \$1.3 million to fund operations; and built a strategic plan.
- 2020 was to be the year of more engagement with FIFA, including a FIFA/US Soccer workshop that was scheduled for March with all 17 candidate host cities. Results of the workshop were anticipated to be setting the bid process and timeline for 2020, leading to a decision in early 2021. With the onset of the pandemic, however, this workshop was postponed. A virtual workshop has been scheduled for July 7 for all cities and will be attended by a delegation of local partners, including HCHSA, NRG Park, City of Houston, Houston First and members of the Houston 2026 Bid

Committee. Individual cities will meet with FIFA on dates following the July 7 workshop.

- Mr. Canetti noted that the process has been moving forward locally as much as possible, given the pandemic and its resulting restrictions. Despite these circumstances, he believes that Houston is well-ahead of other cities in its planning and preparation with all technical aspects in place (stadium, airports, convention center, hotels, and transport), and the focus has turned to the legacy programs of human rights, climate action/environmental, zero waste, sustainability, and renewable energy. The process had begun to raise money to fulfill a goal of putting 30 mini-soccer fields around the city, and COVID has certainly affected that effort.

- Ms. Burke continued her report:
 - Pre-pandemic was one of the best financial years on record for the Authority and the team was gearing up for the busiest 18 months of hosted events ever experienced.
 - A free-fall began as the Rodeo was closed down and NCAA Men's Regionals were cancelled.
 - Developed a post-pandemic Pivot Into Action Plan that included:
 - Staff set up to work efficiently from home;
 - Set weekly Zoom meetings with leadership team, all team members, individual department meetings;
 - Applied for CARES Act funds through the Sports Authority Foundation; received approximately \$400,000 that enabled the Authority to maintain staff and avoid layoffs and furloughs through the end of June;
 - Set weekly Zoom meetings with a coalition of about 35 Texas cities who host sporting events;
 - Participate in weekly calls with the Harris County Sports & Convention Corporation, Houston First Corporation, the Houston Marathon, the Mayor's Office of Special Events, and all sports venues within the city and county, and is a great collaboration;
 - Participate in WISE Houston weekly calls and monthly seminars;
 - Sports ETA Board calls, weekly meetings with large market cities, statewide calls;
 - Formulated new strategic plan;
 - With Ms. Patti Smith's talent and initiative, launched the Q'd Up Show with ABC13 and 610 Radio to fill a void when no sporting events were taking place in Houston;

- Created a Volunteer Appreciation video with in-house talent in recognition of the 30,000 volunteers currently in our database during National Volunteer Week;
- Produced UH Downtown graduation video with the help of local sports celebrities for all seniors who weren't able to walk this year ;
- Conducted staff training;
- Working on a new CRM platform that is long overdue, but is a huge project that we never had the time to tackle;
- Will be conducting sponsor event to thank sponsors and to keep in touch;
- Continue to assist World Cup Bid Committee logistically;
- Financial meetings and discussions in our marketing initiatives, which include agreements with the Texans, Rockets and Astros previously approved by the Board; these are being paused at the present time due to the pandemic and the uncertainty surrounding games;
- Financial meetings with institutions regarding possible restructuring of the Authority's bond debt;
- Trying to stay in close contact with employees, virtual celebrations were scheduled to include a baby shower, college graduation celebration parade, intern pizza party, and the Great American 5000 virtual race from San Francisco to New York in competition with other sports commissions around the country.
- Created a new, short-term Strategic Plan to set the focus of the Authority under new realities and help prepare for the future. The goal is to emerge in a position of strength; concentrating on four main areas of Finance, Administration, Events, and Economy; we hope to be leaders in the country to adapt to the changing times;
- The Authority will continue to study how to meet its financial obligations, funding its G&A and operating expenses, while looking for ways to cut expenses;
- Event business has been severely impacted with 13 cancelled or postponed events, representing an estimated loss of approximately \$75 million in direct spending to our local community;
- There are 14 events that remain on the calendar and need attention and the staff is working on those;
- Selectively choosing events to bid on for the future;
- Managing the Events Trust Fund with approximately \$3 million at the State for reimbursement;

- Shifted to control marketing assets, including social, digital and traditional media;
 - Outside, third-party company completed staff survey to determine pulse of employees during the pandemic and the impact of working from home.
- Ms. Patti Smith presented details on the Houston Sports Q'd Up program that was launched when the lockdown occurred, and it has been a huge success. She noted that great partnerships were formed with Sports 610 Radio and ABC 13 for live promotion and recap airings, Cullen Gillaspia and Energy Ogre, and the Houston Outlaws. She said that the Authority has touched about two million people in the course of these broadcasts. Ms. Smith said the program was being evaluated for future use possibilities, i.e., event bids, sponsorship discussions, etc.
 - Mr. Chris Massey presented impressive statistics for the Authority's social media and digital platforms relating to the Q'd Up program, the launch of the new houstonsports.org website, and other campaigns and initiatives which have elevated the Authority's digital presence across all platforms. He noted that total impressions are well over two million for this quarter, which is up well over 400 percent from the same time frame last year. He reported that some time has been spent upgrading and refining the Authority's social and media pages, i.e., LinkedIn, FaceBook, YouTube, as well, and the results show an increased momentum across all platforms.

Ms. Burke concluded her report by saying the pandemic had majorly affected the sports and tourism industry, and many organizations will struggle to survive; but with the team pivoting and working on new initiatives, we are confident the Authority will weather the storm and come out in a position of strength.

9. Chairman Friedman announced that pursuant to provisions of Chapter 551, Texas Government Code, the Board shall deliberate in Executive Session on the following: consultation with attorneys on legal matters, deliberation on real estate matters, and deliberation on personnel matters. At approximately 11:50 a.m., the Board of Directors recessed into a closed meeting to deliberate on the agenda items.

Reconvene in Public Session and announce any items from Executive Session; discussion and possible action on such items. Following Executive Session, the Board reconvened in open session at 12:15 p.m.

10. Discussion and ratification of agreement relating to relocation of Southern Pacific Railroad Steam Engine 982. Chairman Friedman announced an action item coming out of Executive Session, and that is the resolution ratifying and approving an agreement between Harris County – Houston Sports Authority, the City of Houston, Texas and Texas Avenue QOF LLC (an affiliate of the Houston Astros, LLC) relating to the relocation of Engine 982, and approving other matters related thereto. Chairman Friedman called for a motion on the matter, motion was made by Director Sprague, seconded by Director Callier, and upon call for a vote of the Board, passed unanimously.

11. Adjournment. There being no further business to come before the Board, and after motion made by Director Catuzzi, and seconded by Director Sprague, the meeting was adjourned at approximately 12:20 p.m.

Adopted and approved this 24th day of September, 2020.

J. Kent Friedman, Chairman of the Board

Laura Murillo, Secretary