

**HARRIS COUNTY – HOUSTON SPORTS AUTHORITY
MINUTES OF THE BOARD OF DIRECTORS MEETING**

FEBRUARY 4, 2021

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 Thursday, February 4, 2021. 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, Laura Murillo, Bruce Oakley, Tom Sprague and Robert Woods. Ms. Janis Burke, CEO for the Authority; Mr. Mark Arnold, Hunton Andrews Kurth LLP, Counsel for the Authority; and Mr. Trey Cash and Ms. Tina Peterman, Masterson Advisors LLC, Financial Advisors for the Authority, were also present.

Guests in attendance were: Mr. Marcel Braithwaite, Senior Vice President – Business Operations, Houston Astros; Ms. Kim Brode, Harris County Commissioner Precinct 4 Jack Cagle’s office; Mr. Jonathan Newport, Houston First Corporation; Mr. Chris Canetti, President, Houston 2026 World Cup Bid Committee; 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 November 19, 2020.** Chairman Friedman presented the draft minutes from the Board of

Directors Meeting held on November 19, 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 Woods, and upon call for a vote of the Board, passed unanimously.

3. Chairman's Report.

a. Reminder that Personal Financial Statements (PFS) covering calendar year 2020 will be due to the Texas Ethics Commission by April 30, 2021. A 60-day extension to June 30 may be granted if extension request is filed on or before April 30, 2021. The Commission will send individual notices via mail and/or email to the Directors at the end of February. Chairman Friedman noted that as it stands now, the State has not changed the filing deadline. He encouraged the Board members to submit their Personal Financial Statements within the currently prescribed deadlines. Chairman Friedman also said that a copy of all filed reports must be maintained in the Authority's offices. Chairman Friedman noted that the Commission has verified the Directors' mailing and email addresses with the Authority's offices and will send notices to the Directors in late February or early March.

b. State of the Authority. Chairman Friedman gave an overview on the financial status of the Authority, taking into consideration the effects of the COVID economic impact on the community. He said that losses to the Authority from cancelled or postponed Authority-hosted events is \$113.3 million; Rodeo cancellations in 2020 and 2021 will result in \$8 million loss of tax revenues; and to date, rent abatements for missed events total \$2,975,000 to the Houston Rockets, \$1,176,000 to the Houston Astros, and \$900,000 to the Rodeo. He noted that these were monies that would have come to the Authority had it not been for the global pandemic and its effects on the economy.

Chairman Friedman reported that as of December 31, 2020, year-to-date Hotel Occupancy Tax collections were down approximately 36 percent (36%), when compared to December 31, 2019, noting that the first three months of the year were very robust, while the last nine months of the year were down significantly. He called attention to the fact that the Hotel Occupancy Rate for Houston was 42.9 percent (42.9%) for November 2020, compared to 63.9 percent (63.9%) through November 2019. He reported that Motor Vehicle Rental tax collections were down 37 percent (37%) compared to December 2019.

Chairman Friedman said that there were no events held at NRG Stadium between March 2020 and August 2020, but the Texans began playing at NRG Stadium in September to very limited crowds. He also noted that NRG Park hosted Disney on Ice in NRG Stadium in December 2020, also with limited crowds. He said that revenues pledged from NRG Stadium events pay debt service on the NRG Stadium Project bonds and include admissions tax, parking tax and sales tax rebate. Noting that there has been a significant loss of revenue due to COVID, the Authority is confident that it nonetheless can meet its obligations to bondholders.

Chairman Friedman discussed the impact of the refinancing that was completed last September, noting that the Authority was just the second of event venues in the country to restructure its debt service, and as a result, received more favorable pricing. Chairman Friedman explained that the Authority took the approximate \$83.4 million in cash flow savings generated by the restructuring and spread it across the years of the debt payments, stacking the remainder in 2054, 2055 and 2056 at the back end of the debt obligations. He said this process has worked as anticipated for the Authority to get through the downturn and pandemic, while meeting its obligations. Chairman Friedman felt confident that, in his opinion, all of the 2021 bond debt payment and G&A funding would be made this year; thereafter, any additional money will roll into a reserve account that can be used in later years.

4. Discussion and possible action on a resolution to authorize the Authority’s Chairman and the Chief Executive Officer to modify, including possible termination thereof, the Agreement Relating to Relocation of Engine 982 between the City of Houston, Texas Avenue Development QOF LLC and the Authority dated April 29, 2020, and other matters related thereto. Chairman Friedman asked Mr. Arnold to provide a brief summary on the background of the train engine before asking Mr. Marcel Braithwaite, Senior Vice President, Business Operations, Houston Astros, for an update on its current status.

Mr. Arnold recalled that in the summer of 2020, the Authority’s Board ratified the Agreement that was signed in April 2020 between the City of Houston, Texas Avenue Development QOF LLC (an affiliate of the Houston Astros, LLC) (hereinafter referred to as “Crane”), and the Authority regarding the relocation of the train engine that was situated on City property at that time. Crane then purchased the property from the City for future development, but the City stipulated that the engine had to be preserved as a condition of selling the property to Crane. Mr. Arnold noted that the original plans were to move the engine at Crane’s expense to Minute Maid Park, where it would remain on display, as well as serving as a bollard for security purposes in a location near the Stadium. He said that the engine is owned by the Junior Chamber of Commerce (“Jaycees”). The April 2020 Agreement was structured so that Crane would move the engine at its expense, put it in place at Minute Maid Park and incorporate it into security measures for the Stadium, as well as maintain it. The Jaycees would then give the engine to the Authority and it would become part of the leased premises, but the Authority would have no liability or responsibility for it. Mr. Arnold then asked Mr. Braithwaite to continue with the update.

Mr. Braithwaite said that Crane had contracted to relocate the engine to Preston Avenue, where it would provide security at the Right Field gate entrance and remain on display there. He said that approach had to be taken because Preston Avenue is still a City street between the north and south Diamond Lots, and the City intended to grant a right-of-way, with the Authority owning one side of the street and Crane owning the other in order to accommodate the engine.

Mr. Braithwaite said that the engine had been loaded onto wheels and was ready to be moved, but at the last minute, the Texas Railroad Preservation Association made the request to receive the engine to put it into a museum that the Texas Railroad Heritage Museum was planning for EaDo.

Mr. Braithwaite said that the relocation plan was now paused until it can be determined if the parties can reach agreement for the transfer of ownership of the engine from the Jaycees to the Texas Railroad Preservation Association and moved to the new museum site on Navigation Boulevard and North York Street. He noted that the City is aware of this development, and the move is also supported by the National Railroad Historical Society. Mr. Braithwaite said that this was being presented to the Authority Board today to ensure there were no objections to the proposed change in the location of the engine that was approved in April 2020.

Chairman Friedman commented that there is an existing Agreement in place with the City and Crane for the relocation of the engine, but due to recent developments, and the fact that there will not be another Board meeting for two months, it was determined that it would be prudent for the Board to give the Authority the ability to modify, including terminating, that Agreement to accommodate the new development that has just been explained by Mr. Braithwaite.

Mr. Arnold further noted that in order to facilitate the sale of the property from the City to Crane, the Authority had agreed to become involved to allow the engine to be placed on the Authority's property, thus becoming part of the existing lease. It was to have been maintained by Crane and would have provided additional security at the Right Field entrance.

Chairman Friedman then put forth the Resolution to authorize the Authority's Chairman and Chief Executive Officer to modify, including possible termination thereof, the Agreement dated April 29, 2020, among Harris County – Houston Sports Authority, the City of Houston, Texas and Texas Avenue QOF LLC (an affiliate of Houston Astros, LLC) relating to the relocation of Engine 982 and approving other matters related thereto. Motion was made by Director Catuzzi, seconded by Director Callier, and upon call for a vote of the Board, was passed unanimously by the Board members. Mr. Braithwaite noted that if the Jaycees give a bill of sale to any other entity than the Authority or Crane, it will remove the Authority and Crane from further responsibility for the engine, and automatically dissolve the Agreement with the Authority.

5. Finance Report.

a. Discussion and review of unaudited 2020 investment results. Mr. Waggoner, Controller of the Authority, said that the Investment Report for the fourth quarter of 2020 was not finalized, but would be presented at the next Board meeting. He reported that COVID has triggered a steep decline in interest rates and through most of 2020, the Authority continued to benefit from the decisions made by the Board in 2018 and 2019 to invest in two-year Treasuries at the then-market rate, which proved to be much higher than it was in 2020. Mr. Waggoner further noted

that, unfortunately, almost all of those higher-yielding instruments matured by the end of 2020. He said that 2021 is expected to be extremely challenging and a serious look will need to be taken at extending in duration the investment maturities in order to outperform the market. He said that the three-month Treasury Bills are only paying eight (8) basis points, which generates \$8,000 on a portfolio of \$100 million. Mr. Waggoner said that approximately \$40,500 had been budgeted for interest earnings in 2021, and that will be difficult to achieve with the current interest rate.

b. Discussion and review of unaudited year-to-date financials. Mr. Waggoner said that the unaudited financials for 2020 reflect that revenue from Motor Vehicle Rental Tax (MVRT) and Hotel Occupancy Tax (HOT) is under budget by 36 percent (36%) from the prior year. He noted, however, that these revenues were sufficient to cover the restructured debt service for the year end and to build up sufficient funds to cover the restructured MVRT and HOT debt service in 2021. Mr. Waggoner reported that rent abatements were approved and processed for the Astros and Rockets, and Rent Revenue is under budget accordingly. He noted that additional rent abatements are expected to be approved in 2021. He said that Stadium Revenues at NRG Stadium are also down approximately \$8 million as a result of cancelled events and limited attendance at Texans games. Mr. Waggoner said that Expenditures are approximately 27 percent (27%) under budget for the year.

Mr. Waggoner said that the second round of PPP loans opened up at the end of December, and included government agencies. It is limited to payroll costs for employees, utilities, mortgage interest, and rent. The amount claimed by the Authority was \$371,552; the application and the amount was approved by Regions Bank, who has submitted it to the SBA for review and approval.

Chairman Friedman thanked Mr. Waggoner for his report and reiterated to the Board that the Authority budgeted very conservatively going forward and is cautiously optimistic. He then asked Ms. Burke for her CEO Report.

6. Chief Executive Officer's Report.

Ms. Burke's report included updates on the following:

- 2020 Hall of Fame event included ring ceremony and athletes' sidewalk pavers for Carl Lewis, Mary Lou Retton, Rudy Tomjanovich and Bob McNair;
- 2021 Hall of Fame selection process was slightly different than in years past due to COVID restrictions; but as displayed in the video, Jeff Bagwell, Craig Biggio and Andre Johnson were named to the 2021 Houston Sports Hall of Fame;
- 2021 Hall of Fame festivities continued when Mayor Turner announced the addition of Bill Yeoman and Guy V. Lewis, two legendary coaches from the

University of Houston, as the first two posthumous inductees into the Houston Sports Hall of Fame;

- Ms. Burke displayed evidence of the broad reach of these events across social media;
- The Authority will continue participation in TeamUp, with the Mayor’s Office of Education and My Brother’s Keeper of Houston, which expands to 16 school campuses this year; the program teaches the students about the kinds of careers that can be found in sports beyond high school, from financing, marketing and events operations;
- World Transplant Games 5K AnyWay updates:
 - Texas Medical Center came on as a main partner;
 - In conversations with Memorial Hermann to be a sponsor of the virtual celebration;
 - Added Coffee Chats for virtual informational meetings with the local medical community;
 - Timeline is August 17, 2020 – registration opened; virtual race dates are May 28 – June 4, 2021; and an around-the-world virtual cultural celebration is planned for June 5, 2021;
 - Excitement continues to build with registration of teams from 29 countries to date;
 - Goal was to have the largest number of participants the World Games has ever had, albeit virtual this year;
 - 100% of donations go directly to WTG’s Fit for Life Program serving youth transplant patients;
 - A World Transplant Games Federation legacy will be recognized with the partnership with Build-A-Bear to get TX the Teddy Bear in the hands of youth transplant patients all over the world; each team will receive a bear for every ten registrants.
- AAU Junior Olympic Games on schedule for July 28 – August 7;
- Events playing a role in our destination’s recovery from COVID:
 - TEAMS Conference & Expo – virtually hosted October 2020;
 - U. S. Women’s Open – hosted December 2020;
 - NCAA DI Men’s Regionals – rebid and were awarded 2026;
 - World Table Tennis Championships – in negotiations to rebook for November 2021;
 - BMX World Championships – in negotiations to rebook for 2027;
 - BMX Nationals – awarded an event for October 2021;

- Houston Sports Awards – postponed to May 2021, added Brothers In Arms golf outing; additional sponsors added;
- Hall of Fame media events – two will be hosted in 2021;
- World Transplant Games – it became a virtual event, the 5K AnyWay – to take place May 2021;
- Gold Cup Soccer – newly added for July 2021 and 2023;
- Junior Olympics – on schedule to take place July 2021 and 2025;
- Battle of the Bands – on schedule to take place August 2021; additional sponsors added;
- Two E-sports events pending for 2021;
- NCAA DIII Women’s Golf – newly added 2022 and 2025;
- NCAA DIII Football Championships – newly added 2024;
- Dozens more events being considered, including Formula E.
- Events that were totally lost and not recovered:
 - XFL Training Camp;
 - XFL Championship Game;
 - USOPC Road to Tokyo;
 - US Bowling Congress.
- Quick summary: lost four (4 events); added seven (7) new events; and five (5) new events are pending.
- Future mega-events include:
 - Final Four - 2023;
 - College Football Playoff – 2024;
 - Junior Olympics – 2025;
 - World Cup – 2026.

Ms. Burke said that everyone on the staff rallied when the office closed in March 2020 due to COVID; they didn’t slow down; they worked remotely to pivot and push hard to accomplish so much with sheer grit and determination and she cannot be more proud of all of them.

She then asked Mr. Canetti, President of Houston’s Bid Committee for World Cup 2026, for an update on the bid.

Mr. Canetti’s report included:

- Entering third year of bid process and expect final decision on the ten Host Cities by the end of 2021;

- 2019 was the year of building the foundation:
 - setting up the 501(c)6 organization;
 - building the board of directors;
 - fundraising;
 - strategic planning;
 - engaging with the community, gaining support.
- 2020 was supposed to be a year of activity and decision time:
 - COVID-19 delayed the process;
 - engaged with FIFA on virtual meetings in Q3 and Q4;
 - responded to FIFA assignments in Q3 and Q4.
- Process will play out in 2021 and decisions will be made; memo received from USSF/FIFA providing guidance on the process going forward:
 - Q1 – virtual one-on-one meetings with stadiums, commencing late February;
 - Q2 – virtual discussions/negotiations with cities;
 - Q3 – venue visits; there will be one visit, two days in length;
 - Q4 – selection of host cities finalized and announced (likely to be late in the quarter);
 - FIFA reserves right to alter its schedule;
 - further instructions on all items will follow;
 - venue visits and virtual meetings to be scheduled soon;
 - receiving this information gives a better feel for the process and timeline and will help us focus on the right things going forward.
- Currently preparing final draft of the Human Rights Report to be submitted to FIFA;
 - Human Rights Subcommittee has completed its process, which included engagement and collaboration with numerous human rights leaders from the community;
 - results of this process includes the creation of 60 initiatives that have been vetted by the Mayor’s Office to address human rights issues in Houston during World Cup 2026;
 - high level of confidence in the report and believe it will be well-received.
 - FIFA will provide feedback within three weeks of this submission and Houston can respond appropriately with a final plan.
- Ramping up plans to launch an aggressive PR campaign;

- development series of opportunities to create awareness about our city and bid;
- will be a robust plan over the course of the year, setting the narrative about Houston and its ability to host this event, targeting leadership at FIFA, Concacaf and US Soccer.

Chairman Friedman thanked Mr. Canetti for his report and reminded the Board that there are 17 U. S. cities vying for ten (10) North American slots that remain to be chosen to host World Cup 2026, and the Authority, Mr. Canetti and the Host Bid Committee are working hard to see that Houston is selected as a host city because of the huge economic impact it can bring.

Ms. Burke reported on the Authority's partnerships with the national Sports ETA organization and its 800-plus member cities; the national and Houston chapters of WISE (Women in Sports & Events); and the formation of the Texas Sports Coalition, made up of 35 Texas cities. She said that during the pandemic, it became very important to know what is happening around the state and the nation and gear efforts to maneuver through it.

7. EXECUTIVE SESSION: 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, pursuant to Section 551.071; deliberation on real estate matters, pursuant to Section 551.072; and deliberation on personnel matters, pursuant to Section 551.074. At approximately 11:40 a.m., the Board of Directors recessed into a closed meeting to deliberate on the agenda items.

8. 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 approximately 11:55 a.m.

9. Adjournment. There being no further business to come before the Board, and after motion made by Director Sprague, and seconded by Director Woods, the meeting adjourned at approximately 11:56 a.m.

Adopted and approved this 1st day of April, 2021.

J. Kent Friedman, Chairman of the Board

Laura Murillo, Secretary