

K

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

Thursday, June 2, 2016

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 in the O’Connell Board Room of the offices of the Greater Houston Convention and Visitors Bureau, 1331 Lamar Street, Suite 700, Houston, Texas, on Thursday, June 2, 2016, commencing at 10:00 a.m. Written notices of the meeting, including the date, hour, place and agenda for the meeting, were posted in Harris, Fort Bend and Montgomery Counties in accordance with the Texas Open Meetings Act. The following Directors participated in the meeting: Chairman J. Kent Friedman, Directors Philamena Baird, Joseph Callier, Larry Catuzzi, Jess Fields, Manson Johnson, Bruce Oakley, Matt Rogers, Tom Sprague and Robert Woods. Ms. Janis Schmees Burke, Chief Executive Officer for the Authority; Mr. Tom Waggoner, Controller for the Authority; Mr. Mark Arnold, Andrews Kurth LLP, Counsel for the Authority; and Mr. Trey Cash, First Southwest Division of Hilltop Securities Inc., Financial Advisors for the Authority; were also present. Guests in attendance were: Dr. Ignatius Okeze, Ed.D, MBA, DTM, Houston; Mr. Marcel Braithwaite, Senior Vice President of Business Operations, Houston Astros; Ms. Angela Dunlap and Ms. Erica Brown, Grant Thornton LLP; and Ms. Cheryl Sprague.

1. **Call to Order.** Recognizing that a quorum was present, Chairman Friedman called the meeting to order at approximately 10:00 a.m. He then introduced Dr. Ignatius Okeze, Ed.D, MBA, DTM, Light of Life Ministries, Houston, who offered the invocation.
2. **Public Comments.** None.
3. **Presentation and approval of the minutes from the Board Meeting held on April 14, 2016.** Chairman Friedman presented the draft minutes from the Board meeting held on April 14, 2016, 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 Fields, and passed unanimously.

4. **Chairman's Report.**

a. **Update on status of plans for Board Retreat; and other matters related thereto.**

Chairman Friedman reported that the Board Retreat has been scheduled to begin at 9:00 a.m. on Saturday, June 4, at Sam Houston Race Park. Notice of this special workshop have been posted as required by law.

b. **Reminder to those Directors who received an extension prior to April 30, that Personal Financial Statements are due to the State's Ethics Commission on or before June 30.**

Chairman Friedman reminded the Directors of the June 30 due date for those who had received an extension to file prior to April 30. He asked the Directors to provide a copy of that filing to the Authority's office as required by law. Chairman Friedman also reminded the Directors that the Authority's Legal Counsel, Mr. Arnold, is available to answer any questions a Board member may have.

5. **Discussion and possible action on resolution authorizing the execution of a Lease Agreement with Houston First Corporation relating to the Authority's administrative office relocation, and other matters related thereto.**

Chairman Friedman reported that the Authority is close to finalizing a Lease Agreement with Houston First for its new office space. He noted that this will be discussed in more detail in Executive Session, and that hopefully, the Board will approve a lease in concept following Executive Session.

6. **Grant Thornton LLP to give independent auditors' report for year 2015.**

Chairman Friedman asked Director Fields, as Chairman of the Finance Committee, to report on the Authority's 2015 financial audit. Director Fields introduced Ms. Angela Dunlap, Partner, and Ms. Erica Brown, Manager-Audit Services, from Grant Thornton LLP, and asked them to give their report.

Ms. Dunlap conveyed Grant Thornton's appreciation for the opportunity to perform the annual audit service for the Authority for the sixth year. She reported that their team had met with the Finance Committee on May 27, and discussed this presentation regarding the conduct of the audit of the financial statements of the Authority for the year ended December 31, 2015.

Ms. Dunlap reported that Grant Thornton LLP has issued an unqualified, or clean, opinion on the financial statements of the Authority for calendar year ending December 31, 2015, meaning that the financial statements are free of material misstatement and are in accordance with Generally Accepted Accounting Principles.

Ms. Dunlap stated there were no scope limitations relative to the audit, which means that they were able to talk with whomever they needed to talk with and look at any documents that were needed for review in order for them to render their audit opinion. She stated that it was a very smooth audit process, and the audit team appreciated the excellent cooperation from the Authority's staff. Ms. Dunlap said that this good relationship and open, effective communication with the Authority's staff continued throughout the year and her team appreciates that relationship. She stated that there were no audit adjustments, and therefore, the Board can rely on the accuracy of financial information received from the Authority's staff on a regular basis.

Chairman Friedman asked Ms. Dunlap if it was accurate to say that the Board should feel confident in the Authority's financial statements, and that from a fiduciary standpoint, the Board members could take comfort in that obligation being taken care of by the Grant Thornton audit and remarks. Ms. Dunlap responded that he was absolutely correct.

Ms. Burke stated that a copy the final audit report was in the folder at the Directors' seats today.

Chairman Friedman and Director Fields thanked Grant Thornton for their great work on the audit, and especially thanked Mr. Waggoner and the staff for their dedication throughout the process.

7. Financial Update.

a. Discussion and review of investment results for quarter ending March 31, 2016, and other matters related thereto. Director Fields reported that the total investment portfolio for the Authority was \$104,284.69; the portfolio yield has risen by 47 basis points since the last quarter; and investment earnings for 2016 are expected to total over \$500,000, compared to \$127,000 in 2015. He also reported that all investments are in compliance with the Public Funds Investment Act.

Director Fields asked Mr. Waggoner to give the Directors an explanation as to why the portfolio was doing so well compared to the same time period in 2015. Mr. Waggoner stated that the Authority's contracting with Mr. Phil Ochoa has allowed the Authority the ability to focus on cash flow and on the portfolio. As a result, the Authority has been able to take a more active role in monitoring the investments, all within the guidelines set forth by the Board. He noted that most of the funds are held by a Trustee who also monitors the investments to ensure compliance with the Public Funds Investment Act. Mr. Waggoner explained that the Authority identifies how much money is available for investment and for what length of time, advises the Harris County Office of Financial Management, who executes the trades and informs the Authority and the Trustee.

b. **Discussion and review of the 2016 year-to-date financials.** Director Fields stated that the unaudited 2016 year-end financials show that Motor Vehicle Rental Tax collections are under budget by approximately 2.0 percent; and that the Hotel Occupancy Tax collections are under budget by approximately 6.1 percent. He reported that investment income is 58% over budget, and all expenditures are under budget.

In response to Chairman Friedman's question regarding under-budget collections for Motor Vehicle Rental Tax and Hotel Occupancy Tax, Mr. Waggoner stated that these are being closely monitored, and noted that the Offshore Technology Conference's attendance was down by approximately one-third in 2016, compared to 2015. He also noted, however, that the NCAA Final Four, Copa Americas, AAU Junior Olympics and other sporting events will help to offset the shortfall from OTC, and the April floods will impact the Motor Vehicle Tax collections in the second quarter.

8. **Discussion and possible action on resolution to transfer the balance of the County Repayment Account to Harris County, in accordance with Section 5.19 of the Fourth Amended and Restated Indenture of Trust, and other matters related thereto.** At Director Fields' request, Mr. Waggoner explained that as a part of the 2014 restructuring, there were a number of new funds set up in the bond fund waterfall, one of which was the County Repayment Account. He said that the money flowing to that account is restricted and can only be used to retire the notes that the Authority has with Harris County. Mr. Waggoner reported that there was approximately \$15 million in excess revenue over what was required for debt service last year, so the Authority is able to fund the County Repayment Account with \$5,088,000. He said that this was presented to the Finance Committee, and it has voted to accept this recommendation.

Director Fields made the motion that the Board of Directors accept the Finance Committee's recommendation to ratify and confirm the staff's directive to the bond trustee regarding the transfer of funds in the County Repayment Account as described in Section 5.19 of the Fourth Amended and Restated Indenture of Trust. Motion was seconded by Director Rogers and passed unanimously.

9. **Discussion and possible action on resolution authorizing the transfer of the management of the Authority's investment accounts from the Harris County Official of Financial Services to the Authority's staff, and amending the 2016 Investment Policy of the Authority to reflect this change, and other matters related thereto.** At Director Fields' request, Mr. Waggoner explained that the Authority currently contracts with Harris County's Office of Financial Services to handle its investment activity, after the Authority identifies the amount to invest and the length of time to invest.

He noted that since Mr. Ochoa has been on board, the Authority has been taking a more active role in monitoring the investments, and has found that if this function is brought in-house, there will be quicker turnaround on the investment activity and there will be direct communication with the Trustee on the settlement. Mr. Waggoner stated that there is currently a delay in processing the Authority's investment requests through Harris County due to the large amount of investment activity handled. He said that after monitoring closely for the last six months, it is believed this function could be handled in-house, gaining better efficiencies and an increase in returns.

Mr. Waggoner reported that the County is paid approximately \$62,000 per year, but that the increase in costs, including staff expense and contracting with a brokerage house to execute the trades, would be more than offset by an increase in investment earnings. He further noted that the Authority's Financial Advisor, Hilltop Securities/First Southwest, will continue to review results and issue compliance reports, and the Trustee will monitor every investment. Mr. Waggoner said that procedures will be developed to safeguard the Authority's investments under this proposal and presented at the next Finance Committee meeting for review and consideration, and then submitted for full Board approval.

In response to questions regarding any concerns that may have been expressed by the County on this action, Mr. Waggoner said that he had met with County officials to discuss the plan, and the County has stated that all employees who will be given this responsibility should be Certified Public Funds Act Investment Officers. Mr. Waggoner stated that he does have the training, and is actively pursuing certification at this time. Mr. Ochoa will also obtain the training and certification. He noted that this is not a requirement of the Certified Public Funds Act, but of the Authority's Investment Policy, which is a mirror of the County's Investment Policy. Mr. Arnold stated that it is not a State requirement, but one of current policy.

Director Fields made the motion that the Board of Directors accept the Finance Committee's recommendation to ratify and confirm the Authority's staff request to terminate the Investment Management Services Agreement with Harris County Department of Financial Services and to manage those activities with Authority staff, effective September 30, 2016.

10. **Ad hoc committee update relating to the general upkeep of the professional sports stadiums, and other matters related thereto.** Chairman Friedman asked Director Sprague for an update on this project.

a. Director Sprague stated that the committee, composed of Chairman Friedman, Directors Gardner and Sprague, had met several times over the last year. Ms. Burke, Mr. Doug Hall and Mr. Mark Arnold have also been involved in supporting roles.

b. The role of the committee is to ensure that the Authority's tenant partners have been and will continue to maintain those fine facilities in a first-class manner throughout the period of their respective leases.

c. At the last committee meeting, it was reported that Minute Maid Park, Toyota Center and BBVA Compass Stadium had each received a call from Director Gardner on behalf of the committee, followed by letters from Ms. Burke, asking them to send documents related to their maintenance and upkeep, a list of their outsourced maintenance contracts and long-term capital plans.

d. Mr. Hall met with Toyota Center and Minute Maid Park to review their documentation and to discuss the project, and explain why the Authority is taking this proactive role. He will soon meet with BBVA Compass Stadium.

e. Director Sprague pointed out that the process for NRG Stadium is a bit different because, although the Authority oversees the bonds issued on the Stadium, the County, through the Harris County Sports and Convention Corporation, is charged with maintenance and upkeep of that facility.

f. The ad hoc committee met again on May 20 to review the documentation and discuss next steps.

g. The committee continues the process of further review of the documentation, soliciting evaluation proposals from outside consultants, and considering stadium/arena trips to evaluate comparable cities and their facilities.

h. The committee will have a follow-up meeting to keep this process moving.

11. **Chief Executive Officer's Report.** In preparation for the Board Retreat on Saturday, Ms. Burke brought the following to the Directors' attention:

Nine years ago the Board met and developed the following:

a) Vision Statement – The Harris County – Houston Sports Authority strives to be an excellent steward of the funds entrusted to us, an industry leader in sports marketing, and a world renowned organization. We will accomplish our mission by focusing on the following strategic objectives:

- Be great landlords and financial overseers of the venues entrusted to us;
- Be a significant and valuable part of the Houston/Harris County community;
- Be the employer of choice and the best place to work in the sports industry for people who fit;
- Be the catalyst for all things sports in the region;
- Be the very best at attracting, creating, improving upon, and hosting sporting events.

Ms. Burke said the Board will talk more in depth about this at the Retreat, and decide if this remains the Authority’s “vision”, or if it needs to be modified or refined in any way.

b) Mission Statement – The Sports Authority maintains the facilities and services the debt of the world-class, professional sports venues it was created to build. To support this primary mission, the Sports Authority serves as a leading proponent for attracting sporting events to Houston and for promoting the region as a home for sports-related activities to ultimately enhance Houston’s economic development and bring better quality of life for its residents.

Ms. Burke spoke about the core values needed for its employees and staff. She noted that the Authority goes through an extremely rigorous process to recruit and select the very best people to work with us. Ms. Burke said that every candidate is interviewed by at least three people; viable candidates go through a testing process under the administration of an HR professional; testing is based on the skill sets required for a particular job; and before a candidate is hired, each is personally interviewed by her. Core values are:

- HCHSA is like the Beatles, Ben Franklin and Steve Jobs. We are pioneers. We are innovators.
- We value our employees – they make it happen – we seek a culture of happiness and teamwork. Our crew is extraordinary . . . a diverse group of helpful, willing and intelligent people.

- We're not here to be average – we are here to be awesome. We passionately strive for it, we work for it, we are completely committed to it. We will expect more of ourselves than our clients do.
- Integrity is extremely important. We are honest and trustworthy. We do the right thing even when no one is looking.
- No entitlement here! No one owes us anything. We don't dream about success, we work hard for it . . . every single day.
- We are customer service and community outreach oriented. We use “sports” to make a difference in lives.
- We hold each other accountable. We are direct, respectful, and supportive of one another. Gossip, whining, and complaining is not tolerated by team members.

Ms. Burke then asked Mr. Chris Massey, the Authority's Events Director, to update the Board on upcoming events, and to introduce the team members working on them. Team members gave a brief summary of their responsibilities as they related to Copa America Centenario, AAU Junior Olympics, the USOC Team USA Olympic & Paralympic Processing, two USOC Gateway to Gold events, and HCHSA's Annual Awards Event.

12. 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.

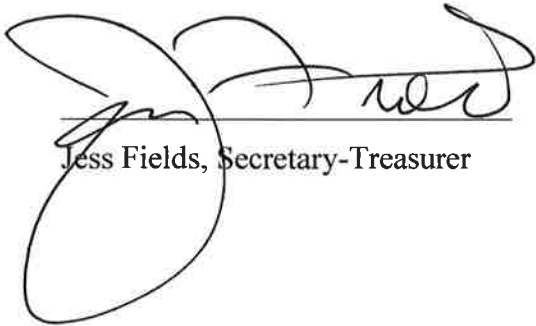
At approximately 11:20 a.m., the Board of Directors recessed into a closed meeting to deliberate on the agenda items. Following Executive Session, the Board reconvened in open session at approximately 11:40 a.m.

13. Discussion and possible action on resolution authorizing the execution of a Lease Agreement with Houston First Corporation relating to the Authority's administrative office relocation, and other matters related thereto. Upon return from Executive Session, Chairman Friedman called for a motion to approve the Lease Agreement with Houston First for its new office space. Motion was made by Director Sprague, seconded by Director Baird, and passed unanimously.

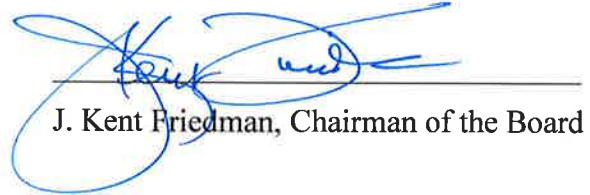
14. **Comments by Directors.**

15. **Adjournment.** There being no further business to come before the Board, and after motion made by Director Catuzzi and seconded by Director Gardner, the meeting was adjourned at approximately 11:42 a.m.

Adopted and approved this 11th day of August, 2016.



Jess Fields, Secretary-Treasurer



J. Kent Friedman, Chairman of the Board