

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

Thursday, April 27, 2017

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 HFC Board/Training Room on the second floor of Partnership Tower, 701 Avenida de las Americas, Houston, Texas 77010, commencing at 10:00 a.m. on Thursday, April 27, 2017. 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 Willie Alexander, Joseph Callier, 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 Company, a division of Hilltop Securities, Financial Advisors for the Authority, were also present.

Guests in attendance were: Mr. August Williams, Harris County Commissioner Jack Morman’s office; Ms. Joanye Henderson, Harris County Commissioner Jack Cagle’s office; Mr. Steve Dorman, Harris County Commissioner Steve Radack’s office; Mr. Marcel Braithwaite, Houston Astros; Ms. Barbara Jane League, Andrews Kurth LLP; Mr. Jonathan Newport, Houston First Corporation; and Rabbi Oren Hayon, Congregation Emanu El, Houston.

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 Rabbi Oren Hayon, Congregation Emanu El, who offered the invocation.

2. Public Comments. None

3. Presentation and approval of the minutes from the Board Meeting held on February 16, 2017. Chairman Friedman presented the draft minutes from the Board meeting held on February 16,

2017, which had been previously circulated for the Board's review, and called for a motion to approve. Motion was made by Director Fields, seconded by Director Callier, and passed unanimously.

4. **Chairman's Report.**

a. **Reminder that Personal Financial Statements are due to State's Ethics Commission by April 30, 2017; a 60-day extension to June 30 may be granted if extension request filed before April 30, 2017.** Chairman Friedman reminded the Directors that the Personal Financial Reports are due to the State's Ethics Committee by April 30, but if needed, a sixty-day extension will be granted if the request is filed by May 1, 2017, as April 30 is on a weekend this year. He noted that Mr. Mark Arnold, the Authority's Legal Counsel, prepared a summary of frequently asked questions to assist the Directors in preparing the report and is available for questions pertaining to the legal aspects of this requirement. Ms. Burke reminded the Directors to send a copy for the Authority's files.

b. **Discussion of pending matters at the Texas Legislature that potentially impact the operation of the Authority and report on the results of the meeting of the Authority's Legislative Task Force.** Chairman Friedman reported that a Legislative Affairs Task Force was formed and met on March 15, 2017. The meeting was attended by Chairman Friedman, and Directors Catuzzi, Murillo, Franklin, Rogers and Sprague. The Task Force determined to continue to monitor the issues of interest to the Authority on an ongoing basis, and will make the Authority's staff available to testify should it become necessary. Chairman Friedman stated that the proposed legislation being closely monitored relates to:

- Open Carry – There are some constitutional carry firearm bills being debated in the Legislature that would allow individuals to carry firearms anytime and anywhere, which could have a negative impact on the Authority's ability to bring in sporting events. Additionally, Chairman Friedman said that there are other pending bills that would exclude firearms altogether at sporting events and other large venues. He noted that all of these bills are still in committee, but that Mr. Doug Hall recently testified in front of the Public Safety Committee in Austin on behalf of the Authority, and he asked for an update. Mr. Hall said that he testified for House Bills 234 and 255, which would restrict the carry of firearms around the Authority's events at different levels. These bills would allow a private entity (NCAA, NFL, etc.) that leases a public facility (Toyota Center, the George R. Brown Convention Center, etc.) to restrict the carry of

firearms. Mr. Hall stated that he testified for both of these bills on behalf of the Authority. He noted that there was equally as much or more testimony in opposition to these bills from the gun lobby. Mr. Hall agreed with Chairman Friedman that the general takeaway from the testimony heard is that it appears that any attempts to limit constitutional carry in the State of Texas will be an uphill fight. Ms. Burke reminded the Board that the Authority currently is able to work around the open carry issue, but if that changes, the Authority will face real problems when attempting to bring in sporting events.

- The “Bathroom Bill” (SB 6) – Chairman Friedman reported that in March, the Senate version of this bill was voted out of the Senate and sent to the House, where it is still pending. He stated that HB 2899, which is similarly designed, has not been voted out of committee and currently remains with the State Affairs Committee. Chairman Friedman noted that if either of these bills passes, he believes there will be a negative impact on the Authority’s ability to bring sporting events to Houston and Harris County. Ms. Burke stated that the NFL, NBA, CFP and NCAA would frown upon any type of bathroom bill, and knows that these organizations in particular are watching closely. Mr. Arnold noted that the House version is not the same scope as the Senate version. He said that the House version stops at prohibiting local governments from passing anti-discrimination ordinances, whereas the Senate version goes further. Mr. Arnold noted that either version will be problematic for the constituencies that the Authority is concerned about. Chairman Friedman stated these issues will continue to be monitored closely, and that the Authority’s Legislative Affairs Task Force Committee will ask Ms. Burke to testify as an expert witness about the negative economic impact that the passage of these bills would have.
- Event Trust Fund – Chairman Friedman noted that five different bills have been filed to abolish one or more of the Event Trust Funds. He said that if the Event Trust Funds program is terminated or sufficiently damaged, the Authority’s ability to use the program to leverage sporting events to town would be severely compromised. Chairman Friedman further stated that these bills have not gained much traction, but they, too, will continue to be monitored closely.

c. **Discussion of the merits and benefits of establishing a tax-exempt, non-profit entity to support sports and charitable activities of the Authority.** Chairman Friedman explained how the Authority's sports marketing activities have grown so much over the years, and this has tasked the staff with raising sponsorship dollars to make the event budgets work. He noted that the staff frequently finds it difficult to ask organizations to contribute to something that is not a charitable entity. Chairman Friedman said that a recent example of this was the Bassmaster Classic, when the Authority bussed in 1,000 Houston ISD students to the event. They learned about fishing and were given a fishing pole. He said that all of that was made possible by finding individuals to make contributions to cover those costs. Chairman Friedman suggested that the Board consider establishing a 501(c)3 entity, as many other communities have done, in order to make fundraising for the sporting events the Authority is in charge of much easier.

5. **Discussion and possible action on a resolution authorizing the establishment of a tax-exempt, non-profit entity to support the sporting and charitable activities of the Authority and matters related thereto.** Chairman Friedman asked Marketing Committee Chairman, Director Rogers, to give that Committee's report. Director Rogers stated that the Marketing Committee had met and is in agreement that the formation of a tax-exempt, non-profit entity (a 501(c)3) to support the sporting and charitable activities of the Authority would be advantageous to the Authority's marketing efforts. Chairman Friedman noted that there would be a seven-member Board, separate and apart from the Authority's Board of Directors, consisting of three (3) current Authority board members, the Authority's CEO, and three public members not affiliated with the Authority. Mr. Arnold explained that the non-profit entity will be a public charity, which would have its own Bylaws and rules of governance. In response to Director Alexander's question as to how funds have been raised in the past for events, Ms. Burke stated that while a small amount of contributions have gone through other 501(c)3 organizations, she noted that more companies are putting policies in place that prohibit contributions to government agencies, religious groups, etc. She said that having this entity in place will alleviate those restrictions and enhance the overall marketing efforts of the Authority. Director Rogers then made a motion on the resolution to establish this entity, it was seconded by Director Callier, and passed unanimously.

6. Chief Executive Officer's Report.

a. Update on activities and sporting events.

- The Bassmaster Classic event was a great success, with the second highest attendance record for the event at 115,000; many other records were broken as well, including the largest Expo in its history.
- NCAA announced its next round of national championships, and the Authority was awarded the 2019 DIII Women's Golf Championship and the 2020 Men's Basketball Regionals. The Men's Regionals will be held at Toyota Center for the first time.
- Press conference was held to announce the World Corporate Games, with a large turnout that included many from our international community, our Board members, elected officials, and our corporate partner for the event, UNICEF. Mr. Massey, the Authority's Director of Events, reported that the Games will be held November 16-19, 2017, throughout 12 venues, consisting of 18 different sporting events. He said that and expected 7,000-10,000 participants from around the world will be historical numbers for the Games.
- As a Board Member of the Texas Bowl, Ms. Burke along with Chairman Friedman and Director Catuzzi, took part in presenting a \$180,000 donation to the DePelchin Center.
- The Authority was awarded the 750-member National Association of Sports Commissions "Sports Commission of the Year", and the trophy presented. Ms. Burke congratulated the staff on this accomplishment as this was the second time in three years to be given this award.
- Targeted future events are:
 - 2023 Pan American Games – the Authority will meet with the Mayor and County Commissioners to work through all of the details to determine if this bid should be pursued. This will be a major undertaking, as it is the largest international event next to the Olympics.
 - 2020 and 2021 NBA All-Star Game bid has been submitted and finalist cities should be announced by the end of this summer.
 - The Authority will be looking at potential future bids for the College Football Playoff, the NFL Draft, and a Super Bowl.
 - A joint bid for the 2026 World Cup has been submitted by the United States, Canada and Mexico. If awarded, the Authority would plan to bid for Houston as one of the U.S. sites.

o Ms. Burke reported that Houston is the frontrunner to be the first U.S. city to have a professional rugby franchise, but details are still being worked out.

7. **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 10:40 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 11:15 a.m.

8. **Finance Committee Update.**

a. **Presentation and discussion of Quarterly Investment Report and Quarterly Portfolio Compliance Report for quarters ending December 31, 2016 and March 31, 2017.**

Director Fields reported investment earnings of \$192,763 for the fourth quarter of 2016, and \$210,295 for the first quarter of 2017. The average portfolio bond equivalent yield was at a rate of 0.74% for the quarter ending December 31, 2016, and at 0.87% for the quarter ending March 31, 2017. All investments are in compliance with the Public Funds Investment Act.

b. **Discussion and review of unaudited February 28, 2017 year-to-date financials.**

Director Fields reported the Motor Vehicle Tax collections were \$5,758,871, which is over budget by 3%. The Hotel Occupancy Tax collections were \$6,491,349, which is over budget by 10%. The investment income is approximately 14% over budget, and expenditures are under budget by 35%.

c. **Discussion and review of Invitation to Bondholders under the Authority's Debt Repayment Account.**

Director Fields asked Mr. Cash to brief the Directors on the Invitation to Bondholders under the Authority's Debt Repayment Account. Mr. Cash reported that bids were solicited for brokers to purchase investments for early retirement of debt, that several bids were received and one was selected. Ms. Burke thanked Mr. Cash and his team for their time and hard work in securing this.

d. **Discussion and review of the Authority's 2017 Investment Policy.** Director Fields reported the following changes were made to the Authority's Investment Policy to comply with that of Harris County.

- Section 4.02 was updated to remove the term, "Certified Investment Officer".

- Section 5.08 was updated to reflect that the Director of the Office of Financial Management at Harris County is an additional position that can give written approval to not seek competitive bids on an investment transaction.

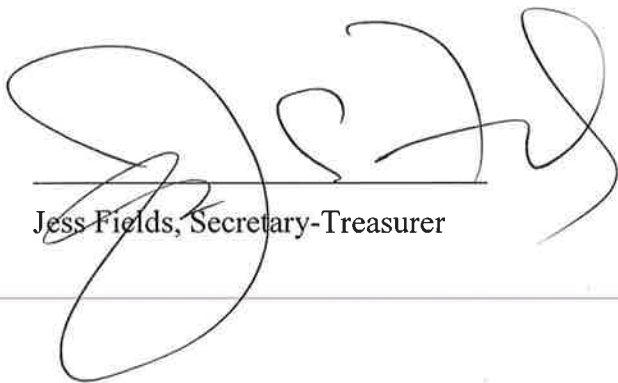
- A ladder approach was added to the policy as an acceptable investment strategy.

9. **Discussion and possible action on a resolution approving the Authority's 2017 Investment Policy.** Director Fields made a motion to approve the Authority's Investment Policy as presented, motion was seconded by Director Woods, and passed unanimously.


10. **Comments by Directors.** Chairman Friedman reminded the Board that a Stadium Task Force had been formed to conduct reviews of some of the other stadiums' practices around the country to see what can be learned relating to the upkeep of the Authority's stadiums to keep them in state-of-the-art condition. In response to his invitation to the Directors to participate, Directors Woods, Oakley and Rogers expressed interest in being added to the Task Force, chaired by Director Sprague. Chairman Friedman noted that Mr. Hall has been assigned the lead on this project, and that plans would be formulated soon to begin an evaluation of Major League Baseball stadiums.

11. **Adjournment.** There being no further business to come before the Board, and after motion made by Director Woods and seconded by Director Fields, the meeting was adjourned at approximately 11:25 a.m.

Adopted and approved this 1st day of June, 2017.



Jess Fields, Secretary-Treasurer



J. Kent Friedman, Chairman of the Board