

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

Thursday, June 1, 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, June 1, 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, Larry Catuzzi, Cindy Clifford, Jess Fields, Ron Franklin, Manson Johnson, 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. Phil Owen, Harris County Judge Emmett’s office; Ms. Joanye Henderson, Harris County Commissioner Jack Cagle’s office; Mr. Colin Parrish and Ms. Amanda Schar, Statehouse Consultants LLC; Mr. Giles Kibbe, Houston Astros; Mr. Robert Belt, Belt Harris Pechacek, LLLP; Mr. Jason Bristol, KHOU-TV 11, Houston; Ms. Barbara Catuzzi 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 called upon Director Manson Johnson to offer the invocation.

2. **Public Comments.** None

3. **Presentation and approval of the minutes from the Board Meeting held on April 27, 2017.**

Chairman Friedman presented the draft minutes from the Board meeting held on April 27, 2017, which

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

4. **Chairman's Report.**

a. **Reminder that Personal Financial Statements are due to State's Ethics Commission by June 30, 2017, for those Directors who received an extension to file.** Chairman Friedman reminded the Directors that the Personal Financial Reports are due to the State's Ethics Commission by June 30 for those Directors who received an extension to file. He noted that a copy has to be maintained in the Authority's files, and these should be sent to Ms. Burke.

b. **Update on Stadium Task Force and Astros Lease extension, and matters related thereto.** Chairman Friedman reminded the Board that Houston's professional sports stadiums are now approximately 15 years old, and with the responsibility to ensure that those stadiums remain state-of-the-art, that a Stadium Task Force comprised of volunteer Board members had been formed. Its primary purpose is to investigate other stadiums to glean insight on maintenance and upkeep practices employed in other cities. Chairman Friedman noted that conversations with the Astros regarding the potential extension of that team's lease, which ends in 2031, have already begun.

c. **Update on pending matters at the Texas Legislature that potentially impact the operation of the Authority, and matters related thereto.** Chairman Friedman asked Mr. Colin Parrish and Ms. Amanda Schar, Statehouse Consultants LLC, to provide an update to the Board.

Mr. Parrish provided an End of 85th Legislative Session Report relating to these items:

- The only action relating to the Event Trust Funds was the addition of NASCAR to the Major Events Reimbursement Program.
- There was no action on gun legislation; constitutional carry did not pass as there did not appear to be an appetite for significant change this session.
- Prohibition of drones over stadiums with a capacity of 30,000 or more passed.
- No form of the so-called "Bathroom Bill" or "Privacy Act" passed in regular session, but speculation is that it will be included on the agenda if the Governor calls a Special Session.
- The Budget passed, but funding for the Medical Board Agency did not, and the pressure to convene a Special Session to attend to this Agency matter is very strong. Director Franklin posed the question as to what political pressure will be brought to bear to include the Bathroom Bill in the event a Special Session is

called to address the Medical Board Agency funding. Mr. Parrish said that political pressure is significant on both sides. He noted that approximately 14 major employers of the State have been encouraging the Governor not to add it to the Special Session call, including FaceBook, Amazon, Google, HP, and others.

- Property tax reform legislation did not pass, and if a Special Session call is issued, this may be added to the agenda.

5. Discussion and possible action regarding the Authority's public position on certain legislation previously pending before the Texas Legislature. Following Mr. Parrish's update, Director Franklin noted that it appeared unlikely that any bill up for consideration for a Special Session would affect this Board, other than the Bathroom Bill. He stated that there were companies who did not take a position on the bill during regular session, but feel that it is safer taking a position on it now. Director Franklin stated he believed that now is the time for this Board to take a position, rather than wait for it to come before the Legislature.

Director Clifford asked if other organizations in the community had taken a formal stance on the legislation. Ms. Burke reported that there was not much activity taken by local entities during the regular session, but as the session neared the end, the Greater Houston Partnership and the Convention and Visitors Bureau had voiced public opposition to any bathroom legislation. Director Clifford noted that the passage of this legislation might directly affect our ability to attract big events, and asked Ms. Burke if there had been conversations with any entities that would consider not coming to Houston if that bill passed. Ms. Burke reported that there had been no direct talks with any rights holders about the newest version of the bill, so she was not sure how they would react to the newer, less aggressive version of the bill; but she also stated that the original version would have limited us with the College Football Playoffs, NBA, NFL and the NCAA.

Directors Clifford and Franklin each stated that they believed this Board has a fiduciary and legal responsibility to take a public stance against this legislation in terms of the potential financial impact it could have on the community and the entities it serves. They noted that the Mayor feels that the Authority should take a public stance in opposition to the legislation, as well.

Director Franklin made a motion to notify the Governor's Office that the Sports Authority opposes any bathroom legislation added to the Special Session. Motion was seconded by Director Clifford. Before the vote, Chairman Friedman asked if there was any further discussion or questions

on the matter. Director Catuzzi commented that while this is an economic issue, he wanted to know what the County's stance would be if the Authority took a public stance in opposition to the legislation. Chairman Friedman said that the County Judge has stated that he does not think it is an issue in which the Authority should be involved. Director Sprague commented that it had been previously agreed by the Board that if the legislation came to the floor in Austin, that Ms. Burke would be sent to be a fact witness on economic impacts.

Chairman Friedman called for a vote on the motion. There were four (4) votes in favor, and five (5) opposed, so the motion did not pass. Chairman Friedman stated that although an official position of the Board on this legislation was not being taken at this time, the situation will continue to be closely monitored, and that Ms. Burke would be available as a fact witness as to the potential impact to our community as it relates to sporting events should this legislation get to a committee for a hearing. He added that we will continue to monitor the Bill and will call a Special Meeting of the Board if needed, or have our lobbyists submit action on our behalf.

6. Belt Harris Pechacek, LLLP, to give independent auditors' report for year 2016. Director Fields introduced Mr. Robert Belt, of the audit firm of Belt Harris Pechacek, LLLP, who gave a brief summary of the Authority's 2016 Audit Report. Mr. Belt recognized management for their hard work in executing the plan set out by the Board, and referenced the Independent Auditor's Report included in the Board packet. He reported that he was pleased to announce an unmodified opinion, which is the highest level of assurance that can be provided to the Board, that all disclosures required by Generally Accepted Accounting Principles have been included in the financial statements, and are materially correct. Chairman Friedman thanked Mr. Belt for his report, and asked if the Board's take-away from the audit should be that the Authority's financial matters are in good shape, and Mr. Belt confirmed that statement.

Chairman Friedman then called upon Director Fields, as Chairman of the Finance Committee, to give his report.

7. Finance Committee Report.

a. Discussion and review of investment results through April, 2017. Director Fields reported that the Authority had \$105,783,040 of investable funds as of April 30, 2017. He noted that interest earnings through April 30 totaled \$291,167, which exceeded budget by 14%. The portfolio weighted average yield to maturity is .99%, which is much better than last year; and the portfolio

weighted average days to maturity is 172 days. Interest earnings for 2017 was budgeted at \$786,250, but the forecast now is \$850,673 for the year.

b. Discussion and review of Debt Repayment Account transaction. Director Fields asked Mr. Cash to update the Board on the Debt Repayment Account. Mr. Cash stated that there are funds in a Debt Repayment Account, which collects any excess funds after all required distributions are made. He noted that these funds are to be used to further reduce the Authority's bond debt by enabling it to repurchase its bonds at an affordable rate. Most recently, he said that bonds with a maturity value of \$1.6 million were purchased for approximately \$800,000. Mr. Cash stated that the remainder of the amounts in that fund, which is about \$13 million, will be used to defease additional bonds with a maturity value of approximately \$33.9 million. To date, the Authority has spent approximately \$13 million to buy back bonds with a maturity value of \$34.5 million, thus saving approximately \$20 million over the life of the bonds. In response to a question from Director Catuzzi, Mr. Cash stated that when the fund reaches \$5 million, the documents require the repurchase of bonds. He noted that the repayment account is monitored closely, and as future defeasement of bonds is needed, that the Finance Committee and the Board will be updated accordingly.

c. Discussion and review of balance of County Repayment account. Director Fields reported that in the Fourth Amended and Restated Indenture of Trust, an account was established to hold funds for the repayment of the Series 2001C-1 and Series 2001C-2 Notes, which are held by Harris County Sports & Convention Corporation, and certain other obligations. The Authority currently has a balance of \$8,079,819 because of sufficient revenues in the 2016 bond year. The trustee will be directed to transfer the current balance as described in Section 5.19 – County Repayment Account of the Fourth Amended and Restated Indenture of Trust -- on the following schedule: \$6,567,500 on June 30, 2017; and \$1,514,000 on October 31, 2017. The balance of the Series 2001C-1 note will be approximately \$5.7 million after these payments.

d. Discussion and review of unaudited 2017 year-to-date financials. Director Fields reported that the April Motor Vehicle Tax revenue collections of \$7,930,284 are over budget about 2.4%, and the Hotel Occupancy Tax revenue collections of \$6,571,087 are under budget by approximately 4%, noting this amount does not take into account the Super Bowl or the Bassmaster Classic. He stated as of May 24, 2017, Hotel Occupancy Tax collections exceed prior year by \$683,745, or 4.9%, showing the impact of those two events. Director Fields reported that investment income is over budget about 14% and expenditures are under budget by about 37%.

8. **Chief Executive Officer's Report.** Ms. Burke congratulated Mr. Waggoner and his team for the successful audit this year, and thanked them for their hard work, over weekends and holidays, to see the audit completed on time.

a. **Update on activities and sporting events.** Ms. Burke's report included details relating to the following recent activities:

- Ms. Burke recognized Mr. Chris Massey and his Events team for the preparation of the beautiful NBA All-Star Bid that was submitted;
- Ms. Burke, along with Mike Waterman from the Greater Houston Convention and Visitor's Bureau, attended the NFL Draft in Philadelphia. Mr. Jamey Rootes, from the Houston Texans, has sent a Letter of Intent on the Authority's behalf regarding an interest to bid on hosting a future NFL Draft;
- Ms. Patti Smith, Public Relations Director of the Authority, attended the 2017 Sports Business Awards in New York City to view best practices as the Authority continues to put together its Sports Awards program;
- Hosted the NCAA DIII Women's Golf Championship at Bay Oaks Country Club;
- Participated in the Houston Dragon Boat Festival in preparation for one of the World Corporate Games' events;
- Took part in the BBVA Compass Stadium press event as the stadium celebrated its five-year anniversary;
- Attended an AAU press event announcing a partnership with local Olympian, Carl Lewis;
- Conducted a site visit with the Houston Strikers and London Wasps for the rugby club that wants a start in the United States;
- Continuing to work with Pro12 Rugby to bring a professional rugby team to Houston;
- Attended the UNICEF Audrey Hepburn Society Ball; UNICEF is the Authority's beneficiary of the World Corporate Games;
- Summer of Soccer – multiple events coming to Houston this summer; and
- Plans being made for the Stadium Task Force, comprised of some of the Board members, to tour other stadiums and receive information that will allow the Authority to continue to maintain the professional sports stadiums in Houston as state-of-the-art facilities.

Ms. Burke's report also included details about upcoming events:

- Olympic Day at Hester House – June 23
- Mexico vs. Ghana at NRG Stadium – June 28
- CONCACAF Gold Cup at BBVA – July 11
- Manchester United vs. Manchester City at NRG Stadium – July 20
- College Tennis Summer Tour & Showcase at Rice University – July 23
- Gateway to Gold at Turner Stadium – September 9 & 10
- HCHSA 20-Year Anniversary – September 18
- World Corporate Games – November 16 - 19

b. Discussion and review of possible new marketing initiative, and matters related thereto. Ms. Burke reported on the conclusion of new marketing efforts that were proposed by the Marketing Committee as a way to utilize the Authority's partnerships with its tenants to get more exposure for the Authority. The staff negotiated with the Houston Texans and Houston Rockets to develop a marketing partnership with each team. Ms. Burke outlined the partnerships and the terms of each. Chairman Friedman noted that this expense is in addition to the regular marketing operations and are not a part of the original budget. He said that it was a recommendation of the Marketing Committee, and the Finance Committee has reviewed and approved the cost of the partnerships. Director Franklin inquired as to the source of the funding for these efforts. Ms. Burke explained that these will be funded using non-tax dollars from a long-standing account established years ago to receive revenue generated from various events, sports license plate program, then in turn, used for marketing and promotions.

8. Discussion and possible action to authorize marketing contracts with each of the Houston Texans and Houston Rockets, and matters related thereto. Director Sprague made a motion to authorize Ms. Burke and Chairman Friedman to secure contracts with the Houston Texans and Houston Rockets consistent with the transactions discussed. The motion was seconded by Director Clifford, and passed unanimously.

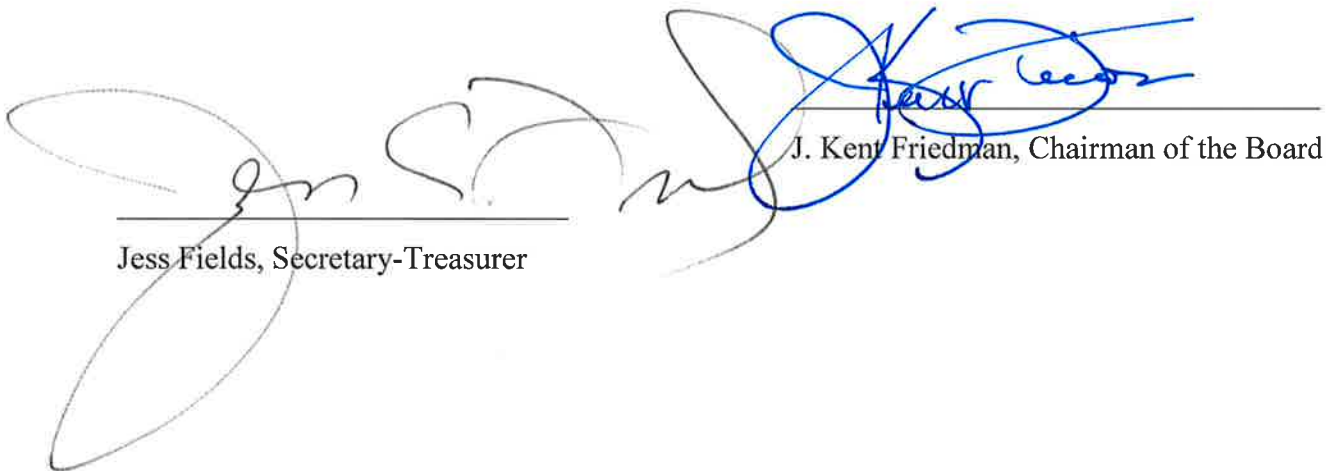
9. Chairman Friedman announced that, pursuant to provisions of Chapter 551, Texas Government Code, the Board shall deliberate in Executive Session on the following: Consultation with attorneys on legal matters; deliberation on real estate matters; and deliberation on personnel matters. At approximately 11:25 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 11:55 a.m.

10. Comments by Directors. Director Sprague gave the Board an update on the scholarship program of the Texas Association of Sports Officials. He noted that any youth associated with high school baseball is eligible for consideration, and that the scholarships are funded by contributions made to a non-profit 501(c)3 established for this purpose.

11. Adjournment. There being no further business to come before the Board, and after motion made by Director Alexander and seconded by Director Fields, the meeting was adjourned at approximately 11:58 a.m.

Adopted and approved this 5th day of October, 2017.



Handwritten signatures of Jess Fields and J. Kent Friedman. The signature of Jess Fields is on the left, and the signature of J. Kent Friedman is on the right. Both signatures are written in blue ink.

Jess Fields, Secretary-Treasurer

J. Kent Friedman, Chairman of the Board