

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

NOVEMBER 19, 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 Thursday, November 19, 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, Nomaan Husain, Martye Kendrick, Laura Murillo, 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, Masterson Advisors LLC, Financial Advisors for the Authority, were also present.

Guests in attendance were: The Honorable David M. Martin, Houston City Council Member District E, and former Authority Board member; Mr. Juan Rodriguez, Executive Vice President & General Manager, BBVA Stadium; Mr. Colin Parrish and Ms. Amanda Schar, Statehouse Consultants LLC; and Mr. Tom Waggoner, Mr. Phil Ochoa, Ms. Patti Smith, 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. **Action on resolution recognizing the reappointments of Lawrence Catuzzi, County Position 7, and Zina Garrison, County Position 8; and swearing-in ceremony relating to same.** Chairman Friedman noted that Ms. Garrison had not yet joined the meeting, but that her oath would be administered upon her arrival later in this meeting, or at the next Board meeting. He then congratulated Mr. Catuzzi on his reappointment to the Board by Harris County Commissioners Court for another two years and administered the Oath of Office to Mr. Catuzzi.

3. **Presentation and approval of the minutes from the Board of Directors Meeting held on September 24, 2020; and the Special Board Meeting held on October 7, 2020.** Chairman Friedman presented the draft minutes from the Board Meeting held on September 24, 2020; and the Special Board Meeting held on October 7, 2020, all of 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 upon call for a vote of the Board, passed unanimously.

4. **Chairman's Report.**

a. **Mr. Juan Rodriguez, Executive Vice President & General Manager, BBVA Compass Stadium, to present overview of proposed improvements to BBVA Stadium.** Chairman Friedman introduced Mr. Rodriguez and asked him for his report. Mr. Rodriguez said that many of the improvements to the Stadium that were approved by this Board in February 2020 had been put on hold due to COVID restrictions. He noted that the new, larger video boards and changes to the exterior marquee were completed pre-COVID in preparation for a new season, but after one home game on February 28, the season was shut down until September.

Mr. Rodriguez reported that branding and trademark changes had recently taken place to bring the Houston Dynamo, Houston Dash, Dynamo/Dash Youth Academy, Houston Sports Park, and BBVA Stadium together under the Houston Dynamo FC umbrella.

Mr. Rodriguez also reported that the Houston Dynamo FC was proud to be a part of the Houston Events & Facilities Task Force in the collaborative effort of all local sports teams, venues and facilities to open to fans with COVID restrictions in place. He said that BBVA has a home game capacity of 3,000 fans and was the first stadium to host fans in Houston in September.

Mr. Rodriguez asked that the Board consider approval of a project that would replace existing core and edge network switches that had reached end-of-life and to approve upgrades and purchases of equipment to convert the stadium's Sports Club into an all-inclusive club switch to ensure network infrastructure and security. Following Mr. Rodriguez' report, Chairman Friedman then presented the resolution found at Agenda Item 6 approving the request by the Dynamo to

make the proposed improvements. Mr. Arnold further explained that the agreement in the resolution is an Agency Agreement wherein the Authority approves the switch agreement and other projects listed in the Exhibit to the Agreement, agrees that title to all improvements is the Authority's, and that sales tax on the materials incorporated into the facility will not have to be paid since the Authority owns them. Mr. Arnold said that this has been done for all of the teams when they make improvements to the stadiums so they can save on the sales tax. He said that because these are capital repairs to the Stadium, Authority approval is required. Chairman Friedman called for a motion on the Resolution and the attached Agency Agreement, motion was made by Director Catuzzi, seconded by Director Woods, and upon call for a vote of the Board, was passed unanimously by the Board members.

b. Action on resolution recognizing the reappointment of Zina Garrison, County Position 8; and swearing-in ceremony relating to same. Chairman Friedman congratulated Ms. Garrison on her reappointment to the Board by Harris County Commissioners Court for another two years and administered the Oath of Office to Ms. Garrison.

c. Mr. Colin Parrish, Statehouse Consultants, to provide the Board with an update on the upcoming 87th Texas Legislative Session, including the makeup of the legislative bodies, expected session flow and other matters that might potentially impact the Authority. Chairman Friedman asked Mr. Parrish for his report on the upcoming Legislative Session. Mr. Parrish thanked the Board for the opportunity to serve the Authority in Austin for regulatory and legislative issues that might impact the Authority. He said that there was a detailed written update available, but he went through the highlights.

Mr. Parrish said that the biggest surprise in the last election is that there was not a shift in the balance of power at the State House level. The exact same number of Republicans and Democrats will be serving in the Texas House as served last session. For Harris County, there are four (4) new House Members, 20 returning House Members, with a breakdown of nine (9) Republicans and 15 Democrats. There are eight (8) returning Senate Members in Harris County, of which five (5) are Republicans and three (3) are Democrats. He noted that the Party breakdown of the Texas Senate is 18 Republicans and 12 Democrats, and the Texas House breakdown is 83 Republicans and 67 Democrats. Mr. Parrish said that Republican Dade Phelan of Beaumont will likely become House Speaker, subject to vote when the Legislature convenes in January.

Mr. Parrish and his business partner, Ms. Amanda Schar, gave a preview of topics likely to be taken up in the 87th Legislative Session. They noted that the State Budget is the only piece of legislation required to be passed during a typical session, and said that since 2020 is a census

year, a redistricting bill which would alter seats, must also be passed in 2021. Mr. Parrish said that other legislative topics that are likely to be addressed in this Session are the State Budget, COVID-19 Response, Redistricting, Sunset Bills, Property Tax Reform, Transparency Act of 2019 Cleanup, Election Bills, Chapter 313 Tax Abatements, and a Bracket Adjustment Bill.

Mr. Parrish and Ms. Schar will closely watch bills specific to the Authority, including Gun Legislation, Major Events Reimbursement Program and the Events Trust Fund, and Peer-to-Peer Car Sharing, and will keep the Authority apprised. During the interim session between the last Legislative Session and the new one, they worked closely with the Governor's office to alter the application deadline for the ETF and MERP from 120 and 45 days, respectively, to 31 days for each program. The suspension of the former deadlines will last as long as the Governor's disaster declaration for COVID-19 is in place, allowing more flexibility and leeway in booking events during these uncertain times.

Ms. Burke noted that she had spoken with the Governor's Office recently to secure letters of support for the World Cup Bid for both Dallas and Houston, and during the conversation, asked if an effort to abolish the Events Trust Fund was expected in this Legislative Session. She said that the Governor's Office indicated they were not aware of any at this time. Ms. Burke used that opportunity to reiterate a strong argument not to abolish those programs; realizing that money is tight, she wanted to make sure the Governor's Office knew how much a World Cup would mean for the State of Texas, as do other sporting events. Mr. Parrish noted that every time legislation to abolish the Fund arose, Statehouse Consultants reinforced the argument that this is revenue that would not otherwise be collected, and but for the event, it would not exist.

Ms. Burke thanked Mr. Parrish and Ms. Schar for their willingness to work with the Authority in lowering its monthly retainer and conveyed the Authority's sincere appreciation.

Chairman Friedman thanked Mr. Parrish and Ms. Schar for their report.

d. Board Committees. Chairman Friedman presented the current list of Committee members, and asked Directors to let him know within the next two weeks if they wished to make changes so that a final list can be distributed.

e. Announcement of Board Meeting dates for 2021. Chairman Friedman presented the list of 2021 Board meeting dates. He asked the Directors to calendar the dates and said that invitations and reminders would be sent.

5. **Chief Executive Officer's Report.**

Ms. Burke's report included the following updates:

- Texas Bowl scheduled for December 31;
- U. S. Women's Open Golf Championship at Champions was moved from May to December 10-13; will be held with no fans;
- 2021 events include quite a few events, but each will be evaluated in light of the pandemic; social distancing guidelines will be followed; masks, temperature checks, COVID-19 testing results, etc.:
 - 2020 Sports Hall of Fame in January;
 - 2021 Sports Hall of Fame later in the year;
 - Biles International Invitational - January 21-24;
 - World Transplant Games' 5K AnyWay virtual event scheduled for May 28-June 5; registrations to date include participants from 29 countries and 19 states; Texas Medical Center is now a presenting sponsor; continuing to work with Disney and NASA; promotional video produced by the Authority's marketing team was then shown; 465 contacts around the world have been made by the mining team; expect this to be a bigger event than it would have been in person; will circulate video to the Directors;
 - Olympic Day - June 23;
 - CONCACAF Gold Cup - July 17 at BBVA;
 - AAU Junior Olympic Games - begin July 28 at Turner Stadium;
 - Battle of the Bands - August 1 at NRG Stadium; Cracker Barrel returning as sponsor;
 - Working with Overwatch League; an e-sports league; for an event next year;
 - USA BMX Lone Star Nationals – October at Rock Star Energy Bike Park.
- In conjunction with the Houston Sports Awards, Ms. Burke stated that the Authority would like to do a fundraiser for the Brothers In Arms portion of the event by adding a golf outing. In a typical year, the Sports Awards would be held in February, the golf outing in the spring and the Hall of Fame in the fall of the year. In 2021, however, the February Sports Awards event has to be moved because of the pandemic. An alternative solution was proposed by Insperity, a major sponsor of the Sports Awards, to tie it into the Insperity Invitational Golf Tournament. This tournament will be held in April at the Carlton Woods Fazio Course in north Harris County. The Brothers In Arms golf outing would be a fundraiser for the scholarships during the day, and the

Sports Awards would take place that evening. Ms. Burke showed slides of the proposed layout of the evening event that would accommodate approximately 325 people, as opposed to the past 1,100 at the Hilton Americas. It becomes mostly a media event that would include Board members and a select number of sponsors. Because of the financial aspect of the event, this has been discussed with the Finance Committee because we wanted to get their opinion on whether they thought we should move forward with the golf outing and Sports Awards, or just have the golf outing and skip the Sports Awards portion due to the pandemic. The cancellation of sporting events this year will necessarily make a scaled-back version of the Sports Awards element. The Committee felt that it should be presented to the full Board of Directors. Discussion followed regarding presenting a scaled-back version of the Awards, cancelling for next year, or holding the golf outing only. The consensus of opinion of the Directors was to go forward with the golf outing and plan to hold the Sports Awards dinner at the golf club, understanding that the dinner portion may have to be cancelled for safety reasons.

6. Financial Report.

a. Discussion and review of unaudited year-to-date investment results. Director Callier, as Chair of the Authority's Finance Committee, presented the investment results for the ten (10) months ending October 31, 2020. He reported that the Authority's investments are in compliance with the Public Funds Investment Act, and earnings totaled \$903,762; the average portfolio bond equivalent yield was at a rate of .22 percent versus the benchmark rate of .10 percent.

Director Callier said that COVID-19-related shutdowns that began in March will have a negative impact on the Hotel Occupancy Tax (HOT) and Motor Vehicle Rental Tax (MVRT) collections for the remainder of the year. The Federal Reserve Board's pandemic response was to quickly lower short-term interest rates to provide liquidity and stimulate the economy. This has resulted in a dramatic reduction in short-term overnight interest rates. 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 a little over \$933,000 by year's end.

b. Discussion and review of unaudited year-to-date financials. Director Callier gave the unaudited financial update as of October 31, reporting that MVRT revenue is under budget by 31 percent, or roughly \$6.2 million, and HOT revenue is under budget by just over nine

(9%) percent, or approximately \$1.8 million. In other revenue categories, rent payments are under budget due to the Houston Rockets requesting event credits and not paying any portion of their semi-annual rent payment that was due on August 1, and the rent abatement credits granted to the Houston Astros for their semi-annual rent payment due October 1. Stadium revenues from NRG Park are under budget due to the cancellation of various events at their facilities related to the pandemic. All expense categories are under or within budget.

Chairman Friedman thanked Director Callier for his report.

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 12:15 p.m.

9. Discussion and possible action on resolution approving the 2021 General and Administrative Budget; and approving other matters related thereto. Director Callier referred to the Authority's proposed 2021 General and Administrative (G&A) budget that had been sent to the Directors and posted on the Authority's website. He said that the Finance Committee has reviewed the budget in detail, noting that the bond year ended on November 15 and that all bondholders were paid in full due to the restructuring that took place beforehand. Director Callier said that since all bond obligations were met, the Authority's 2021 G&A was fully funded by the HOT and MVRT cash flow, with just over \$4.6 million as shown in the budget. He reported that the Finance Committee had met with staff to review the proposed 2021 G&A Budget in detail, spending several hours to examine and ask questions regarding each revenue and expense line item or to request adjustments. Director Callier summarized by saying that the proposed budget reflects an anticipated slowdown in overall revenues resulting from the lingering COVID-19 impact, and that is evident in all areas, whether tax revenues, teams' rent, less events, etc., noting that the staff and the Finance Committee thought it best to take a conservative approach, as a slow climb back to more normal revenues and spending is expected by 2022.

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There being no further questions, Chairman Friedman asked for a motion to approve the resolution to adopt the 2021 G&A Budget as presented, motion was made by Director Catuzzi, seconded by Director Callier, and passed unanimously.

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

Adopted and approved this 4th day of February, 2021.

J. Kent Friedman, Chairman of the Board

Laura Murillo, Secretary