

Houstonfirst.

HOUSTON FIRST CORPORATION  
CY 2024 STRATEGY  
& BUDGET

Reflection Pool  
HERMANN PARK

PREPARED FOR  
CITY OF HOUSTON BUDGET & FISCAL  
AFFAIRS COMMITTEE  
Tuesday, December 5, 2023  
10:00 a.m.



McGovern Centennial Gardens  
HERMANN PARK

# MISSION

*Our mission is to create value and enhance economic prosperity by promoting the Houston region.*

# STRATEGIC PILLARS

## TRANSFORMATIONAL LEADERSHIP

Enhance and employ organizational relevance by inspiring, influencing, and leading key stakeholder groups in furtherance of HFC's mission and value for Houston.

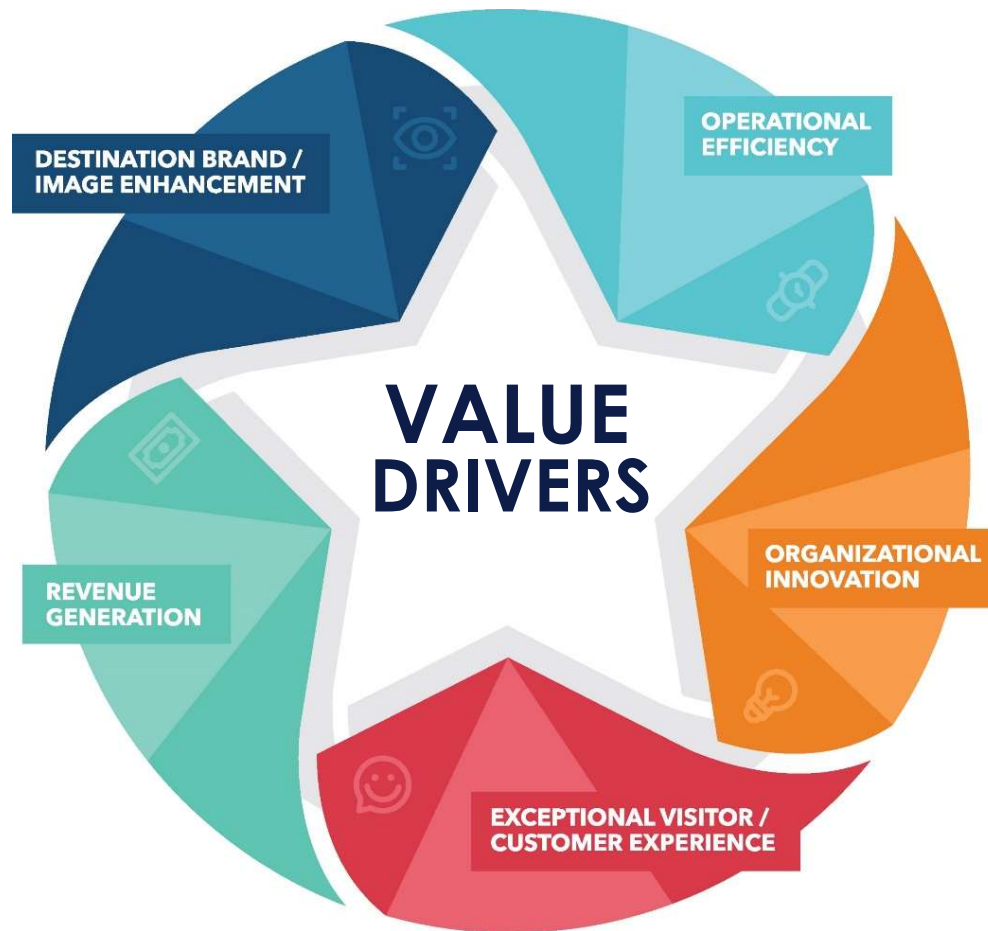
## DESTINATION DEVELOPMENT

Serve as a catalyst for initiatives that strengthen Houston's global reputation, increase travel to the city, and improve HFC's economic impact to the community.

## REVENUE DIVERSIFICATION & ASSET GROWTH

Advance new opportunities for additional revenue streams, asset growth, and financial mechanisms that strengthen HFC's financial outlook and viability.

# CORE OF VALUE CREATION



# PROPOSED 2024 STRATEGY & BUDGET

## Approval Process

NOVEMBER 1, 2023

### OPERATIONS COMMITTEE

- Cultural Facilities & Services
- Convention Facilities & Services
- Information Technology
- Urban Development

NOVEMBER 9, 2023

### HOTEL COMMITTEE

- Hilton Americas – Houston Hotel

NOVEMBER 16, 2023

### HFC BOARD OF DIRECTORS

- HFC Corporate Budget

NOVEMBER 2, 2023

### SALES, TOURISM, AND MARKETING COMMITTEE

- Marketing
- Sales, Client & Event Services
- Tourism & Industry Relations

NOVEMBER 14, 2023

### BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

- HFC Corporate Budget

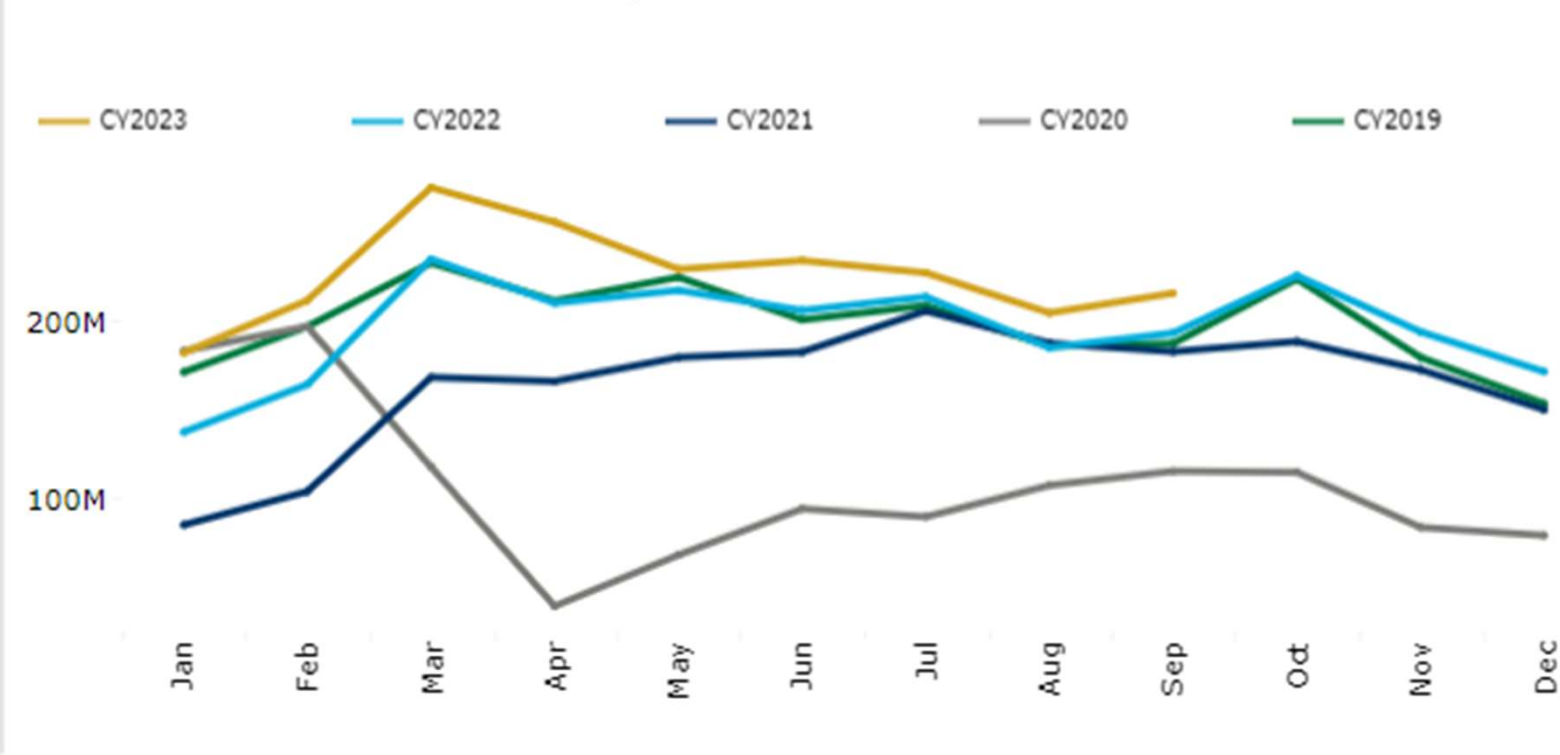
# CY 2023 BUDGET VS FORECAST

| <i>(\$ in millions)</i>                 | <b>2023<br/>Budget</b> | <b>2023<br/>Forecast*</b> | <b>CHANGE</b>   |
|---|------------------------|---------------------------|-----------------|
| <i>Operating Revenue</i>                | \$108.1                | \$116.9                   | \$8.8           |
| <i>Non-Operating Revenue</i>            | 99.5                   | 108.8                     | 9.3             |
| <b>TOTAL REVENUE</b>                    | <b>\$207.5</b>         | <b>\$225.7</b>            | <b>\$18.2</b>   |
| <i>Operating Expense</i>                | \$100.0                | \$102.1                   | (\$2.1)         |
| <i>Non-Operating Expense</i>            | 105.9                  | 123.1                     | (17.2)          |
| <b>TOTAL EXPENSE</b>                    | <b>\$205.9</b>         | <b>\$225.2</b>            | <b>(\$19.3)</b> |
| <b>REVENUE IN EXCESS<br/>OF EXPENSE</b> | <b>\$1.61</b>          | <b>\$.58</b>              | <b>(\$1.0)</b>  |

\*In 2023 , instead of financing capital expense, all capital was funded from cash flow from operations. In 2022, capital projects of \$5.2 M were funded from cash flow.

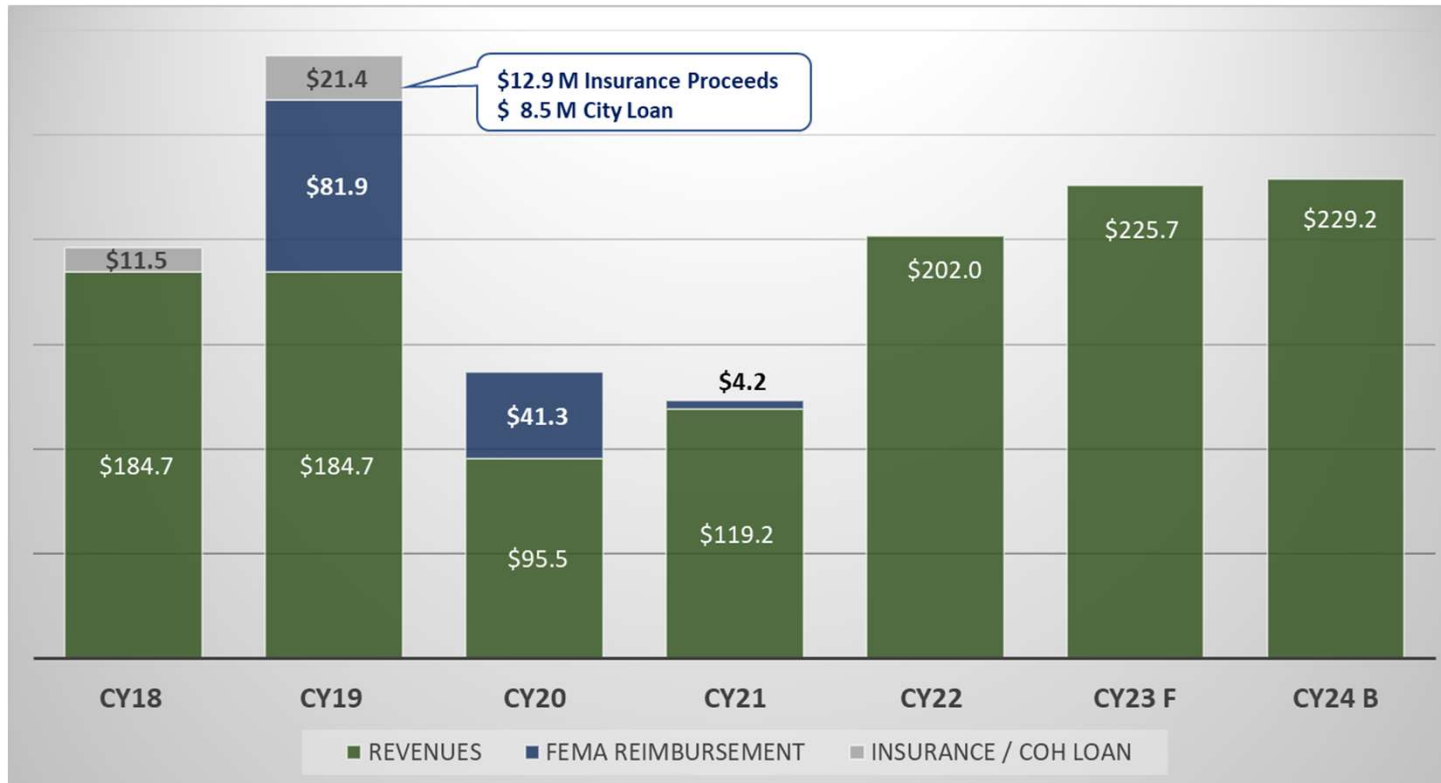
# TOTAL HOTEL REVENUE TO THE MARKET

## Room Revenue YOY Comparison



# MAJOR REVENUE TRENDS

\$s in millions





# 2024 PRIORITIES



- **Strengthen Houston's Brand Equity**
- **Foster Greater Synergy as a Destination**
- **Boost Economic Impact of Leisure Travel to Houston**
- **Accelerate Booking Pace for 2025 – 2027 Convention Business**
- **Develop Aggressive Convention Sales Strategies for Transformed Convention District**
- **Deliver Superior Convention Client Experiences**
- **Manage New Conditions Affecting Convention Sales**
- **Increase Travel Market Share from Mexico**

# 2024 PRIORITIES



- **Seize Emerging International Markets**
- **Promote Exceptional 360° Visitor Experiences**
- **Implement Phase 1: Convention District Transformation**
- **Enhance Destination Appeal at HFC Facilities**
- **Increase the Number of Houston TV & Film Projects**
- **Explore P3 Opportunities to Address Structural HFC Budget Challenges**
- **Pursue Excellence in Corporate Culture**

# 2024 CITYWIDE CONVENTIONS

|   | <i>Attendance</i> |
|---|-------------------|
| <b>JANUARY</b>                                      |                   |
| College Football Playoff                            | 50,000            |
| Chevron Houston Marathon                            | 25,000            |
| Wal-Mart  | 6,500             |
| <b>FEBRUARY</b>                                     |                   |
| American Association of Professional Landmen (NAPE) | 12,000            |
| Texas DECA  | 5,200             |
| National Corn Growers Association                   | 7,000             |
| <b>MARCH</b>  |                   |
| CERAWeek  | 8,378             |
| Do It Best  | 6,000             |
| <b>APRIL</b>  |                   |
| FIRST Robotics Tournaments, Inc.                    | 48,000            |
|   | 15,000            |
| <b>MAY</b>  |                   |
| Comicalooza   | 50,000            |
| Offshore Technology Conference                      | 35,000            |
| American Academy of Pas                             | 6,000             |
| Associated Professional Sleep Societies             | 5,500             |
| <b>JUNE</b>   |                   |
| International Dairy Deli Bakery Association         | 9,000             |
| HOSA – Future Health Professionals                  | 10,500            |

|   | <i>Attendance</i> |
|---|-------------------|
| <b>JULY</b>                                       |                   |
| Texas FFA Association                             | 12,407            |
| American Federation of Teachers, AFT-CIO          | 2,200             |
| <b>AUGUST</b>                                     |                   |
| Anime Matsuri                                     | 25,000            |
| <b>SEPTEMBER</b>                                  |                   |
| GasTech   | 14,000            |
| Congress of Neurological Surgeons                 | 6,500             |
| <b>OCTOBER</b>                                    |                   |
| Texas Municipal League                            | 8,815             |
| AABB-Advancing Transfusion and Cellular Therapies | 10,000            |
| Quilts, Incorporated                              | 30,000            |
| <b>NOVEMBER</b>                                   |                   |
| Society for Immunotherapy of Cancer               | 6,000             |
| Blavity, Inc.                                     | 10,000            |
| Emerald X   | 3,000             |
| Society for Neuro-Oncology                        | 2,500             |
| <b>DECEMBER</b>                                   |                   |
| Texas Bowl  | 55,000            |

# PROPOSED CY 2024 BUDGET



**\$229.2M**  
TOTAL REVENUES

**\$227.8M**  
TOTAL EXPENSES

**\$20.3M**  
CAPITAL EXPENDITURES

## ASSUMPTIONS:

- No recession in 2024
- Leisure travel continues pace
- Business travel continues improvement
- Hotel occupancy and rates improve
- Corporate meeting demand continues
- Return to offices slowly improves
- Concerts, sporting and other events drive parking
- Continued inflation pressure
- Rising interest rate environment

**Houstonfirst**

# PROPOSED CY 2024 BUDGET SUMMARY

| <i>(\$ in millions)</i>                 | <b>2023<br/>Forecast<br/>Budget</b> | <b>2024<br/>Proposed<br/>Budget</b> | <b>CHANGE</b> |
|---|-------------------------------------|-------------------------------------|---------------|
| <i>Operating Revenue</i>                | \$116.9                             | \$ 115.4                            | (\$1.5)       |
| <i>Non-Operating Revenue</i>            | 108.8                               | 113.8                               | 5.0           |
| <b>TOTAL REVENUE</b>                    | <b>\$225.7</b>                      | <b>\$229.2</b>                      | <b>\$3.5</b>  |
| <i>Operating Expense</i>                | \$102.1                             | \$120.4                             | \$18.3        |
| <i>Non-Operating Expense</i>            | 123.1                               | 107.4                               | (15.7)        |
| <b>TOTAL EXPENSE</b>                    | <b>\$225.2</b>                      | <b>\$227.8</b>                      | <b>\$2.6</b>  |
| <b>REVENUE IN EXCESS<br/>OF EXPENSE</b> | <b>\$0.5</b>                        | <b>\$1.4</b>                        | <b>\$0.9</b>  |

# Houstonfirst™

[www.HoustonFirst.com](http://www.HoustonFirst.com)

Buffalo Bayou Park  
WEST OF DOWNTOWN



# EXHIBITS

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- A.** Proposed CY 2024 Budget
- B.** Outstanding Debt
- C.** Annual C & E and HFC Debt Service
- D.** Out-Year Citywide Conventions

# A. PROPOSED CY 2024 BUDGET

## OPERATING REVENUES AND EXPENSES

|                                   | CY22 Actuals          | CY23 Orig Budget      | CY23 Forecast         | CY24 Budget           | Variance h/(l) than<br>CY23 Forecast |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| Venue Revenue                     | \$ 82,640,103         | \$ 85,315,300         | \$ 94,166,452         | \$ 91,187,640         | \$ (2,978,812)                       |
| Parking.                          | \$ 21,455,576         | \$ 19,903,565         | \$ 20,657,009         | \$ 21,781,864         | \$ 1,124,855                         |
| Miscellaneous                     | \$ 3,050,991          | \$ 2,852,400          | \$ 2,088,528          | \$ 2,422,145          | \$ 333,617                           |
| <b>Operating Revenues</b>         | <b>\$ 107,146,670</b> | <b>\$ 108,071,265</b> | <b>\$ 116,911,989</b> | <b>\$ 115,391,649</b> | <b>\$ (1,520,340)</b>                |
| Personnel                         | \$ 20,073,181         | \$ 27,341,273         | \$ 25,935,845         | \$ 29,798,976         | \$ 3,863,131                         |
| Advertising & Promotion           | \$ 7,017,208          | \$ 8,212,233          | \$ 8,096,322          | \$ 11,034,880         | \$ 2,938,558                         |
| Travel, Promotion, and Events     | \$ 4,760,636          | \$ 3,457,040          | \$ 4,684,024          | \$ 9,850,577          | \$ 5,166,553                         |
| Facility Maintenance              | \$ 7,733,209          | \$ 10,191,295         | \$ 8,903,251          | \$ 10,770,240         | \$ 1,866,989                         |
| Food and Beverage                 | \$ 14,732,998         | \$ 14,943,235         | \$ 17,772,643         | \$ 14,585,017         | \$ (3,187,626)                       |
| Security                          | \$ 3,719,777          | \$ 5,454,933          | \$ 4,929,401          | \$ 6,498,200          | \$ 1,568,799                         |
| Utilities                         | \$ 5,415,341          | \$ 5,767,522          | \$ 5,915,035          | \$ 7,406,685          | \$ 1,491,650                         |
| Parking                           | \$ 2,127,272          | \$ 2,424,329          | \$ 2,460,642          | \$ 3,246,426          | \$ 785,784                           |
| Janitorial                        | \$ 5,733,903          | \$ 6,534,287          | \$ 6,797,957          | \$ 6,710,543          | \$ (87,414)                          |
| Insurance                         | \$ 5,395,159          | \$ 6,411,273          | \$ 7,722,873          | \$ 9,888,272          | \$ 2,165,399                         |
| Lease Expense                     | \$ 1,524,252          | \$ 1,525,410          | \$ 1,524,305          | \$ 1,524,450          | \$ 145                               |
| Consulting                        | \$ 2,040,926          | \$ 2,943,600          | \$ 2,502,085          | \$ 3,140,450          | \$ 638,365                           |
| Fees & Services                   | \$ 933,502            | \$ 928,650            | \$ 873,152            | \$ 1,384,850          | \$ 511,698                           |
| Computer Services                 | \$ 910,605            | \$ 1,002,096          | \$ 1,115,302          | \$ 1,205,186          | \$ 89,884                            |
| Legal Expense                     | \$ 545,416            | \$ 830,000            | \$ 951,231            | \$ 950,000            | \$ (1,231)                           |
| Other                             | \$ 1,001,367          | \$ 947,482            | \$ 835,740            | \$ 1,106,054          | \$ 270,314                           |
| <b>Operating Expenses</b>         | <b>\$ 84,339,609</b>  | <b>\$ 100,007,442</b> | <b>\$ 102,060,811</b> | <b>\$ 120,419,586</b> | <b>\$ 18,358,775</b>                 |
| <b>Net Income From Operations</b> | <b>\$ 22,807,061</b>  | <b>\$ 8,063,822</b>   | <b>\$ 14,851,177</b>  | <b>\$ (5,027,937)</b> | <b>\$ (19,879,115)</b>               |

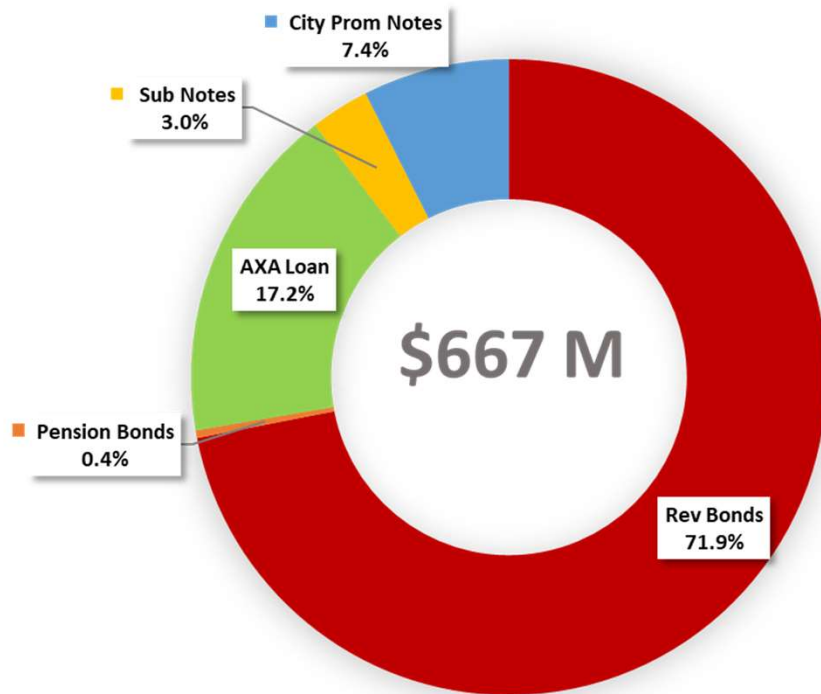


# A. PROPOSED CY 2024 BUDGET

## NON-OPERATING REVENUES AND EXPENSES

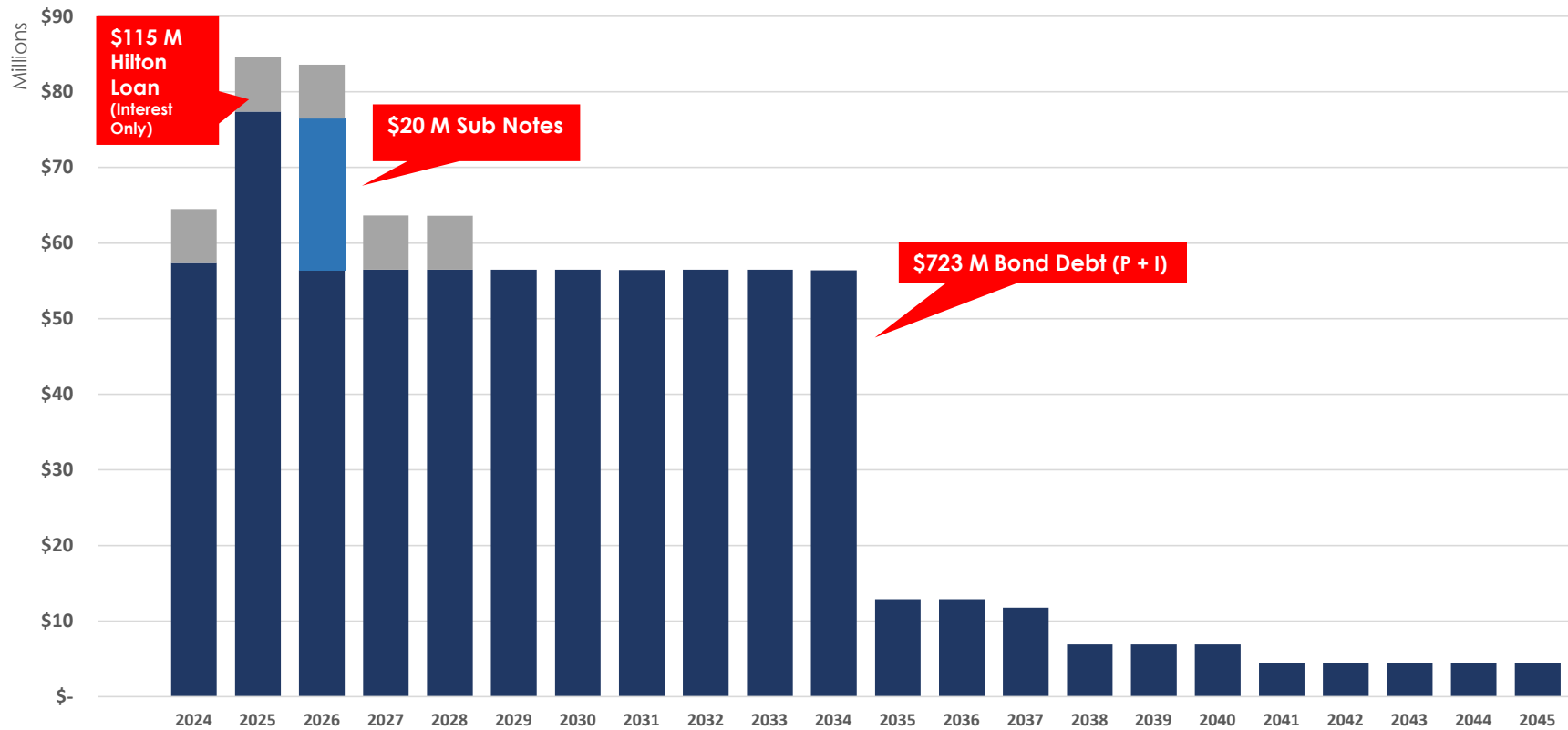
|  | CY22 Actuals          | CY23 Orig Budget      | CY23 Forecast         | CY24 Budget           | Variance h/(l) than<br>CY23 Forecast |
|--|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| Hotel Occupancy Tax (Current & Delinquent) | \$ 84,367,831         | \$ 99,000,000         | \$ 105,752,649        | \$ 111,000,000        | \$ 5,247,351                         |
| Contributions                              | \$ 10,930,250         | \$ -                  | \$ 20,000             |                       | \$ (20,000)                          |
| Net Available Pledged Rev. Transfer        | \$ 1,118,028          | \$ -                  | \$ 1,501,210          | \$ 678,000            | \$ (823,210)                         |
| Interest Income                            | \$ 718,601            | \$ 515,969            | \$ 1,565,237          | \$ 2,146,200          | \$ 580,963                           |
| <b>Non-Operating Revenues</b>              | <b>\$ 94,898,654</b>  | <b>\$ 99,515,969</b>  | <b>\$ 108,839,095</b> | <b>\$ 113,824,200</b> | <b>\$ 4,985,105</b>                  |
| Sponsorship Expense                        | \$ 601,356            | \$ 1,032,550          | \$ 753,502            | \$ 1,152,850          | \$ 399,348                           |
| Non-COH Contractual Obligations            | \$ 3,897,586          | \$ 3,679,656          | \$ 3,665,449          | \$ 3,681,744          | \$ 16,295                            |
| Programming & Events                       | \$ 1,838,968          | \$ 2,985,000          | \$ 2,285,176          | \$ 3,150,000          | \$ 864,824                           |
| Contingency                                | \$ -                  | \$ 4,000,000          | \$ 2,000,000          | \$ 4,000,000          | \$ 2,000,000                         |
| Capital Spending                           | \$ 10,126,096         | \$ 1,215,582          | \$ 20,976,875         | \$ 568,073            | \$ (20,408,802)                      |
| Debt Service                               | \$ 67,952,796         | \$ 70,879,200         | \$ 70,695,368         | \$ 70,885,128         | \$ 189,760                           |
| COH Contractual Obligations                | \$ 17,337,394         | \$ 20,455,416         | \$ 21,444,265         | \$ 22,620,797         | \$ 1,176,532                         |
| Hotel Tax Refunds                          | \$ 1,051,063          | \$ 1,716,446          | \$ 1,292,294          | \$ 1,330,916          | \$ 38,622                            |
| <b>Non-Operating Expenses</b>              | <b>\$ 102,805,259</b> | <b>\$ 105,963,850</b> | <b>\$ 123,112,928</b> | <b>\$ 107,389,508</b> | <b>\$ (15,723,421)</b>               |
| Total Revenue less Expenses                | \$ 14,900,456         | \$ 1,615,941          | \$ 577,344            | \$ 1,406,755          | \$ 829,411                           |
| Capital - Prior Year Carry Forward         |                       | \$ 11,415,367         | \$ -                  | \$ 5,028,512          | \$ 5,028,512                         |
| Capital - Financed Projects                | \$ 5,273,471          | \$ 18,122,312         | \$ 5,626,750          | \$ 19,946,250         | \$ 14,319,500                        |
| Disaster Expense                           | \$ 40,095             | \$ -                  | \$ 147,334            | \$ 178,600            | \$ 31,266                            |
| Total Revenues                             | \$ 202,045,324        | \$ 207,587,234        | \$ 225,751,084        | \$ 229,215,849        | \$ 3,464,765                         |
| Total Expense                              | \$ 187,144,869        | \$ 205,971,292        | \$ 225,173,740        | \$ 227,809,094        | \$ 2,635,354                         |
| Net Profit (Loss)                          | \$ 14,900,456         | \$ 1,615,941          | \$ 577,344            | \$ 1,406,755          | \$ 829,411                           |

# B. OUTSTANDING DEBT



| Series                  | In 000's          |
|-------------------------|-------------------|
| 2001B                   | \$ 209,859        |
| 2014                    | 65,610            |
| 2015                    | 98,760            |
| 2017                    | 8,070             |
| 2019                    | 70,740            |
| 2021                    | 26,840            |
| AXA Mortgage Loan       | 115,000           |
| 2019 5-year             | 1,100             |
| 2019 10-year            | 12,500            |
| 2021 10-year            | 20,000            |
| 2023 10-year Pension    | 16,080            |
| 2017 Sub. Lien Series A | 20,000            |
| 2008A                   | 2,380             |
| 2005                    | 188               |
| <b>TOTAL:</b>           | <b>\$ 667,128</b> |

# C. ANNUAL C&E, HILTON AND HFC BOND DEBT SERVICE



# D. OUT-YEAR CITYWIDE CONVENTIONS

## CURRENT CONTRACTED MEETINGS

| 2025 Groups  | Attendees |
|--|-----------|
| PCMA   | 3,500     |
| O'Reilly Auto Parts                                    | 10,000    |
| American Physical Therapy Association                  | 15,000    |
| Dassault Systemes SOLIDWORKS Corporation               | 5,000     |
| Specialty Coffee Association                           | 15,000    |
| Association for Uncrewed Vehicle Systems International | 8,000     |
| Amateur Athletic Union (AAU)                           | 15,000    |
| National Black MBA Association, Incorporated           | 8,000     |
| American Society of Nephrology                         | 13,000    |
| National Association of REALTORS                       | 18,000    |
| National Association of Independent Schools            | 5,500     |

| 2026 Groups  | Attendees |
|--|-----------|
| O'Reilly Auto Parts                                | 10,000    |
| American Meteorological Society                    | 3,000     |
| Dassault Systemes SOLIDWORKS Corporation           | 5,000     |
| American Traffic Safety Services Association       | 3,500     |
| AMPP   | 7,000     |
| Texas Library Association                          | 8,000     |
| National Rifle Association                         | 85,000    |
| Texas High School Coaches Association              | 13,000    |
| American Association for Laboratory Animal Science | 4,200     |

| 2027 Groups  | Attendees |
|--|-----------|
| O'Reilly Auto Parts  | 10,000    |
| American Heart Association/American Stroke Association     | 5,000     |
| Keller Williams® Realty Incorporated                       | 15,000    |
| Teachers of English to Speakers of Other Languages (TESOL) | 6,000     |
| American College of Cardiology                             | 18,000    |
| American Society for Mass Spectrometry                     | 6,500     |
| Delta Sigma Theta Sorority, Incorporated                   | 15,000    |

| 2028 Groups  | Attendees |
|--|-----------|
| American Society for Microbiology                  | 10,000    |
| HOSA - Future Health Professionals                 | 11,000    |
| National Cattlemen's Beef Association              | 9,000     |
| American Association of Neurological Surgeons      | 7,000     |
| Cystic Fibrosis Foundation                         | 5,000     |
| American Meteorological Society                    | 3,000     |
| Infectious Diseases Society of America             | 8,200     |
| American Health Information Management Association | 5,000     |