

Racial Injustice, Income Inequality, and Affordable Health Care During COVID-19:

A Study of Houston First Corporation

UNITEHERE!

Dedication

This report is dedicated to the workers whose early mornings, late evenings, and tireless efforts serve as the foundation of success at Houston First Corporation.

FOREWORD

Houston First Corporation is an institution straddling the line between public entity and private corporation. The Corporation's governing structure is markedly public: established by the City of Houston to improve the quality of life of Houston residents, its taxing jurisdiction, policies, and overall direction is shaped by a Board of Directors appointed by democratically-elected city council members who are accountable to the diversity of the Houston electorate. Conversely, its practices tell a different story. The Corporation has been repeatedly criticized for a lack of transparency and questionable accounting practices. This report reveals an additional layer to this unsettling pattern at Houston First, and begs a deeper question: is Houston First delivering results for the people in Houston who need it most?

Many low-wage contracted employees associated with Houston First are in the grip of devastation caused by the economic downturn and global pandemic. Most have been laid off, and are on the cusp of losing critical health care coverage and temporary federal unemployment benefits. Now, more than ever, we must carefully inspect the use of public funds at Houston First, and interrogate whether the allocation of resources perpetuates broader, systemic challenges like income inequality and structural racism.

By shining a light on the payroll practices of Houston First, we hope to help contribute to a meaningful conversation that results in a reimagining of how Houston First can be more fair, more accountable, and create more equity for Houston residents.

Marlene Patrick-Cooper, President, UNITE HERE Local 23



Executive Summary

Despite the economic downturn and global pandemic, Houston First Corporation anticipated spending nearly \$60 million by year's end in its revised 2020 budget. A third of this budget is dedicated to the Corporation's personnel costs, supported by ongoing revenue from a range of sources flowing into the Corporation's accounts. A close review and analysis of the Corporation's payroll records reveals an unsettling pattern of racial and income inequality throughout the Corporation's organizational structure.

The disproportionate impact of the Corporation's choices do not end with direct employees of Houston First: the Corporation's recent decision to continue to host events to generate revenue at the George R. Brown Convention Center is having a severe impact on low-wage women of color working at the hotel owned by Houston First and their potential exposure to COVID-19. These dynamics are placed in a broader context of concerns raised by the City Auditor regarding an overall lack of transparency and poor accounting practices at Houston First.

Overview of Houston First Corporation

The predecessor to Houston First Corporation was established as a local government corporation in February 2000 by the City of Houston under Chapter 394 of the Texas Local Government Code, as well as Chapter 431, Subchapter D of the Texas Transportation Code. Initially, the purpose of Houston First was to develop and construct a convention center hotel and parking facility adjacent to the George R. Brown Convention Center.

After nearly a decade, Houston City Council in 2011 merged this corporation with the Convention & Entertainment Facilities Department to form what is now known as Houston First Corporation. In addition to owning the convention center hotel, this expanded role for Houston First included the operation, management, maintenance, and redevelopment of 10,000 parking spaces and eleven buildings valued in excess of \$1 billion, including the George R. Brown Convention Center, Talento Bilingüe de Houston, Jones Hall for the Performing Arts, Miller Outdoor Theatre, Wortham Theater Center, and Partnership Tower.

The Corporation is governed by a Board of Directors. The Board is comprised of twelve members, all of whom are appointed by the Houston City Council. They set overall policy, and review and approve major expenditures for the organization. In addition to appointing the Board, Houston City Council annual budget. Two City Council members serve as ex-officio members.

Houston First Corporation Revenue

Houston First is the agent for the collection of Hotel Occupancy Tax on behalf of the City of Houston. It derives revenue from the hotel, parking, and from rental, food, and beverage fees from the George R. Brown Convention Center.

COVID-19 and the economic downturn have undoubtedly had an impact on the finances of Houston First Corporation, with reductions in revenue and expenses. However, a closer look at primary documents published by Houston First reveals significant receipts despite the recession. During the June 18, 2020 Board of Directors meeting, the Chief Financial Officer in his Cash Reserve Analysis claimed more than \$46 million in available cash reserves for Houston First, and projected \$103 million in total revenue by the end of 2020. These revenues will help support the Corporation's personnel budget of more than \$20 million for the remainder of 2020.

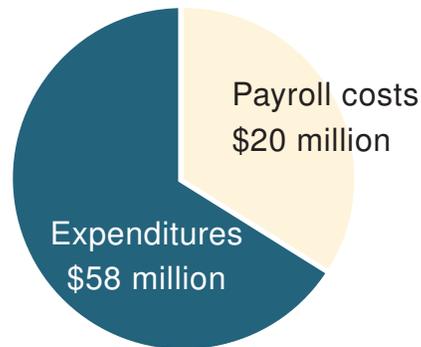
Houston First Corporation Personnel & Key Findings

Payroll records for June 2020 provided by Houston First Corporation list 215 individuals, and the annualized payroll total is \$17.89 million. Below is a summary analysis of key statistical findings.

Key Finding #1:

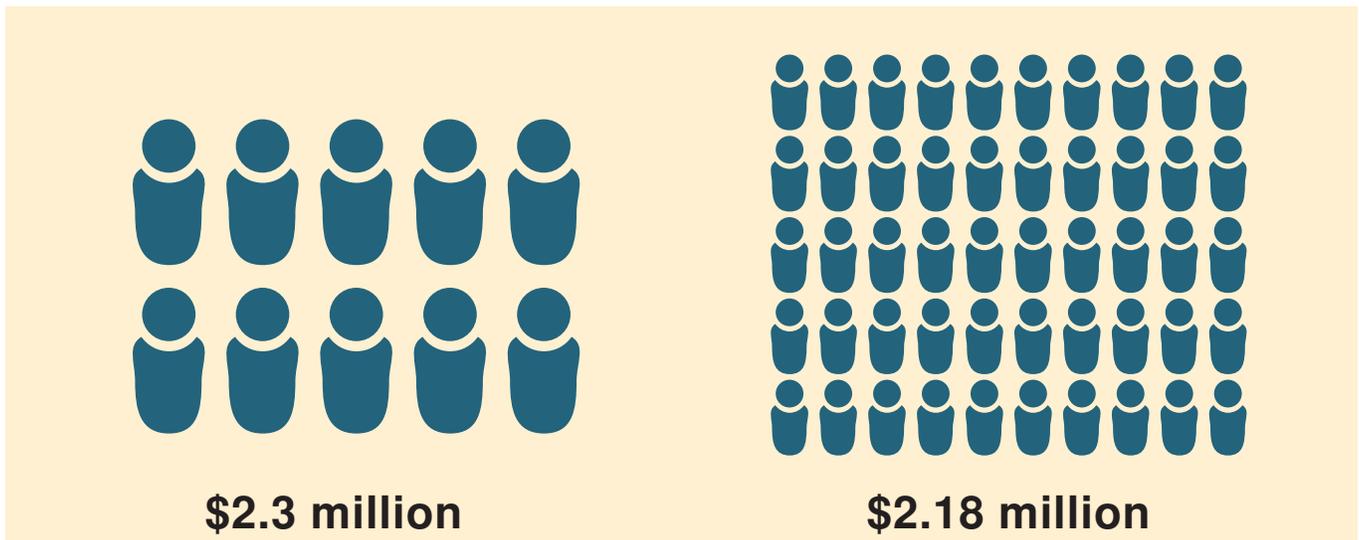
2020 Houston First personnel costs account for a third of total projected expenditures

- The projected 2020 expenditures for Houston First are \$58 million
- The projected payroll costs for Houston First are \$20 million



Key Finding #2:

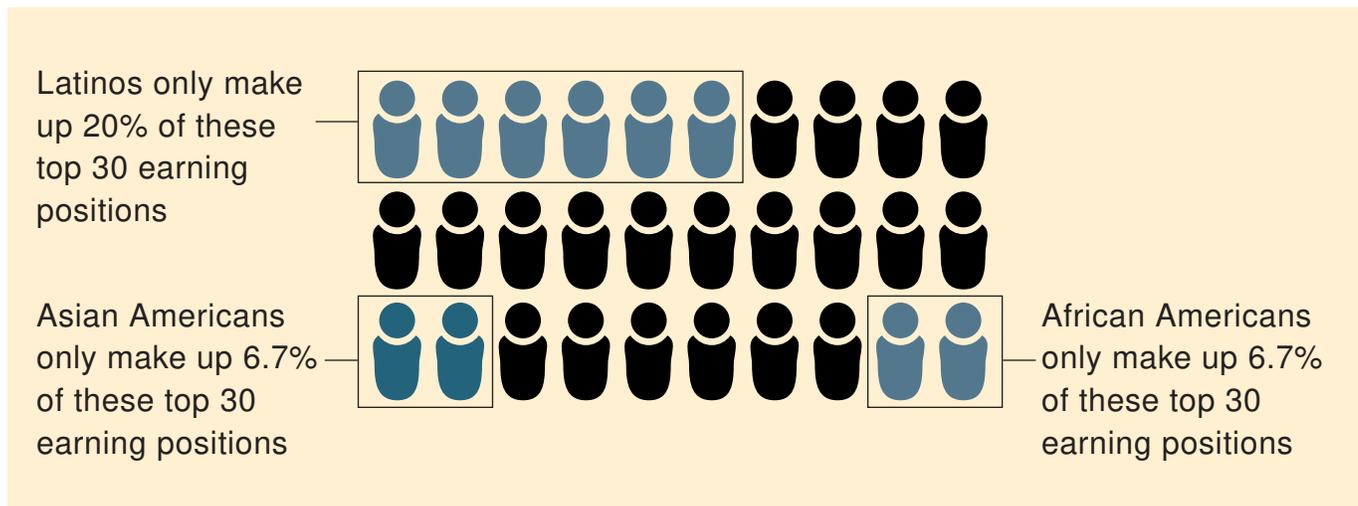
Personnel costs at Houston First are driven by six figure salaries earned by mostly white men



The total for the top ten salaries at Houston First Corporation (\$2.3 million) is more than the bottom 50 earning positions combined (\$2.18 million)

The top 30 salaries at HFC total \$5.26 million dollars

- Of these top 30 salaries, 63% of these top earners at HFC are white, and the majority of those individuals are male
- Despite making up 44.8% of the city's population, Latinos only make up 20% of these top 30 earning positions
- Despite making up 22% of the city's population, African Americans only make up 6.7% of these top 30 earning positions



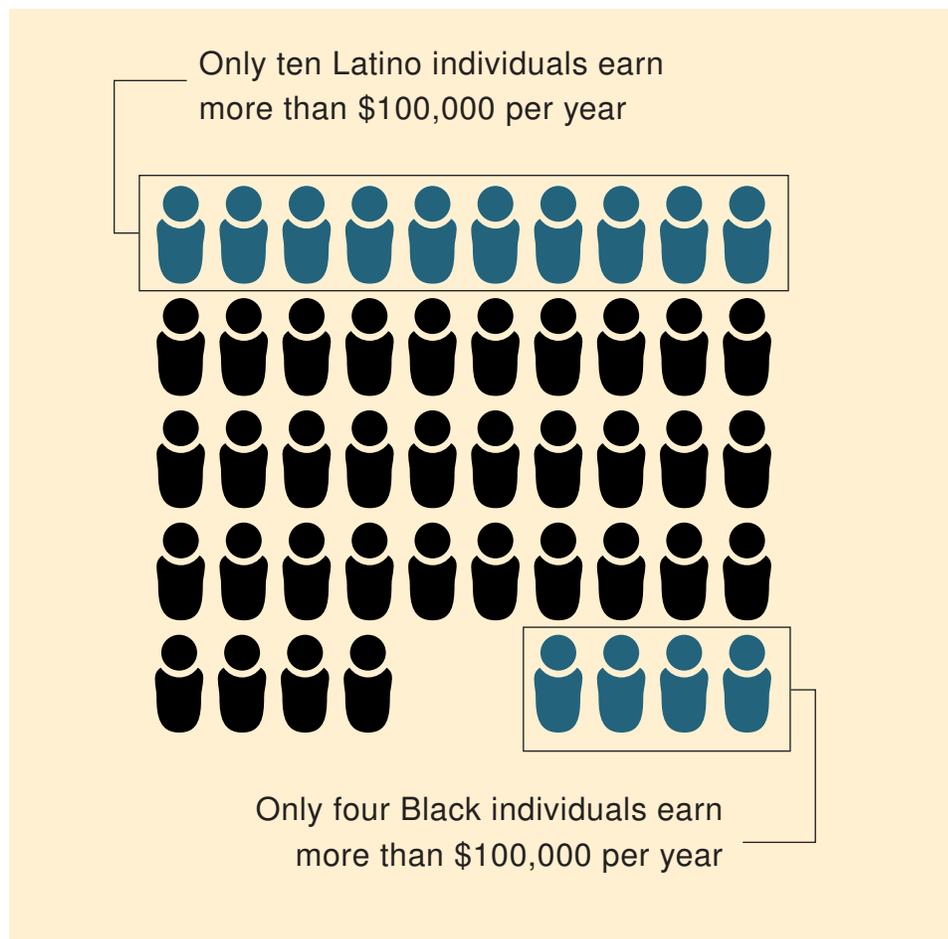
- Highest paid positions include Senior Vice President for Film Commission (\$187,105); Chief Destination Officer (\$275,000); and Vice President of Parking (\$153,749)



Key Finding #3:

Racial and income inequality is a feature of the Houston First 2020 payroll

- White employees hold positions that allow them to earn, on average, \$1,348 more per year than Black employees.
- While thirty-four White individuals make above \$100,000 per year, only four Black individuals at HFC earn more than \$100,000 per year
- While fifty-five Latino individuals earn less than \$100,000 at Houston First, only ten Latino individuals earn more than \$100,000 per year



Key Finding #4:

In 2020, City Auditors revealed lax spending policies and minimal oversight

- City Auditor: “There is a need to strengthen internal controls and improve documentation to ensure consistency and compliance with existing procedures”
- City Auditor: “we concluded there is a need to strengthen policies and procedures to guide the procurement process and, in some cases, to better align the policies with what is actually occurring.”
- City Auditor: HFC has a “lack of supporting documentation for the evaluation of vendor proposals” and “inadequate documentation of competitive bidding practices” as well as the use of “inappropriate procurement methods”
- During the audit period, HFC awarded a \$412,662 contract “to a vendor without a formal request for proposal/ bid being posted, no competitive bids were received, and no selection committee was involved in the selection of this contractor.”

Lashay Hampton

Lashay Hampton has worked at the hotel owned by Houston First for more than sixteen years. She works in the laundry and uniform department.



Unlike many of her coworkers, Lashay is still working limited hours at the hotel during the COVID-19 pandemic. The hours she works are more limited, and unpredictable. Sometimes she works as many as twenty-eight hours per week, and sometimes she works as few as ten.

The pandemic has had a significant impact on her finances. “My car payment got behind. Other bills are falling behind. We don’t always know where our next meal is coming from. It’s very stressful.”

Some of Lashay’s grandchildren have been laid off, and still haven’t received unemployment. “We try to give them meals and pay what support for bills we can,” said Hampton.

Lashay is very concerned about losing her health care. “It worries me because we are losing our health care at exactly the wrong time during COVID-19. I have asthma. I have high cholesterol as well, and my husband is a cancer patient. Losing insurance is a big deal to me because I won’t be able to afford medical care. If I have an asthma attack I can’t get my medicine.”

“Now, with COVID-19, will we even get the care we need if we don’t have insurance?”

Juanita Thomas

Juanita Thomas has worked as a laundry attendant at the Houston First-owned hotel for more than fifteen years. She was initially furloughed for two weeks during the COVID-19 outbreak, but was eventually called back to work eighteen hours per week.



“I didn’t get unemployment until June, and I’ve been behind in paying my rent since then,” said Thomas. “I’ve been struggling hard.”

For Juanita, losing health insurance is a major challenge. “I need my health insurance, says Thomas. “I suffer from migraines and there’s medicine I have to get that I can’t afford on my own.” Paying full-price for her medication would be \$325: “I’m not able to afford that. I can’t afford it. There’s no one here but me. Taking care of myself and paying these bills is hard.”

Without the medication, Thomas struggles to perform daily activities. “When I get a migraine it’s hard to do the work I do, and I have to sleep it off and hope it goes away. I can’t do the things I need to do.”

Key Finding #5:

Houston First has sufficient cash reserves to ensure ongoing health care coverage for workers at the hotel it owns

- During the June 18, 2020 Board of Directors meeting, the Chief Financial Officer in his Cash Reserve Analysis claimed more than \$46 million in available cash reserves for Houston First;
- The first quarter health care costs in 2020 for employees Houston First hotel employees are \$1.09 million;
- Annualized health care costs for these employees is approximately \$4.36 million;
- If Houston First were to cover health care costs for hotel employees for twelve months, it could maintain more than 90% of its current cash reserves.

Cynthia Pratt

Cynthia has worked at the hotel owned by Houston First for nearly eight and a half years. She currently



is a server at 1600 Bar and Grill. Being laid off hasn't been easy: "I'm having to choose between which bills to pay now, and which are for later. But what's really going to impact me is losing me health insurance," said Cynthia.

Cynthia takes life sustaining medication, and will be forced to make difficult decisions. "I'll have to choose between visiting my regular care physician, orthopedic surgeon, or my neurologist. And that's just three of them." Cynthia has started calling their offices to account for the full price of visitation and treatment. "When you don't have insurance, it's a lot more expensive, it's full price and out-of-pocket."

Bill Guillen

Bill is a Communications Operator at Hilton-Americas, the hotel owned by Houston First Corporation. He has worked at the hotel for 15 years since the hotel first opened.



Bill has been laid off for much of this year, and is on unemployment. "My ability to pay for the mortgage, credit cards, groceries, and medicine are all in jeopardy. I have limited funds and have to make harder choices about what I can afford. I don't know what's going to happen next — I would like to save money, but it's hard to do."

Bill has a retina disease that has progressively worsened over time, leaving him totally blind. "I am concerned about losing my health care. The doctors are increasing the medicine for me to treat my type 2 diabetes, but if I don't have insurance I might not be able to afford the prescriptions. I have sleep apnea and need equipment to treat it, and have been told I need to visit a pulmonologist as well.

Losing my health care would mean I wouldn't have a doctor to see if I get sick. It would mean I won't have medicine I need on a daily basis. Losing my health care will jeopardize my health.

"I don't understand why Houston First can't step in and support us during this time," said Bill. "I started work the month this hotel opened their doors. Since then we've worked so many events that have generated money for Houston First. The pandemic is still going on — we need help to stay healthy."

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