

To Management
Houston Downtown Management District

Management is responsible for the accompanying financial statements of the Houston Downtown Management District (the District), which comprise the governmental fund balance sheets and statements of net assets as of September 30, 2018 and 2017, and the related statements of activities for the months then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America and the required supplementary information that the Government Accounting Standards Board (GASB) requires to be presented to supplement the basic financial statements. If the omitted disclosures, and GASB required supplementary information were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The Variance Analysis on page 7 is presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required part of the basic financial statements. The Variance Analysis is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



Houston, Texas
October 8, 2018



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**Houston Downtown Management District
Governmental Fund Balance Sheets and
Statement of Net Assets
September 30, 2018 and September 30, 2017**

	2018				2017			
	HDMD Operating Year to Date	HDMD Capital Year to Date	GreenLink Year to Date	Total (Memo Only)	HDMD Operating Year to Date	HDMD Capital Year to Date	GreenLink Year to Date	Total (Memo Only)
Assets								
Cash	\$ 11,487,155	\$ 3,248,214	\$ 1,324,367	\$ 16,059,736	\$ 9,968,012	\$ 2,283,160	\$ 1,656,590	\$ 13,907,762
Assessments Due, Net	-	-	-	-	-	-	-	-
Accounts Receivable	18,906	-	88,371	107,278	39,347	32,319	127,243	198,909
Prepaid Expense	80,750	-	-	80,750	80,750	-	-	80,750
Inventory	-	-	80,448	80,448	-	-	101,033	101,033
Property & Equipment, Net	62,696	113,085	1,416,328	1,592,109	83,931	81,981	1,666,267	1,832,180
Intercompany Rec/Pay	(695)	695	-	-	(1,383)	1,383	-	-
Total Assets	<u>\$ 11,648,813</u>	<u>\$ 3,361,994</u>	<u>\$ 2,909,514</u>	<u>\$ 17,920,321</u>	<u>\$ 10,170,658</u>	<u>\$ 2,398,843</u>	<u>\$ 3,551,133</u>	<u>\$ 16,120,634</u>
Liabilities								
Accounts Payable & Accrued Expenses	\$ 657,919	\$ 161,669	\$ 145,517	\$ 965,104	\$ 627,949	\$ 228,512	\$ 217,393	\$ 1,073,855
Deferred Revenue & Reserve for Refunds	34,559	4,494	150,000	189,053	1,101,609	139,641	150,000	1,391,250
Total Liabilities & Deferred Revenue	<u>692,478</u>	<u>166,162</u>	<u>295,517</u>	<u>1,154,157</u>	<u>1,729,558</u>	<u>368,153</u>	<u>367,393</u>	<u>2,465,104</u>
Fund Balances								
Unreserved, Undesignated	10,156,335			10,156,335	7,641,100			7,641,100
Unreserved, Designated for Catastrophy	800,000			800,000	800,000			800,000
Reserved for Capital Projects		3,195,832	2,613,997	5,809,829		2,030,691	3,183,739	5,214,430
	<u>10,956,335</u>	<u>3,195,832</u>	<u>2,613,997</u>	<u>16,766,164</u>	<u>8,441,100</u>	<u>2,030,691</u>	<u>3,183,739</u>	<u>13,655,530</u>
Total Liabilities, Deferred Revenue & Fund Balances	<u>\$ 11,648,813</u>	<u>\$ 3,361,994</u>	<u>\$ 2,909,514</u>	<u>\$ 17,920,321</u>	<u>\$ 10,170,658</u>	<u>\$ 2,398,843</u>	<u>\$ 3,551,133</u>	<u>\$ 16,120,634</u>

**Houston Downtown Management District
Statement of Activities
Nine Months Ended September 30, 2018**

	<u>Operating YTD Actual</u>	<u>Capital YTD Actual</u>	<u>Total YTD Actual</u>	<u>YTD Budget</u>	<u>Fav (Unfav) Variance</u>
Revenues					
Assessments, Net	\$ 41,081	\$ 4,269	\$ 45,350	\$ -	\$ 45,350
Operations Revenue	385,423	-	385,423	351,323	34,100
Project Revenue	59,182	-	59,182	93,750	(34,568)
Salary Reimbursements	55,807	41,760	97,567	36,166	61,401
Interest Income	206,670	44,073	250,742	105,000	145,742
Total Revenues	\$ 748,163	\$ 90,102	\$ 838,265	\$ 586,239	\$ 252,026
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 1,328,949	\$ -	\$ 1,328,949	\$ 1,874,000	\$ 545,051
Reduced Presence of Homeless & Street Persons	368,755	-	368,755	386,250	17,495
Downtown Sidewalks are Comfortably Lighted	95,941	-	95,941	105,000	9,059
Downtown Clean & Well-Kept Appearance	2,484,122	-	2,484,122	2,518,875	34,753
Remove Signs of Disorder in Downtown	20,005	-	20,005	27,375	7,370
Prepare for Emergencies	74,050	-	74,050	82,500	8,450
	4,371,822	-	4,371,822	4,994,000	622,178
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	293,819	-	293,819	291,458	(2,361)
Public Spaces Managed, Programmed, & Delightful	533,337	-	533,337	725,125	191,788
Place of Civic Celebration	665,986	-	665,986	457,500	(208,486)
	1,493,142	-	1,493,142	1,474,083	(19,058)
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	8,110	-	8,110	8,250	140
Convenient Circulation Without Personal Vehicle	389,764	-	389,764	389,625	(139)
Easy To Find Way Around	96,960	-	96,960	133,125	36,165
Connect Neighbors & Districts Inside/Outside Downtown	35,924	-	35,924	35,625	(299)
Convenient, Understandable & Managed Parking	11,342	-	11,342	11,250	(92)
	542,101	-	542,101	577,875	35,774
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	209,830	-	209,830	206,250	(3,580)
Exciting Neighborhoods to Live In	340,591	-	340,591	608,525	267,933
Competitive Shopping Place	35,151	-	35,151	35,250	99
Remarkable Destination for Visitors	34,574	-	34,574	50,250	15,676
	620,146	-	620,146	900,275	280,129
Downtown's Vision & Offering Understood By All					
Market to Region	492,242	-	492,242	744,025	251,783
Promote Downtown's Ease of Use	15,612	-	15,612	15,750	138
Vision/Development Framework Understood By All	554,841	-	554,841	681,750	126,909
Tools to Assist Continued Redevelopment	60,549	-	60,549	60,000	(550)
Develop & Maintain Information to Support Downtown	23,940	-	23,940	24,000	60
	1,147,184	-	1,147,184	1,525,525	378,340
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	440,349	-	440,349	468,250	27,901
Communications to Owners, Tenants & Others	18,182	-	18,182	20,875	2,693
Preservation of Districts' Capital Assets	32,649	-	32,649	34,550	1,901
	491,180	-	491,180	523,675	32,495
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	154,681	154,681	540,000	385,319
Public Realm is Charming, Inviting, & Beautiful	-	76,234	76,234	315,000	238,766
Accessible to Region & Easy to Get Around	-	410,858	410,858	1,130,000	719,142
Vibrant, Sustainable Mixed-Use Place	-	32,175	32,175	99,122	66,947
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	79,510	79,510	276,000	196,490
	-	753,459	753,459	2,360,122	1,606,663
Total Expenses	\$ 8,665,576	\$ 753,459	\$ 9,419,035	\$ 12,355,555	\$ 2,936,520
Depreciation Expense	16,290	23,711	40,001	31,730	(8,271)
Excess of Revenue Over Expenses GAAP Basis	\$ (7,933,703)	\$ (687,069)	\$ (8,620,771)	\$ (11,801,046)	\$ 3,180,275

**Houston Downtown Management District
Statement of Activities
Nine Months Ended September 30, 2018 and September 30, 2017**

	Operating YTD Actual	Capital YTD Actual	2018 Total YTD Actual	2017 Total YTD Actual	Fav (Unfav) Variance
Revenues					
Assessments, Net	\$ 41,081	\$ 4,269	\$ 45,350	\$ 76,634	\$ (31,284)
Operations Revenue	385,423	-	385,423	339,829	45,594
Project Revenue	59,182	-	59,182	319,089	(259,907)
Salary Reimbursements	55,807	41,760	97,567	148,101	(50,533)
Interest Income	206,670	44,073	250,742	116,283	134,459
Total Revenues	\$ 748,163	\$ 90,102	\$ 838,265	\$ 999,935	\$ (161,671)
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 1,328,949	\$ -	\$ 1,328,949	\$ 1,388,559	\$ 59,610
Reduced Presence of Homeless & Street Persons	368,755	-	368,755	291,845	(76,910)
Downtown Sidewalks are Comfortably Lighted	95,941	-	95,941	113,680	17,739
Downtown Clean & Well-Kept Appearance	2,484,122	-	2,484,122	2,407,462	(76,660)
Remove Signs of Disorder in Downtown	20,005	-	20,005	26,767	6,762
Prepare for Emergencies	74,050	-	74,050	74,830	781
	4,371,822	-	4,371,822	4,303,143	(68,678)
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	293,819	-	293,819	281,870	(11,949)
Public Spaces Managed, Programmed, & Delightful	533,337	-	533,337	548,319	14,982
Place of Civic Celebration	665,986	-	665,986	359,223	(306,763)
	1,493,142	-	1,493,142	1,189,412	(303,730)
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	8,110	-	8,110	7,900	(210)
Convenient Circulation Without Personal Vehicle	389,764	-	389,764	400,327	10,563
Easy To Find Way Around	96,960	-	96,960	36,396	(60,565)
Connect Neighbors & Districts Inside/Outside Downtown	35,924	-	35,924	69,619	33,695
Convenient, Understandable & Managed Parking	11,342	-	11,342	14,196	2,853
	542,101	-	542,101	528,437	(13,664)
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	209,830	-	209,830	163,245	(46,585)
Exciting Neighborhoods to Live In	340,591	-	340,591	155,082	(185,509)
Competitive Shopping Place	35,151	-	35,151	70,248	35,097
Remarkable Destination for Visitors	34,574	-	34,574	7,796	(26,778)
	620,146	-	620,146	396,372	(223,775)
Downtown's Vision & Offering Understood By All					
Market to Region	492,242	-	492,242	595,517	103,275
Promote Downtown's Ease of Use	15,612	-	15,612	15,760	148
Vision/Development Framework Understood By All	554,841	-	554,841	872,764	317,923
Tools to Assist Continued Redevelopment	60,549	-	60,549	73,933	13,383
Develop & Maintain Information to Support Downtown	23,940	-	23,940	23,747	(193)
	1,147,184	-	1,147,184	1,581,721	434,536
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	440,349	-	440,349	441,028	679
Communications to Owners, Tenants & Others	18,182	-	18,182	10,745	(7,437)
Preservation of Districts' Capital Assets	32,649	-	32,649	32,649	-
	491,180	-	491,180	484,422	(6,758)
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	154,681	154,681	-	(154,681)
Public Realm is Charming, Inviting, & Beautiful	-	76,234	76,234	546,002	469,767
Accessible to Region & Easy to Get Around	-	410,858	410,858	119,956	(290,902)
Vibrant, Sustainable Mixed-Use Place	-	32,175	32,175	188,251	156,076
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	79,510	79,510	281,255	201,745
	-	753,459	753,459	1,135,464	382,005
Total Expenses	\$ 8,665,576	\$ 753,459	\$ 9,419,035	\$ 9,618,970	\$ 199,935
Depreciation Expense	16,290	23,711	40,001	32,313	(7,689)
Excess of Revenue Over Expenses GAAP Basis	\$ (7,933,703)	\$ (687,069)	\$ (8,620,771)	\$ (8,651,347)	\$ 30,576

Greenlink-Downtown Circulator Fund
Statement of Activities
Nine Months Ended September 30, 2018

	<u>Operating YTD Actual</u>	<u>Capital YTD Actual</u>	<u>Total YTD Actual</u>	<u>YTD Budget</u>	<u>Fav (Unfav) Variance</u>
Revenues					
HDMD Operations Sponsorship	\$ 337,500	\$ -	\$ 337,500	\$ 337,500	\$ -
Houston First Operations Sponsorship	337,500		337,500	337,500	-
BG Group Operations Sponsorship	-		-	-	-
TCEQ Grant Revenue	299,706		299,706	300,000	(294)
Interest Income	18,420		18,420	7,500	10,920
Total Revenues	<u>\$ 993,126</u>	<u>\$ -</u>	<u>\$ 993,126</u>	<u>\$ 982,500</u>	<u>\$ 10,626</u>
Expenses					
Vehicle Operator Expense	1,123,352		1,123,352	1,012,500	(110,852)
Fuel Expense	78,044		78,044	80,250	2,206
Marketing Expense	72,029		72,029	75,000	2,971
Operating Administrative Expense	5,270		5,270	10,000	4,730
Miscellaneous Expense	-		-	-	-
	<u>1,278,694</u>	<u>-</u>	<u>1,278,694</u>	<u>1,177,750</u>	<u>(100,944)</u>
Total Expenses	<u>\$ 1,278,694</u>	<u>\$ -</u>	<u>\$ 1,278,694</u>	<u>\$ 1,177,750</u>	<u>\$ (100,944)</u>
Depreciation Expense	187,454		187,454	187,452	(2)
Excess of Revenue Over Expenses GAAP Basis	<u>\$ (473,022)</u>	<u>\$ -</u>	<u>\$ (473,022)</u>	<u>\$ (382,702)</u>	<u>\$ (90,320)</u>

Greenlink-Downtown Circulator Fund
Statement of Activities
Nine Months Ended September 30, 2018 and September 30, 2017

	<u>Operating YTD Actual</u>	<u>Capital YTD Actual</u>	<u>2018 Total YTD Actual</u>	<u>2017 Total YTD Actual</u>	<u>Fav (Unfav) Variance</u>
Revenues					
HDMD Operations Sponsorship	\$ 337,500		\$ 337,500	\$ 337,500	\$ -
Houston First Operations Sponsorship	337,500		337,500	337,500	-
BG Group Operations Sponsorship	-		-	-	-
TCEQ Grant Revenue	299,706		299,706	400,832	(101,126)
Interest Income	18,420		18,420	9,081	9,339
Total Revenues	<u>\$ 993,126</u>	<u>\$ -</u>	<u>\$ 993,126</u>	<u>\$ 1,084,913</u>	<u>\$ (91,786)</u>
Expenses					
Vehicle Operator Expense	1,123,352		1,123,352	911,031	(212,321)
Fuel Expense	78,044		78,044	71,550	(6,494)
Marketing Expense	72,029		72,029	9,830	(62,198)
Operating Administrative Expense	5,270		5,270	5,000	(270)
Miscellaneous Expense	-		-	-	-
	<u>1,278,694</u>	<u>-</u>	<u>1,278,694</u>	<u>997,411</u>	<u>(281,283)</u>
Total Expenses	<u>\$ 1,278,694</u>	<u>\$ -</u>	<u>\$ 1,278,694</u>	<u>\$ 997,411</u>	<u>\$ (281,283)</u>
Depreciation Expense	187,454		187,454	187,454	-
Excess of Revenue Over Expenses GAAP Basis	<u>\$ (473,022)</u>	<u>\$ -</u>	<u>\$ (473,022)</u>	<u>\$ (99,953)</u>	<u>\$ (373,070)</u>

Houston Downtown Management District

Variance Analysis

Nine Months Ended September 30, 2018

Operating Budget

- 1) Revenue-Assessment revenue \$45K ahead of budget, operations revenue \$34K ahead of budget, marketing partnership revenue (\$34K) behind budget, salary reimbursements \$28K ahead of budget from developer reimbursements of repairs, \$17K ahead from Market Square Park event revenue, \$6K ahead on METRO capital reimbursement and \$10K ahead of budget due to receivable from 2017 CHI true-up, \$146K ahead on interest income.

- 2) Goal 1a-Collaboration to Maintain Low Crime Rate-Ahead of budget \$363K in Safety Guides due to open positions, ahead \$87K in Off-Duty program, and ahead \$95K in the PIT team due to delay in expansion of the program.

- 3) Goal 1b- Reduced Presence of Homeless & Street Persons-Ahead of Budget \$17K due to delay in invoicing from Search and Harris Health.

- 4) Goal 1d-Downtown Clean & Well-kept Appearance-Ahead of budget \$21K in paver maintenance, ahead \$27K in landscaping and tree maintenance, over budget (\$90K) in Street Team, over budget (\$28K) in irrigation repair reimbursed by developers, ahead \$131K in operations center expenses due to delay in space expansion, over (\$26K) for bird abatement services not budgeted.

- 5) Goal 2b-Public Spaces Programmed & Delightful-Ahead \$55K in Market Square Park and \$67K Main Street Square maintenance, ahead \$70K in programming due to timing of events.

- 6) Goal 2c-Place of Civic Celebration-Ahead \$42K on pole/pot maintenance and over (\$75K) in ArtBlocks program due to some funds that were budgeted but not used in 2017, and over (\$175K) due to deposit on new Holiday Décor.

- 7) Goal 3c-Easy to Find Way Around-Ahead of budget \$27K above/below and hike/bike maps delayed, \$9K ahead in wayfinding maintenance.

- 8) Goal 4b-Exciting Neighborhoods to Live In-Ahead of budget \$20K in contributions to Learn Central, ahead of budget \$248K due to timing of District DLI grant payments..

- 9) Goal 4d-Remarkable Destination for Visitors-Ahead of budget \$16K in personnel.

- 10) Goal 5a-Market to Region-Ahead of budget \$252K on media & advertising expenditures.

- 11) Goal 5c-Vision/Development Framework Understood by All-Ahead of budget \$127K on planning consulting expenditures due to timing of HNTB rail alignment invoices.

- 12) Goal 6a-District Governance Known for Excellence-Ahead of Budget \$10K in collection expense, \$5K in admin contractor fee, \$3K in insurance and \$10K in miscellaneous department expenses.

Capital Budget

- 13) Ahead of budget \$50K Chartres Fence delayed pending COH decision, ahead \$117K in lighting infill due to timing and ahead \$218K irrigation infill due to delay in project.

- 14) Ahead of budget \$139K in Market Square Park lighting project, ahead \$100K on holiday lighting - will put toward installation in November.

- 15) Over budget (\$122K) in vehicular wayfinding project budgeted in 2017, ahead \$275K in sidewalk infill project on hold, ahead \$46K delay in installation of bike racks, ahead \$270K on parking lot edge/landscaping projects not yet invoiced, ahead \$250K on illuminated street signs project not started.

- 16) Ahead of budget \$53K in grants for retail and ahead \$14K due to timing of District DLI grant payments.

- 17) Ahead of budget \$196K in capital replacements.

Greenlink Budget

- 18) Greenlink Vehicle Operator Expense-Over budget (\$109K) due to METRO adding one additional bus to the Green Route. Will receive reimbursement of \$56K from METRO through year end.