



Board of Directors Meeting
June 15, 2023



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**MINUTES OF REGULAR MEETING OF
HOUSTON DOWNTOWN MANAGEMENT DISTRICT**

May 11, 2023

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The Board of Directors of the Houston Downtown Management District (the “District”) met in regular session, open to the public, on May 11, 2023, at 12:00 p.m., inside the Large Conference Room of the District’s office, located at 1221 McKinney Street, Houston, TX 77010, and the roll was called of the duly appointed members of the Board, to-wit:

BOARD MEMBERS

Crystal Allen	Robbi Jones
Leslie Ashby	Roland Kennedy
Genora Boykins	Sean Liu
Clay Crawford	Ben Llana
Marcus Davis	Nick Massad
Terry Demchak	Sherea A. McKenzie
Jacques D’Rovencourt	Kenny Meyer
Kelly Foreman	Cat Nguyen
Irma Galvan	Randy Pryor
Marian Harper	Edna Ramos
Gilbert A. Herrera	Frem Reggie
C.C. Huang	Grace Rodriguez
Angus Hughes	John Schafer
Toni Jackson	Richard Torres

and all of the above were present, with the exception of Directors Marcus Davis, Terry Demchak, Jacques D’Rovencourt, Marian Harper, Cat Nguyen, Randy Pryor, and John Schafer.

Also in attendance were Kris Larson, President/CEO; Allen Douglas, COO & General Counsel; Jana Gunter, Director of Finance; Ted Zwiag, immediate past Vice Chair; and staff members Christal Ayala, Jenna Beasley, Jordan Cutler, Brett DeBord, Scott Finke, Jacque Gonzalez, David Gwin, Lonnie Hoogeboom, Ellen Johnson, James Kennedy, Dusty McCartney, Jamie Perkins, Ann Taylor, and Candace Williams; all with the District; Varun Cidambi with Central Houston, Inc.; and outside counsel Clark Lord of Bracewell.

WELCOME

Chair Ashby presided over the meeting and welcomed all attendees. Jamie Perkins served as Assistant Secretary. The meeting began at approximately 12:10 PM.

PUBLIC COMMENT

Chair Ashby asked if anyone from the public had comments. There were no comments from the public.

APPROVAL OF MINUTES

The Board considered approving the minutes of the April 13, 2023 regular Board of Directors meeting. A correction was noted on page 1 of the minutes. Edna Ramos did not attend the April Board meeting and was inadvertently left out of the sentence where it references “*those who did not attend*”. This was corrected by adding Edna Ramos and now reads as follows:

and all of the above were present, with the exception of Directors Crystal Allen, Marcus Davis, Irma Galvan, Angus Hughes, Toni Jackson, Sean Liu, Ben Llana, Nick Massad, Cat Nguyen, [Edna Ramos](#), John Schafer, and Richard Torres.

Hearing no additional comments or corrections, Chair Ashby called for a motion, which was moved and seconded, and the April 13, 2023 minutes were approved as corrected.

ITEMS PERTAINING TO FINANCE AND ADMINISTRATIVE MATTERS

Approval of Financial Statements and Ratification of Expenditures

Chair Ashby asked Treasurer Robbi Jones to present the interim financial statements and check registers for the period of April 30, 2023. Treasurer Jones shared highlights from the April statements and check registers. No questions were raised, and discussion did not occur.

Upon a motion made by Chair Ashby, moved by Director Torres, and seconded by Director Kennedy, the Board accepted the April financial statements and check registers as presented.

First Quarter DBE Report

Treasurer Jones continued by sharing details from the First Quarter DBE Report. Questions were asked and answered. Upon a motion made, moved by Director Ramos and seconded by Director Kennedy, the First Quarter DBE Report was accepted as presented.

Resolution of Appreciation for Retiring Director

On behalf of the District Board, Chair Ashby expressed gratitude to Ted Zwieg and his years of service on the District Board. President Larson presented a framed token of appreciation and resolution to Mr. Zwieg, who then shared a few words of thanks with the Board. No further action was taken.

PROJECT SPOTLIGHT: PRESENTATION AND UPDATE ON THE COTSWOLD FOUNTAINS

Next, Chair Ashby invited Brett DeBord and Dusty McCartney to share an update and slide show highlighting the restoration work on the Cotswold Fountains. Mr. DeBord began by going over the history of the Cotswold fountains. Next, Mr. McCartney shared several before and after images of fountains that have been restored. Questions were asked and answered. No further action was needed at this time.

CONSIDER ADOPTION OF FUND BALANCE AND RESERVE POLICY

Chair Ashby invited President Larson to open discussion on this item. He delivered a brief summary surrounding the policy’s inception, reviewed the changes made to the policy based on suggestions from the Board during the April meeting, then referred to the final draft of the policy included in the materials previously provided. Discussion ensued and questions were asked and answered.

A motion was called by Chair Ashby, moved by Director Ramos and seconded by Director Kennedy, and the Fund Balance and Reserve Policy was adopted and approved as presented.

PROGRAM AUTHORIZATIONS

Operations

President Larson presented a request for Board consideration for the District to enter into a leasehold agreement and related expenditures for a satellite operations center on the north side of Downtown, in an amount not exceeding \$100,000. Discussion ensued and questions were asked and answered. Hearing no further commentary, Chair Ashby called for a motion, moved by Director Torres, and seconded by Director Hughes, and the satellite operations center request was approved as presented.

Next, Brett DeBord shared a request for Board consideration for the President/CEO to extend an agreement with Teamwork Construction services to serve as the District's stand-by contractor, and its related expenditures in an amount not to exceed \$5,000. Questions were asked and answered and discussion occurred. Chair Ashby called for a motion, which was moved by Treasurer Jones, and seconded by Director Crawford, and the stand-by contractor request with Teamwork Construction was approved as presented.

Planning, Design & Capital Projects

Lonnie Hoogeboom introduced a request authorizing the President/CEO to execute an agreement and related expenditures to engage with Arup as a consultant on the downtown pedestrian lighting project, in an amount not to exceed \$250,000. Questions were asked and answered, then discussion took place. A motion was called by Chair Ashby, moved by Director Kennedy, and seconded by Director Crawford, and the pedestrian lighting project request was approved as presented.

Next, Mr. Hoogeboom presented a request authorizing the President/CEO to execute an amended agreement and related expenditures with Central Houston Civic Improvement for planning and design services associated with the North Houston Highway Improvement Project, in an amount not to exceed \$250,000. Discussion ensued and questions were raised and answered. Then, a motion was called by Chair Ashby, moved by Director Crawford, and seconded by Director Hughes, and the request was approved as presented.

Marketing & Communications

Ann Taylor presented a request for Board consideration that authorizes the President/CEO to execute agreements and related expenditures for the downtown field guides, in an amount not to exceed \$75,000. Discussion ensued and questions were asked and answered. Then, Chair Ashby called for a motion, moved by Director Crawford, and seconded by Director Hughes, and the downtown field guide request was approved as presented.

DIRECTORS' QUESTIONS ON OTHER INITIATIVES

Questions were raised about the Collaborative Committees and the North Houston Highway Improvement Project (NHHIP). President Larson explained the NHHIP aligns with Goal 1 of the Strategic Alignment Plan (SAP), which has yet to materialize as a committee. He continued by outlining the organization's role as a member of the Mayor's NHHIP Steering Committee, and that meetings have recently resumed with this Committee. It was then suggested that oversight of the NHHIP be a responsibility of the Connect Downtown Committee, which aligns with Goal 3 of the SAP.

OTHER BUSINESS

Chair Ashby noted the next Board meeting is scheduled for June 15, 2023 and will be held in person. There being no further business to come before the Board, the meeting was adjourned at 1:35 PM.

Jamie Perkins, Assistant Secretary
Houston Downtown Management District

DRAFT

YTD May 2023 Balance Sheet

Assets

Operating Cash Balance is \$357K

TexPool Investment Funds \$19.4M

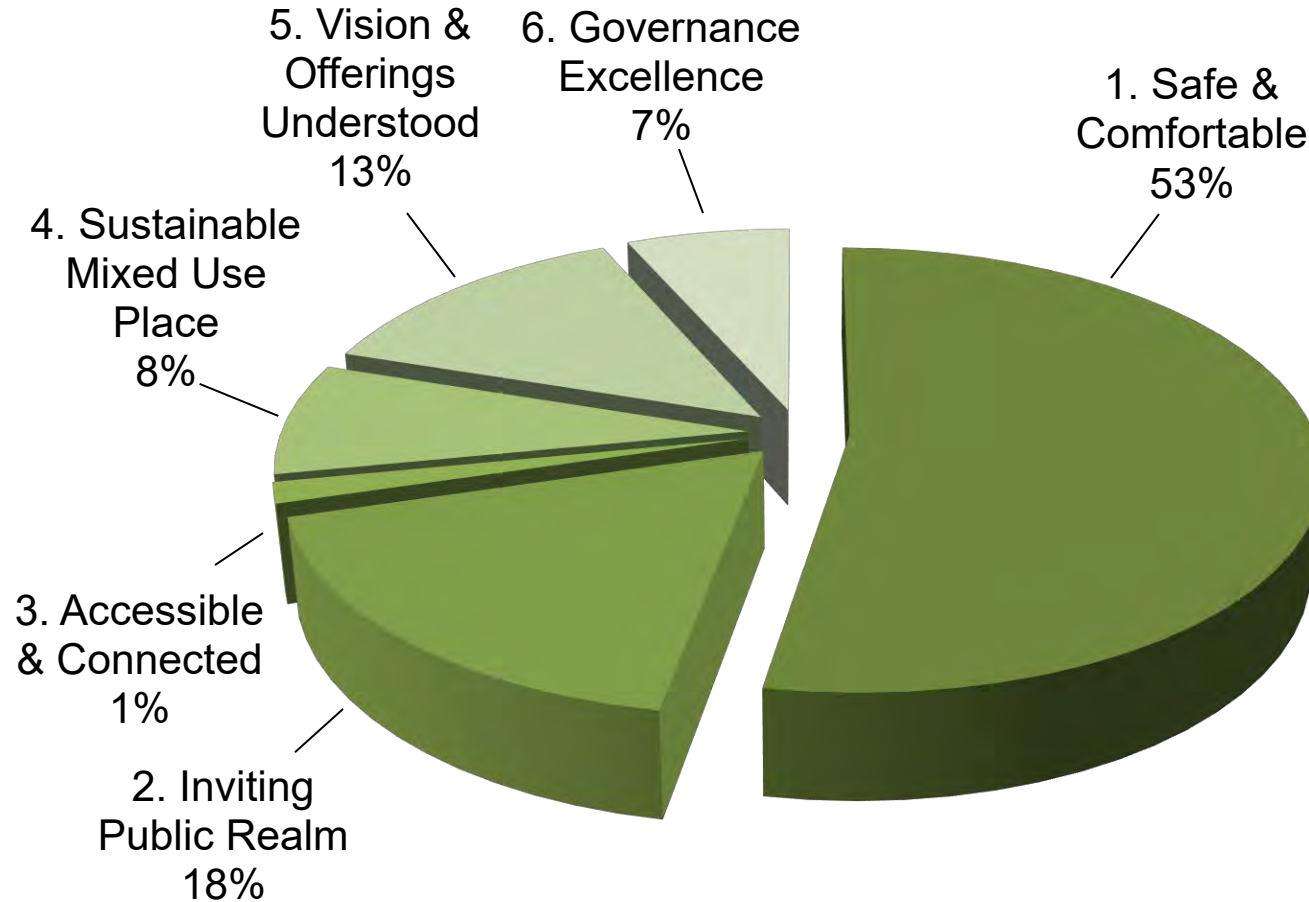
2022 Assessments Due: 98% have been collected

2022 Assessments Receivable \$443K

Liabilities

Reserves for Property Value Protests are \$1.2M reflecting a projected loss rate of 11.5% for 2022 tax assessments.

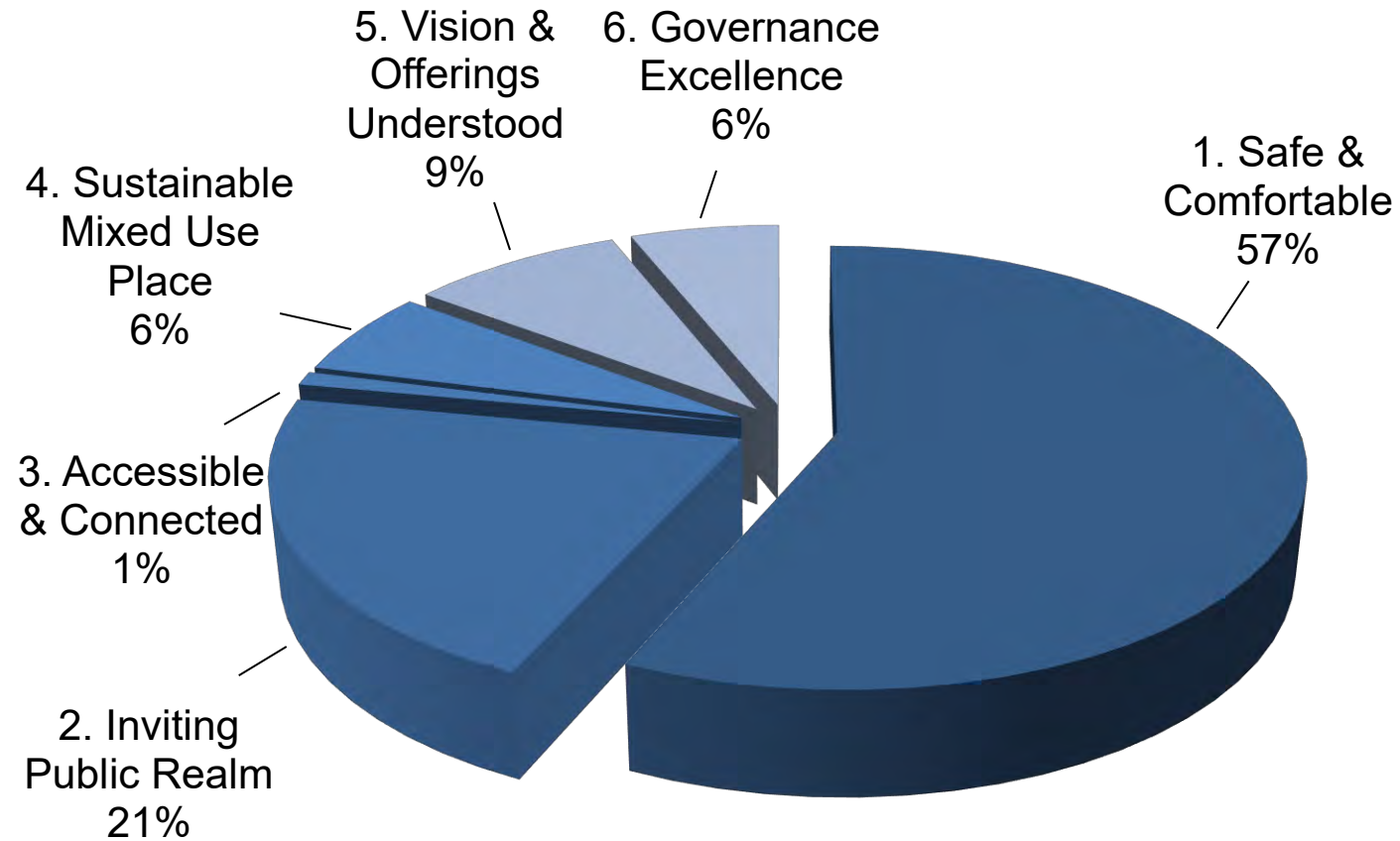
YTD May 2023 Budget



Total: \$8,829,936

Operating: \$7,072,300 Capital: \$1,757,636

YTD May 2023 Spending



Total: \$6,274,073 (\$2.6M below YTD 2023 Budget)

Operating: \$5,785,858 Capital: \$488,215

May 2023 Variance from Budget Highlights

- **Safe & Comfortable – (\$456K) under budget**
 - Under budget (\$135K) in Safety Guides and (\$85K) in Private Security.
 - Under budget (\$185K) in Homeless Outreach programs.
 - Under budget (\$74K) in Street Lighting Expense, amenities and maintenance.
 - Over budget \$137K in Street Teams cleaning sidewalks and bus stops and \$14K in Operations admin, Under budget (\$15K) in Paver Repair and Maintenance Under budget (\$57K) in Landscaping and tree maintenance, (\$38K) in Irrigation maintenance and repair, (\$6K) in monitoring equipment and generator for emergencies and (\$11K) in staffing.
- **Vibrant, Sustainable Mixed-Use Place – (\$214K) under budget**
 - Under budget (\$98K) in Economic Development.
 - Under budget (\$104K) in Downtown Living Initiative 2021 rebates payments forecasted to be paid in 1Q 2023 and (\$12K) for Downtown residents programming.

May 2023 Variance from Budget Highlights

- Downtown's Vision and Offering Understood by All – (\$440K) under budget
 - Under budget (\$353K) in Marketing Expenditures and (\$78K) in staffing.
 - Under budget (\$8K) in Planning Consultants & Expenses staffing.
- Capital Improvement – (\$1.2M) under budget
 - Under budget (\$354K) in Landscape Amenities-Irrigation.
 - Under budget (\$19K) in Banners, (\$76K) in Storefront/Streetscape Grants, (\$63K) for Storefront Activation and Improved Pedestrian Connection, (\$9K) for Trebly Park furnishings and (\$80K) in Landscape Enhancements-Urban Canopy.
 - Under budget (\$95K) for Vehicular and Pedestrian Wayfinding, (\$100K) for Sidewalk Infill Projects and under budget (\$394K) for Southeast Sidewalks TxDot project due to timing of invoices..
 - Over budget \$17K for DLI 2022 rebate budgeted for June 2023 paid out earlier in the year.
 - Under budget (\$96K) in Capital Replacement expenditures due to repairs have been minimal the first five months of the year.

Check register for May 2023

- Total checks issued in May 2023 were \$1.5 million.
 - Block by Block - \$456,711
 - Central Houston, Inc. - \$252,988
 - Central Houston Civic Improvement - \$250,000
 - Chevron USA, Inc. - \$106,984
 - Seal Security Solutions, LLC - \$73,988
 - InControl Construction, LLC - \$36,782
 - Associated Landscape Services - \$30,371



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 position as of May 31, 2023 and 2022, 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 4 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.

Sincerely,

A handwritten signature in blue ink that reads 'nctp cpas, pllc' in a cursive, lowercase style.

Houston, Texas
June 9, 2023

**Houston Downtown Management District
Governmental Fund Balance Sheets and
Statement of Net Position
May 31, 2023 and May 31, 2022**

	2023			2022		
	HDMD Operating Year to Date	HDMD Capital Year to Date	Total (Memo Only)	HDMD Operating Year to Date	HDMD Capital Year to Date	Total (Memo Only)
Assets						
Cash	\$ 15,406,100	\$ 4,649,351	\$ 20,055,451	\$ 15,698,712	\$ 5,151,266	\$ 20,849,977
Assessments Due	407,727	35,155	442,881	415,246	14,607	429,853
Accounts Receivable	198,859	-	198,859	381,944	4,800	386,744
Prepaid Expense	26,235	-	26,235	26,235	-	26,235
Inventory	-	-	-	-	-	-
Property & Equipment, Net	579,433	653	580,087	611,559	8,779	620,339
Right of Use Lease Assets, Net	2,592,943	-	2,592,943	2,781,706	-	2,781,706
Intercompany Rec/Pay	(1,194,286)	1,194,286	-	(609)	609	-
Total Assets	\$ 18,017,011	\$ 5,879,444	\$ 23,896,455	\$ 19,914,792	\$ 5,180,061	\$ 25,094,853
Liabilities						
Accounts Payable & Accrued Expenses	\$ 501,116	\$ -	\$ 501,116	\$ 909,627	\$ 43,000	\$ 952,627
Lease Liabilities	2,735,492	-	2,735,492	2,868,286	-	\$ 2,868,286
Deferred Revenue	-	-	-	-	-	-
Reserve for Refunds due to Property Protests	1,128,818	83,905	1,212,722	1,150,937	82,888	1,233,824
Total Liabilities & Deferred Revenue	4,365,425	83,905	4,449,330	4,928,849	125,888	5,054,737
Fund Balances						
Unreserved, Undesignated	12,851,586		12,851,586	14,185,943		14,185,943
Unreserved, Designated for Catastrophy	800,000		800,000	800,000		800,000
Reserved for Capital Projects		5,795,540	5,795,540		5,054,174	5,054,174
	13,651,586	5,795,540	19,447,126	14,985,943	5,054,174	20,040,117
Total Liabilities, Deferred Revenue & Fund Balances	\$ 18,017,011	\$ 5,879,444	\$ 23,896,455	\$ 19,914,792	\$ 5,180,061	\$ 25,094,853

**Houston Downtown Management District
Statement of Activities
For the Five Months Ended May 31, 2023**

	Operating YTD Actual	Capital YTD Actual	Total YTD Actual	YTD Budget	Fav (Unfav) Variance
Revenues					
Assessment Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operations Revenue	242,575	-	242,575	338,250	(95,675)
Project Revenue	20,251	-	20,251	92,708	(72,457)
Other Income	3,487	-	3,487	-	3,487
Interest Income	271,038	95,195	366,232	150,000	216,232
Total Revenues	\$ 537,352	\$ 95,195	\$ 632,546	\$ 580,958	\$ 51,588
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 1,029,478	\$ -	\$ 1,029,478	\$ 1,252,477	\$ 222,999
Reduced Presence of Homeless & Street Persons	237,179	-	237,179	422,971	185,791
Downtown Sidewalks are Comfortably Lighted	42,642	-	42,642	116,469	73,828
Downtown Clean & Well-Kept Appearance	1,883,393	-	1,883,393	1,851,717	(31,676)
Remove Signs of Disorder in Downtown	36,683	-	36,683	36,384	(299)
Prepare for Emergencies	47,965	-	47,965	53,653	5,688
	3,277,340	-	3,277,340	3,733,671	456,331
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	199,341	-	199,341	224,301	24,960
Public Spaces Managed, Programmed, & Delightful	665,640	-	665,640	712,460	46,820
Place of Civic Celebration	368,006	-	368,006	307,595	(60,411)
	1,232,987	-	1,232,987	1,244,356	11,369
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	9,124	-	9,124	9,261	137
Convenient Circulation Without Personal Vehicle	-	-	-	-	-
Easy To Find Way Around	12,967	-	12,967	55,298	42,332
Connect Neighbors & Districts Inside/Outside Downtown	32,635	-	32,635	39,630	6,994
Convenient, Understandable & Managed Parking	3,005	-	3,005	3,078	72
	57,731	-	57,731	107,267	49,535
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	160,898	-	160,898	258,886	97,988
Exciting Neighborhoods to Live In	187,999	-	187,999	303,667	115,668
Competitive Shopping Place	8,338	-	8,338	8,463	125
Remarkable Destination for Visitors	6,765	-	6,765	6,867	102
	363,999	-	363,999	577,882	213,883
Downtown's Vision & Offering Understood By All					
Market to Region	128,388	-	128,388	559,744	431,356
Promote Downtown's Ease of Use	38,490	-	38,490	39,447	957
Vision/Development Framework Understood By All	315,328	-	315,328	323,034	7,706
Tools to Assist Continued Redevelopment	11,037	-	11,037	11,120	83
Develop & Maintain Information to Support Downtown	9,520	-	9,520	8,998	(521)
	502,763	-	502,763	942,343	439,580
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	285,582	-	285,582	393,336	107,754
Communications to Owners, Tenants & Others	20,896	-	20,896	21,896	1,000
Preservation of Districts' Capital Assets	44,561	-	44,561	51,550	6,989
	351,038	-	351,038	466,782	115,743
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	20,837	20,837	375,000	354,163
Public Realm is Charming, Inviting, & Beautiful	-	34,211	34,211	280,500	246,289
Accessible to Region & Easy to Get Around	-	400,508	400,508	989,936	589,428
Vibrant, Sustainable Mixed-Use Place	-	16,627	16,627	-	(16,627)
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	16,032	16,032	112,200	96,168
	-	488,215	488,215	1,757,636	1,269,421
Total Expenses	\$ 5,785,858	\$ 488,215	\$ 6,274,073	\$ 8,829,936	\$ 2,555,863
Depreciation Expense	36,997	467	37,464	43,250	5,786
Excess of Revenue Over Expenses GAAP Basis	\$ (5,285,503)	\$ (393,487)	\$ (5,678,991)	\$ (8,292,228)	\$ 2,613,237

Houston Downtown Management District
Statement of Activities
For the Five Months Ended May 31, 2023 and May 31, 2022

	Operating YTD Actual	Capital YTD Actual	2023 Total YTD Actual	2022 Total YTD Actual	Fav (Unfav) Variance
Revenues					
Assessment Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operations Revenue	231,084	-	231,084	220,330	10,753
Project Revenue	20,251	-	20,251	22,693	(2,442)
Other Income	14,979	-	14,979	45,301	(30,322)
Interest Income	271,038	95,195	366,232	23,752	342,480
Total Revenues	\$ 537,352	\$ 95,195	\$ 632,546	\$ 312,077	\$ 320,470
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 1,029,478	\$ -	\$ 1,029,478	\$ 926,245	\$ (103,233)
Reduced Presence of Homeless & Street Persons	237,179	-	237,179	169,691	(67,489)
Downtown Sidewalks are Comfortably Lighted	42,642	-	42,642	49,084	6,442
Downtown Clean & Well-Kept Appearance	1,883,393	-	1,883,393	1,811,435	(71,957)
Remove Signs of Disorder in Downtown	36,683	-	36,683	16,374	(20,309)
Prepare for Emergencies	47,965	-	47,965	40,498	(7,467)
	3,277,340	-	3,277,340	3,013,327	(264,013)
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	199,341	-	199,341	148,672	(50,669)
Public Spaces Managed, Programmed, & Delightful	665,640	-	665,640	405,241	(260,399)
Place of Civic Celebration	368,006	-	368,006	372,030	4,024
	1,232,987	-	1,232,987	925,944	(307,043)
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	9,124	-	9,124	4,570	(4,555)
Convenient Circulation Without Personal Vehicle	-	-	-	-	-
Easy To Find Way Around	12,967	-	12,967	28,140	15,173
Connect Neighbors & Districts Inside/Outside Downtown	32,635	-	32,635	4,305	(28,330)
Convenient, Understandable & Managed Parking	3,005	-	3,005	5,933	2,928
	57,731	-	57,731	42,947	(14,784)
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	160,898	-	160,898	168,632	7,734
Exciting Neighborhoods to Live In	187,999	-	187,999	262,116	74,118
Competitive Shopping Place	8,338	-	8,338	7,270	(1,068)
Remarkable Destination for Visitors	6,765	-	6,765	19,499	12,734
	363,999	-	363,999	457,518	93,519
Downtown's Vision & Offering Understood By All					
Market to Region	128,388	-	128,388	429,873	301,485
Promote Downtown's Ease of Use	38,490	-	38,490	11,558	(26,932)
Vision/Development Framework Understood By All	315,328	-	315,328	356,296	40,968
Tools to Assist Continued Redevelopment	11,037	-	11,037	33,859	22,822
Develop & Maintain Information to Support Downtown	9,520	-	9,520	14,035	4,515
	502,763	-	502,763	845,621	342,859
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	285,582	-	285,582	312,326	26,744
Communications to Owners, Tenants & Others	20,896	-	20,896	16,632	(4,264)
Preservation of Districts' Capital Assets	44,561	-	44,561	43,976	(585)
	351,038	-	351,038	372,933	21,894
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	20,837	20,837	-	(20,837)
Public Realm is Charming, Inviting, & Beautiful	-	34,211	34,211	-	(34,211)
Accessible to Region & Easy to Get Around	-	400,508	400,508	109,761	(290,747)
Vibrant, Sustainable Mixed-Use Place	-	16,627	16,627	57,613	40,986
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	16,032	16,032	174,643	158,611
	-	488,215	488,215	342,017	(146,198)
Total Expenses	\$ 5,785,858	\$ 488,215	\$ 6,274,073	\$ 6,000,307	\$ (273,766)
Depreciation Expense	36,997	467	37,464	41,623	4,159
Excess of Revenue Over Expenses GAAP Basis	\$ (5,285,503)	\$ (393,487)	\$ (5,678,991)	\$ (5,729,853)	\$ 50,862

Houston Downtown Management District Variance Analysis For the Five Months Ended May 31, 2023

Revenue

1) Operations revenue is under budget (\$72K) in Metro bus stop cleaning, (\$15K) in Main Street Fountain Reimbursements, (\$31K) in Cotswold Fountain Reimbursements and (\$18K) in Trebly Park Tout Suite Utility Reimbursements. The Trash Program is over budget \$28K. Project revenue is under budget (\$38K) for DRA reimbursements and (\$38K) for the Theater District Staff Reimbursement. HDMD and the Theater District has eliminated this position and pursued a contractor. The budget shortfalls are due to timing of invoicing or services have not been rendered yet. Market Square Park reimbursements are \$3K over budget and event revenue is \$2K over budget. Other income is over budget \$13K due to reimbursements from Buffalo Bayou Partnership for water usage from November 2021 thru May 2023, rebates and vending income. Interest income is over budget \$216K due to more favorable rates than projected.

Operating Budget

Expenses

- 2) Goal 1a-Collaboration to Maintain Low Crime Rate-Under budget (\$135K) in Safety Guides, (\$85K) in Private Security and (\$3K) in staffing.
- 3) Goal 1b-Reduced Presence of Homeless & Street Persons-Under budget (\$185K) in homeless outreach programs.
- 4) Goal 1c-Downtown Sidewalks are Comfortably Lighted-Under budget (\$74K) in Street Lighting Expense, amenities and maintenance.
- 5) Goal 1d-Downtown Noted for Cleanliness & Well-Kept Appearance- Over budget \$137K Street Teams cleaning sidewalks and bus stops and \$14K in Operations. Under budget (\$15K) in Paver repair and maintenance, (\$57K) in Landscaping and tree maintenance, (\$38K) in Irrigation maintenance and repair, and (\$9K) in staffing.
- 6) Goal 1f-Prepare for Emergencies - Under budget (\$6K) in monitoring equipment and generator.
- 7) Goal 2a-Key Pedestrian Streets are Inviting-Under budget (\$18K) in accent plants and under budget (\$7K) in staffing.
- 8) Goal 2b-Key Public Spaces Programmed and Delightful-Under budget (\$19K) in Trebly Park maintenance, (\$25K) in Cotswold maintenance and repairs, (\$13K) in Main Street Square maintenance and (\$7K) in Market Square Park maintenance. Under budget in Main Street Square programming (\$33K) and Collaborative programming (\$17K). Over budget in Market Square Park programming \$8K and Trebly Park programming \$51K due to the grand opening event in
- 9) Goal 2c-Place of Civic Celebration-Under budget (\$13K) in Seasonal Banner program, (\$13K) in Banner/Pot maintenance, (\$1K) in Allen Parkway maintenance and (\$1K) in staffing. Over budget \$40K in preparation for SAM installation and \$48K in Holiday Logistics.
- 10) Goal 3c-Easy to Find Way Around-Under budget (\$6K) in Maintaining Wayfinding, (\$30K) in Wayfinding Above & Below Map and (\$6K) in staffing.
- 11) Goal 3d-Connect Neighbors & Districts Inside/Outside Downtown-Under budget (\$7K) in staffing.
- 12) Goal 4a-Best Place to Work in the Region-Under budget (\$98K) in Economic Development.
- 13) Goal 4b-Exciting Neighborhoods To Live In-Under budget (\$104K) due to 2021 DLI payouts forecasted to be paid out in the 1Q, 2023, and (\$12K) for Learn Central School Information.
- 14) Goal 5a-Market to Region-Under budget (\$353K) in marketing expenditures and (\$78K) in staffing.
- 15) Goal 5c-Planning Consultants & Expenses are under budget (\$8K) in staffing.
- 16) Goal 6a-Complete engagement by all stakeholders in District - Under budget (\$15K) in Operations, (\$10K) in Marketing and Communications, (\$13K) in Economic Development, (\$7K) in Planning Design & Construction, (\$57) in Administration and (\$5K) in staffing.
- 17) Goal 6c-Preservation of District's Capital Assets - Under budget (\$7K) in insurance expense due to renewals coming in lower than forecasted.

Capital Budget

- 18) Under budget (\$354K) in Landscape Amenities-Irrigation.
- 19) Under budget (\$19K) in Banners, (\$76K) in Storefront/Streetscape Grants,(\$63K) for Storefront Activation and Improved Pedestrian Connection, (\$9K) for Trebly Park furnishings and (\$80K) in Landscape Enhancements-Urban Canopy.
- 20) Under budget (\$95K) for Vehicular and Pedestrian Wayfinding, under budget (\$100K) for Sidewalk Infill Projects and under budget (\$394K) for Southeast Sidewalks TxDOT project due to timing of invoices.
- 21) Over budget \$17K for DLI rebate budgeted for June 2023 paid out earlier in the year.
- 22) Under budget (\$96K) in Capital Replacement Expenditure due to repairs have been minimal the first five months of the year.

HOUSTON DOWNTOWN MANAGEMENT DISTRICT
AP Check Register (Current by Bank)

Check Dates: 5/1/2023 to 5/31/2023

Check No.	Date	Status*	Payee Name	Amount
BANK ID: A - OPERATING ACCT-JPMORGAN				
35345	05/01/23	P	CENTRAL HOUSTON, INC	\$252,988.12
2228376	05/01/23	P	601 JEFFERSON TOWER(TX)LLC	\$17,764.40
2228377	05/01/23	P	801 LOUISIANA PARTNERS LP	\$2,136.91
2228378	05/01/23	P	907 COMMERCE LP	\$22.47
2228379	05/01/23	P	AMEGY BANK NAT ASSOC	\$11,889.34
2228380	05/01/23	P	BLOSSOM DEVELOPMENT INC	\$503.19
2228381	05/01/23	P	CCM CAMERON ESPERSON LP	\$9,055.25
2228382	05/01/23	P	CHEVRON USA INC	\$106,983.66
2228383	05/01/23	P	CITY LOFTS LLC	\$1,520.30
2228384	05/01/23	P	COMMERCE HUTCHINS LP	\$4.88
2228385	05/01/23	P	DAKOTA LOFTS LP	\$1,563.78
2228386	05/01/23	P	FAIRFIELD 1810 MAIN LP	\$4,935.94
2228387	05/01/23	P	FANG LIVING TRUST	\$228.23
2228388	05/01/23	P	FRANK & ALERT KALAS	\$2,012.16
2228389	05/01/23	P	FRANKLIN LOFTS LIMITED PARTNER	\$650.42
2228390	05/01/23	P	HOUSTON HOTEL ASSOCIATES	\$3,047.25
2228391	05/01/23	P	HYCO INDUSTRIAL LTD	\$172.46
2228392	05/01/23	P	JIMMY SHASTID	\$54.49
2228393	05/01/23	P	MILAM HOUSTON REAL ESTATE	\$10,134.65
2228394	05/01/23	P	PREMIER TOWERS LP	\$84.01
2228395	05/01/23	P	THE NOOR FOUNDATION	\$5,409.60
2228396	05/01/23	P	UG OLD HARDY LP	\$413.98
2228285	05/05/23	M	BRACEWELL	\$2,912.50
2228294	05/05/23	M	TENNANT SALES & SERVICE COMP.	\$236.36
2228300	05/05/23	M	ASSOCIATED LANDSCAPE SERVICES	\$25,392.52
2228305	05/05/23	M	JORDAN CUTLER	\$64.91
2228310	05/05/23	M	BRYAN K BENNETT	\$2,037.92
2228314	05/05/23	M	CITY OF HOUSTON	\$1,726.42
2228318	05/05/23	M	CITY OF HOUSTON	\$918.56
2228321	05/05/23	M	COOPWOOD'S AIR CONDITIONING	\$720.63
2228326	05/05/23	M	GULF COAST PAVERS,INC.	\$12,000.00
2228331	05/05/23	M	LINCOLN COLWELL	\$1,700.00
2228334	05/05/23	M	MICHAEL LOESSIN	\$500.00
2228338	05/05/23	M	PFEIFFER & SON, LTD	\$9,991.60
2228341	05/05/23	M	ROADRUNNER RECYCLING, INC	\$1,797.90
2228345	05/05/23	M	SOUTHERN CHINESE DAILY NEWS	\$600.00
2228349	05/05/23	M	THE HARRIS CENTER FOR	\$18,666.67
2228354	05/05/23	M	TOUCH & AGREE PROPERTY	\$3,857.40
2228355	05/10/23	P	601 JEFFERSON TOWER(TX)LLC	\$17,764.40
2228356	05/10/23	P	801 LOUISIANA PARTNERS LP	\$2,136.91
2228357	05/10/23	P	907 COMMERCE LP	\$22.47
2228358	05/10/23	P	AMEGY BANK NAT ASSOC	\$11,889.34
2228359	05/10/23	P	BLOSSOM DEVELOPMENT INC	\$503.19
2228360	05/10/23	P	CCM CAMERON ESPERSON LP	\$9,055.25
2228361	05/10/23	P	CHEVRON USA INC	\$106,983.66
2228362	05/10/23	P	CITY LOFTS LLC	\$1,520.30
2228363	05/10/23	P	COMMERCE HUTCHINS LP	\$4.88
2228364	05/10/23	P	DAKOTA LOFTS LP	\$1,563.78
2228365	05/10/23	P	FAIRFIELD 1810 MAIN LP	\$4,935.94
2228366	05/10/23	P	FANG LIVING TRUST	\$228.23

HOUSTON DOWNTOWN MANAGEMENT DISTRICT
AP Check Register (Current by Bank)

Check Dates: 5/1/2023 to 5/31/2023

Check No.	Date	Status*	Payee Name	Amount
BANK ID: A - OPERATING ACCT-JPMORGAN				
2228367	05/10/23	P	FRANK & ALERT KALAS	\$2,012.16
2228368	05/10/23	P	FRANKLIN LOFTS LIMITED PARTNER	\$650.42
2228369	05/10/23	P	HOUSTON HOTEL ASSOCIATES	\$3,047.25
2228370	05/10/23	P	HYCO INDUSTRIAL LTD	\$172.46
2228371	05/10/23	P	JIMMY SHASTID	\$54.49
2228372	05/10/23	P	MILAM HOUSTON REAL ESTATE	\$10,134.65
2228373	05/10/23	P	PREMIER TOWERS LP	\$84.01
2228374	05/10/23	P	THE NOOR FOUNDATION	\$5,409.60
2228375	05/10/23	P	UG OLD HARDY LP	\$413.98
4552963	05/11/23	M	STERLING EXPRESS SERVICES, INC	\$157.40
4552970	05/11/23	M	DIRECTV	\$97.98
4552985	05/11/23	M	TEXAS outhouse, INC.	\$6,744.29
4552996	05/11/23	M	ASSOCIATED LANDSCAPE SERVICES	\$4,628.55
4553004	05/11/23	M	INCONTROL CONTRUCTION LLC	\$19,312.20
4553019	05/11/23	M	YOUNG AUDIENCES,INC.	\$610.00
4553030	05/11/23	M	SOUTHERN CHINESE DAILY NEWS	\$600.00
4553036	05/11/23	M	LATRESHA WHITE	\$522.50
4553040	05/11/23	M	RONALD COOKS	\$412.50
4553043	05/11/23	M	SABRINA NAULINGS	\$935.00
4553047	05/11/23	M	INCONTROL CONTRUCTION LLC	\$900.00
4553052	05/11/23	M	MOONSTAR CINEMA SERVICES	\$745.75
4553062	05/11/23	M	JORDAN CUTLER	\$10.92
4553064	05/11/23	M	WESTERN FIRST AID & SAFETY	\$218.41
4553067	05/11/23	M	LONE STAR FLAGS AND FLAGPOLES	\$7,749.00
4553071	05/11/23	M	KEITH GOULD	\$62.33
4733099	05/11/23	M	ASSOCIATED LANDSCAPE SERVICES	\$216.30
4733105	05/11/23	M	DOG WASTE DEPOT	\$377.97
4733112	05/11/23	M	HARDY & HARDY	\$3,550.00
4733119	05/11/23	M	MELINDA ELLEN JOHNSON	\$1,375.00
6625816	05/11/23	M	GRAINGER	\$12.61
45530528	05/11/23	M	MELISSA TAYLOR	\$1,675.00
47331314	05/11/23	M	WESTPARK COMMUNICATIONS, L.P	\$71.88
4733073	05/12/23	M	COSTAR GROUP, INC.	\$1,115.07
6545093	05/17/23	M	MINER, LTD	\$3,033.94
6545097	05/17/23	M	ASSOCIATED LANDSCAPE SERVICES	\$133.75
6545102	05/17/23	M	AT&T	\$1,240.37
6545106	05/17/23	M	HARDY & HARDY	\$1,900.00
6545110	05/17/23	M	LVA 4 HOUSTON GREENSTREET LP	\$21,500.20
6545114	05/17/23	M	TOUCH & AGREE PROPERTY	\$2,521.60
6545117	05/17/23	M	WE 68 LLC	\$3,972.50
6545121	05/17/23	M	LAM PARKING II	\$880.00
6545125	05/17/23	M	LEONARD LOCKETT, JR	\$200.00
65445088	05/17/23	M	FORT BEND BATTERY & GOLF CARTS	\$3,270.55
4733086	05/18/23	M	WASTE MANAGEMENT OF TEXAS, INC	\$189.28
4733123	05/18/23	M	PFEIFFER & SON, LTD	\$3,402.92
4733128	05/18/23	M	SEAL SECURITY SOLUTIONS, LLC	\$73,988.00
35364	05/23/23	P	AABLE FINANCIAL GROUP, INC	\$4,166.60
7687150	05/25/23	M	SYNLAWN HOUSTON	\$3,674.93
7687154	05/25/23	M	RONALD COOKS	\$660.00
7687157	05/25/23	M	SABRINA NAULINGS	\$715.00

HOUSTON DOWNTOWN MANAGEMENT DISTRICT
AP Check Register (Current by Bank)

Check Dates: 5/1/2023 to 5/31/2023

Check No.	Date	Status*	Payee Name	Amount
BANK ID: A - OPERATING ACCT-JPMORGAN				
7687161	05/25/23	M	FEDEX	\$108.62
7687164	05/25/23	M	HOME DEPOT CREDIT SERVICES	\$376.54
7687168	05/25/23	M	POWER PEST CORP	\$7,820.00
7687172	05/25/23	M	CENTRAL HOUSTON CIVIC IMPROVEM	\$250,000.00
7687175	05/25/23	M	D9 DESIGNS, LLC	\$182.00
7687178	05/25/23	M	INCONTROL CONTRUCTION LLC	\$6,195.00
7687180	05/25/23	M	AT&T	\$1,480.74
7688817	05/25/23	M	READYREFRESH	\$202.78
7688826	05/25/23	M	INCONTROL CONTRUCTION LLC	\$6,440.00
7688830	05/25/23	M	INCONTROL CONTRUCTION LLC	\$3,935.00
7688836	05/25/23	M	VERIZON WIRELESS	\$676.18
7688838	05/25/23	M	NCTP-CPAS PLLC	\$1,700.00
7688842	05/25/23	M	CB CAFES MAIN, LLC	\$441.49
7688844	05/25/23	M	CLUTCH CONSULTING GROUP LLC	\$650.00
7688846	05/25/23	M	DATALYS IT	\$3,885.16
7688848	05/25/23	M	ABC HOME & COMMERCIAL SERVICES	\$93.00
7688850	05/25/23	M	HAMILTON PLUMBING SERVICE	\$824.82
7689006	05/25/23	M	LONE STAR FLAGS AND FLAGPOLES	\$1,957.50
7689010	05/25/23	M	RAFFLE PARKING COMPANY,LLC	\$900.00
7689013	05/25/23	M	HARDY & HARDY	\$3,000.00
7689017	05/25/23	M	JAMIE PERKINS	\$13.89
7689019	05/25/23	M	ROADRUNNER RECYCLING, INC	\$1,851.80
7689307	05/25/23	M	HARRIS COUNTY TREASURER	\$9,242.00
7689311	05/25/23	M	KEITH GOULD	\$43.20
8017650	05/25/23	M	BLOCK BY BLOCK	\$456,711.06
BANK A REGISTER TOTAL:				\$1,446,138.29
BANK ID: B - CAPITAL ACCT-JPMORGAN				
9488112	05/08/23	M	DAVEY RESOURCE GROUP	\$20,837.20
6545805	05/17/23	M	DESIGN WORKSHOP, INC	\$10,818.50
BANK B REGISTER TOTAL:				\$31,655.70
GRAND TOTAL :				<u>\$1,477,793.99</u>

Houston Downtown Management District

FINANCIAL STATEMENTS

December 31, 2022

DRAFT



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Houston Downtown Management District
Houston, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Houston Downtown Management District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Houston Downtown Management District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Houston Downtown Management District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Downtown Management District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Houston Downtown Management District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Downtown Management District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balances – budget to actual on pages 4 through 16 and 32 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Houston, Texas

June xx, 2023

DRAFT

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

The following discussion and analysis of Houston Downtown Management District's (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2022.

Please read in conjunction with the District's financial statements and notes.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Comparative information between the current year and the prior year is included in the MD&A.

Organization

Creation

The District was created in the regular session of the Texas Legislature in the spring of 1995 by legislation co-sponsored by Senator Rodney Ellis and Representative Garnet Coleman. This legislation created a Municipal Management District under Chapter 375 of the Local Government Code and is currently codified in Chapter 3801 of the Texas Special Districts Code. The District became effective on August 2, 1995 and was organized on August 29, 1995. In 1999, the District's boundaries were expanded by the Texas Legislature to include all 1,178 acres that lie primarily within the freeway ring around the City of Houston's (City) center.

Purpose

Building on the momentum of the Houston Downtown Public Improvement District created by the City in 1991, the District's purpose is to continue the pursuit of a plan for downtown's revitalization to make it a diverse, desirable, accessible, and perpetually active core of the Houston region.

Board of Directors

The Board of Directors (Board) is made up of a 30-member board with additional ex-officio, non-voting, members that include City department heads from the Police, Public Works, Parks and Recreation, Convention and Entertainment Facilities, and Planning departments, METRO's president and certain chairs of other downtown organizations. Board member qualifications are ownership, tenancy or residence of property within the District or an agent or employee thereof. The Board shall have experience in energy, commercial banking, real estate, finance, insurance, retail, service, utilities and the general issues that the District addresses. Two thirds of the directors shall be City residents. Board members have staggered four-year terms. New appointments and renewals are confirmed by City Council. Unexpired terms with replacements need not be confirmed by City Council.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Powers

In addition to the rights, powers, privileges, authority and functions of a district created under Chapter 375 of the Local Government Code and the aforementioned Chapter 3801 of the Texas Special Districts Code, to accomplish its purposes, the District may employ the rights granted to political subdivisions under Article 16, Section 59, of the Texas Constitution, including those conferred by Chapter 54 of the Texas Water Code, and the powers under Article 3, Section 52, of the Texas Constitution and Chapters 365 and 441 of the Texas Transportation Code. The District does not have power of eminent domain and cannot finance by assessment services or improvements unless a petition has been filed with the Board signed by a requisite number of landowners. As each new service and improvement plan (normally every five years) is put in place, a petition is signed by a requisite number of landowners.

On November 11, 2020, the District's Board of Directors approved the current service and improvement plan which is funded by annual assessments based on the Harris County Appraisal District values at the end of each year. This is the second year of the service and improvement plan. The District may levy assessments, ad valorem taxes and/or impact fees. Pursuant to Chapter 3801, the District may incur liabilities, borrow, issue bonds, or other obligations, acquire and dispose of property, construct, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety and the public welfare.

Specifically, the District was created to provide services and improvements which supplement those presently provided by the City to promote, develop, encourage, and maintain employment, commerce, economic development, and public welfare within the District in downtown Houston. To that end, the District presently provides services in five main areas of operation:

- Operations (public safety and maintenance)
- Capital Projects
- Economic and Business Development
- Planning
- Marketing and Communications

Bonds and Assessments

The District may issue bonds payable by assessments or ad valorem taxes. The City must approve the bond issue or any capital improvements budget that is financed from a bond issue. The District must hold an election and obtain voter approval to impose a maintenance tax or to issue bonds payable from ad valorem taxes or assessments. At present, the District has no outstanding bonds.

Intergovernmental Agreements

The District is a governmental agency and political subdivision of the State of Texas and may enter into intergovernmental agreements with other units of government at the Federal, state and local level.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Policies and Procedures

The District's Board adopted policies and procedures regarding personnel, procurement, contract administration, disadvantaged business enterprise program, budget, accounting, property ownership, insurance, ethics and investments. The District has contracted with Central Houston, Inc., a 501(c)(6) not-for-profit corporation, for the provision of administrative and managerial personnel, thereby realizing certain economies of operation expense. The District will contract out for all other services in accordance with adopted policies and procedures.

Disadvantaged Business

The District attempts to stimulate the growth of disadvantaged businesses within its boundaries by encouraging full participation in all phases of procurement. The District strives to increase participation of disadvantaged businesses in contract awards. The program is reviewed on an annual basis and a quarterly report is made to the Board.

Torts Claims

On December 31, 2022, there were no known claims.

Assessment Plan

Assessments for 2022 were based on the 2022 certified rolls of the Harris County Appraisal District, as supplemented, for taxable, non-excluded properties within the 1999 expanded boundaries of the Houston Downtown Management District pursuant to the 2021-2025 Assessment Plan adopted in November 2020.

FINANCIAL HIGHLIGHTS

Assessment Revenues

The District's assessment rate for 2022 was 12.75¢/\$100 in valuation based on 2022 certified Harris County Appraisal District rolls, as supplemented, within the 1999 expanded boundaries of the District. 11.75¢ was for operations and resulted in net revenues of \$15,069,632. 1.00¢ was for capital and resulted in net revenues of \$680,080.

Capital Projects

During 2022, the District replaced the grass at Market Square Park with turf at a cost of \$260,256 and purchased \$5,889 in furnishings for Trebly Park.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Huitt-Zollars was re-engaged to update the engineering work for the Southeast Sidewalks Improvement Project in preparation of TxDOT beginning construction in 2023. The District incurred \$151,131 for this work. In addition, TxDOT received funds from the District of \$10,040 for the shared costs as reflected in the Advanced Funding Agreement for the Southeast Sidewalks executed in January 2022 in the amount of \$632,000. The District completed its update of vehicular wayfinding signs on Bagby at a cost of \$11,383. An additional \$41,634 was incurred for updates and maintenance to vehicular wayfinding signs throughout the District. The District also incurred \$22,140 updating pedestrian wayfinding in the tunnel system around the Theatre District due to damage from Hurricane Harvey and an additional \$3,155 on updates around the newly renovated Highlight. Capital replacements included: \$149,301 for planting of 70 trees which included Live Oak, Red Oak, and Drake Elm trees. \$94,990 for repairs to the Main Street Square fountain and \$26,216 for repairs and maintenance at Market Square Park. Downtown Living Initiative grants funded were \$55,425 and retail challenge grants of \$2,500. The remaining \$34,210 was spent on miscellaneous other capital replacement items.

Downtown Living Initiative

The District, in conjunction with the City of Houston and the Downtown Redevelopment Authority, created a program in 2012 called the Downtown Living Initiative (DLI), which is designed to incentivize residential development downtown. Developers are eligible to receive a rebate equal to 75% of the incremental District assessment and City of Houston property taxes generated by the project upon completion for a fifteen-year period up to a maximum of \$15,000 per unit. There was an overall cap of units available to participate in the program of 5,000. The application deadline for the DLI program was June 30, 2016, and the program is now closed.

The District has executed DLI agreements with fifteen developers totaling 4,257 units. Projects opened as of the end of 2022 include: SoDo on Main, Block 334, Market Square Tower, the Star, Aris Market Square, Eighteen25, Catalyst, 1414 Texas, 1711 Caroline, Marlowe, and the Camden Downtown. Estimated completion dates for the additional development projects range through the end of 2023. The residential projects are geographically dispersed throughout several areas of the District, including the Ballpark District, the Historic District, and the southern portion of downtown. Developers are required to meet certain deadlines and be in compliance with design guidelines to benefit from the incentive program, although extensions may be granted if approved by the Board. The District's liability for DLI assessment rebates to developers is contingent upon renewal of subsequent service plans beyond 2025. During 2022, \$688,769 was paid by the District in assessment rebates under the DLI residential program.

Grant Programs

The District awarded an economic development grant in 2013 to Finger-FSC Crawford, Ltd. for construction of a 397-unit residential development on blocks 50 and 51 in the District. Awarded prior to the creation of the DLI program, this grant is equal to 75% of the incremental District assessment generated by the project for a term of fifteen years from the date of completion and its inclusion on the District's tax assessment roll. This residential project, which includes two street level restaurants on Texas Avenue, was completed in 2016 and a reimbursement payment was made in early 2022 for the reimbursement of \$66,457 due for 2021 for this project.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

The District has a program to support catalytic retail projects. During 2017, a \$140,000 grant was awarded to Bravery Chef Hall which activates the street level of the residential project Aris Market Square and features a food hall concept for rising-star chefs. Bravery opened in 2019, with the first installment of the grant being issued the same year. The second installment of the grant was paid in August 2020 in the amount of \$35,000. The remaining balance of \$35,000 was paid in April 2022.

Downtown Maintenance Agreement

The District is responsible for maintaining improvements (pavers, trees, landscaping, irrigation systems, lighting, etc.) within the public right of way that were installed as part of the various improvement projects (Cotswold, Transit Streets, Dallas Street/Shopping District, Main Street, Market Square Park, and Main Street Square). A signed agreement with the City delineates the maintenance responsibility for the District.

During 2022, the District expended \$319,200 for paver repair work, \$50,457 for street light maintenance, \$793,456 for landscaping/irrigation maintenance, \$497,083 for plants and floral displays, \$303,354 for Main Street Square maintenance, and \$294,028 for Market Square Park maintenance. Adjacent property owners reimbursed the District \$68,845 for Main Street Square fountain maintenance. Rent and utility reimbursements from the food kiosk vendor generated \$55,826 of revenue for Market Square Park.

Street Lighting

In 1999, the District signed a street lighting agreement with the City. The agreement provided for upgraded street lighting to be installed and for the District to pay for the additional power use for the increased lamp wattage and additional streetlights added. During 2022, the District incurred approximately \$50,000 for additional power usage.

Litter and Trash Program

Maintaining a clean and safe downtown environment is a primary part of the District's mission. During 2022, the Street Team program was funded in the amount of \$3,613,485 to provide litter and trash pick-up on a seven day a week basis, sidewalk pressure washing, graffiti, rodent, and bird abatement, and a recycle program. The trash subscription program provided \$206,904 in offsetting revenues. Also, the District provided METRO bus stop cleaning services and received \$329,883 in offsetting revenues for this effort. In 2021, due to the impacts of COVID-19 on our downtown retail and restaurant businesses, the District suspended trash collection program subscription fees until July 2021.

Downtown Public Safety Guides

The Downtown Public Safety Guide program was created to provide a customer service-oriented visible presence downtown. Safety Guides assist visitors, connect homeless individuals to social services and act as a deterrent to crime. The District spent \$1,359,815 for the guide program during 2022. In addition, the District engages Off-Duty Houston Police Officers on a part-time basis to deploy in strategic areas. The District spent \$291,820 for the Off-Duty Officer program during 2022. The District spent \$781,561 on uniformed and armed private security officers contracted through S.E.A.L. Security.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Homelessness

The District is committed to, and funded, programs to reduce homelessness, spending \$1,044,923 during 2022 with the outreach partners Search, Harris Center, and Coalition for the Homeless. In 2022, the District board approved a pilot program in partnership with the Coalition for the Homeless to accelerate housing for 100 homeless individuals in Downtown. The initiative addressed challenges such as the 90-day waiting period, competition for units and uncooperative landlords, resulting in unhoused residents waiting longer for housing while remaining on the streets. To solve this, the District provided rent subsidies during the 90-day waiting period, to accelerate the housing of 100 individuals, allowing the individuals to wait for their home inside their home, and expanding the District's role in addressing homelessness in Downtown. The District also contributed \$93,750 toward the Public Intoxication Transport Team (PITT) program run by the Houston Recovery Center. In 2022, the District participated in a city initiative, the CCHP program, designed to use federal COVID-19 relief funds and private philanthropy to provide rapid housing and take approximately 5,000 individuals off the streets of the Houston area. The District's contribution was \$450,000 out of the total program cost of approximately \$65 million.

Operations Center

During 2018, the District entered into a fifteen-year lease agreement with LVA4 Greenstreet, LP to relocate the District Operations Center to 1313 Main in space adjacent to the Greenstreet garage. The District was able to approximately double its square footage to accommodate the growth in operations which has added personnel to meet the needs of the emerging 24/7 environment in the District. Construction was completed and the District moved to its new Operations Center facility in 2019. The District occupies the first floor of the building of approximately 12,500 sqft and has an option on the second-floor space of approximately 11,000 sqft.

The District also leases additional warehouse storage space for equipment and extra stock storage.

Rent, utilities and supplies for office and warehouse space totaled \$357,808 for 2022.

Allen Parkway Maintenance

During 2022, the District continued maintenance of the street improvements, including streetlights, trees, and landscaping, installed by the Downtown Redevelopment Authority (the Authority) on Allen Parkway. The District incurred \$119,942 in expenditures and will be fully reimbursed by the Authority.

Banner Poles and Holiday Decorations

The District provides street banners, lighted/landscaped poles, and holiday decorations for downtown. In 2021, new holiday décor was added to Bagby Street including extensive pole décor over the length of the street, angel wings on the Houston Public Library, and light tunnels at Tranquility Park, Sam Houston Park, and the Aquarium. During 2022, \$850,682 was spent on banner changes, pole/pot maintenance, and installation of holiday decorations.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Wayfinding Maintenance

The District has made a significant capital investment in the 69 vehicular and 115 pedestrian wayfinding signs in the downtown area in the current service plan. A maintenance agreement was established to provide regular cleaning, repairs, and replacement of damaged signs. A total of \$50,504 was spent during 2022 on wayfinding signage maintenance.

Marketing and Communications Program

The Marketing and Communications Program works to promote a vibrant and diverse Downtown image through advertising, public relations, partnerships, events, community relations and other promotional materials. The overarching goal is to position Downtown as a place with BIG personality that embraces everything people love about Houston.

In 2022, the Downtown District launched Big Art Bigger Change, a partnership with Street Art for Mankind and Harris County Commissioner Rodney Ellis to produce a series of 10 murals in Downtown Houston to match the United Nations 17 Sustainable Development Goals which include objectives such as social equity, human rights, no poverty, zero hunger, and climate action. The District incurred expenses of \$241,831 for the Big Art Bigger Change program.

Following the effects of the coronavirus pandemic in 2022, the Downtown District continued to expand the **"We are Downtown"** campaign by communicating a sense of urgency for Houstonians to experience the community of people, places, food, and stories that make up Downtown. In addition, **"Downtown Work Perks,"** a series of daily programming and activations, including Taco Tuesdays, Wellness Thursdays, Lobbies & Libations and Coffee Conversations, were held to encourage employees to return to work and increase return-to-office numbers.

In 2022, the District continued to publish the *downtown* magazine, engage the public through social media, and produce a weekly e-blast to communicate a variety of events happening in Downtown. In addition, a series of videos were produced which ran on TV and social media advertising. Total expenses for marketing and communications were \$909,826 in 2022.

Economic Development

The District is committed to building relationships with the business community in downtown and acting as a resource for information regarding office market trends, commute solutions for the workforce, and the benefits of locating a business downtown. The District spent \$358,562 on its economic development program during 2022, which is conducted in partnership with Central Houston, Inc.

Planning

The planning efforts of the District continue to be largely focused on planning for the North Houston Highway Improvement Plan, including traffic studies of specific areas impacted by the highway reconfiguration. A total of \$250,000 was spent by the District on highway planning during 2022.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Public Space Programming

The District uses programming to attract visitors downtown. Programming is extensive at Market Square Park in the Historic District, offering seasonal events such as concerts, culinary evenings, movie nights, blanket bingo, special markets, and other creative offerings. The District spent \$224,104 during 2022 on programming in Market Square Park. Programming costs were offset by \$19,044 in revenue from the events.

Trebley Park was completed in 2022 and opened to the public in December. In 2022, the District spent \$45,168 to promote the opening and to prepare for the grand opening in January 2023.

In 2022, the District continued its suspension of regular programming at Main Street Square due to the overall decline in foot traffic along Main Street. The District also spent \$145,568 on collaborative events and programming during the Holiday Season.

OVERVIEW OF FINANCIAL STATEMENTS

Under GASB Statement No. 34, the District qualifies as a special purpose government with one program—revitalization of the downtown area.

Government-wide statements report information about the District using accounting methods like those used in private-sector companies. The statement of net position includes all the District's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The fund financial statements report information about the District on the modified accrual basis, which only account for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. Adjustments are provided to reconcile the fund statements to the government-wide statements. Explanations for the reconciling items are provided as part of the financial statements.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Statement of Net Position

The statement of net position reflects the District's assets and liabilities using the full accrual basis of accounting and represents the financial position as of the conclusion of the year. Net position is equal to assets minus liabilities. Unrestricted net position is available to the District for any lawful purpose. Restricted net position has constraints on resources, which are imposed by law through contractual provision of enabling legislations.

The following table reflects condensed information on the District's net position:

<i>December 31,</i>	2022	2021
Capital assets, net	\$ 3,297,695	\$ 3,606,223
Other assets:		
Cash and cash equivalents	10,504,905	12,646,062
Assessments, net	15,553,785	14,175,490
Accounts receivable, prepaid expenses and due from affiliate	301,745	166,477
Total assets	29,658,130	30,594,252
Accounts payable, accrued expenses and due to affiliate	1,763,302	1,916,036
Lease liability - current	229,727	177,241
Lease liability - long-term	2,599,482	2,764,198
Total liabilities	4,592,511	4,857,475
Net position		
Invested in capital assets	468,486	664,784
Restricted for capital projects	6,130,902	5,636,670
Unrestricted	18,466,231	19,435,323
Total net position	\$ 25,065,619	\$ 25,736,777

Assets

As of December 31, 2022, the District's assets totaled \$29,658,130 versus \$30,594,252 as of December 31, 2021. At year end, the District had \$5,412,582 of cash on hand for service plan operations, \$5,092,323 for capital projects. Funds not needed for immediate operations are invested in TexPool Prime accounts. Investments are reviewed quarterly by the Board of Directors. Net capital assets of the District were \$3,297,695 as of December 31, 2022, which reflects \$38,073 of new depreciable asset acquisitions, \$85,498 of new amortizable assets, \$100,149 of depreciation expense, \$256,448 of amortization expense and \$75,502 of loss on retirement of assets from the net capital asset balance of \$3,606,223 as of December 31, 2021.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Assessment receivable as of December 31, 2022, totaled \$15,553,785 versus \$14,175,490 as of December 31, 2021. The 2022 assessment receivable is reported net of a reserve for refunds that has been established for properties protesting HCAD valuations in the amount of \$1,390,336 as compared to \$1,578,421 in 2021. The \$188,085 decrease reflects the best estimate of property values, historic loss percentages, and the current number of protests.

Liabilities

At December 31, 2022, the District's accounts payable and accrued expenses and due to affiliate totaled \$1,763,302 versus \$1,916,036 as of December 31, 2021. Effective January 1, 2021, the District adopted GASB Statement No. 87 resulting in a lease liability of \$3,114,727. During 2022, the District added a lease liability of \$85,498 and paid \$197,728 in principal payments resulting in an outstanding balance of \$2,829,209 as of December 31, 2022 versus \$173,288 in principal payments resulting in an outstanding balance of \$2,941,439 as of December 31, 2021.

Net Position

Net position at year end in 2022 totaled \$25,065,619. Net position in 2022 is classified as invested in capital assets, restricted for capital projects and unrestricted, which totaled \$468,486, \$6,130,902, and \$18,466,231, respectively. Net position at year end in 2021 totaled \$25,736,777. Net position in 2021 is classified as invested in capital assets, restricted for capital projects, and unrestricted, which totaled \$664,784, \$5,636,670, and \$19,435,323, respectively.

Net position for the District decreased by \$671,158.

Statement of Activities

The following tables identify operating revenues earned and expenses incurred by the District:

<i>For the years ended December 31,</i>	2022	2021
Revenues		
Assessments, net - service plan operations	\$ 14,886,653	\$ 13,812,379
Assessments, net - capital projects	1,267,451	1,284,872
Interest and other	922,252	789,269
Total revenues	\$ 17,076,356	\$ 15,886,520

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

In 2022, revenues totaled \$17,076,356 compared to \$15,886,520 in 2021. Assessment revenues increased by \$1,056,853 due to a .01/\$100 increase in the service plan operations assessment rate as concerns about the increasing rate of property protests were impacting projected revenues over the remainder of the service plan period. In addition, operations revenue increased as employees and visitors began returning downtown. The District saw an increase of \$193,811 in trash subscription fees, Metro bus stop cleaning and reimbursements for the Main Street fountain. Interest income increased \$227,815 due to more favorable interest rates during 2022. Also included in operations revenue are reimbursements for Allen Parkway maintenance which decreased \$120,919 due to a reduction in maintenance and repairs along the street. Other income decreased \$179,452 due to reimbursements to Central Houston, Inc. for overhead costs which were less because of a new lease agreement executed in 2021 included a year of less rent starting September 1, 2021.

<i>For the years ended December 31,</i>	2022	2021
Expenses		
Service plan operations	\$ 16,875,576	\$ 16,025,751
Capital projects	871,938	881,972
Total expenses	\$ 17,747,514	\$ 16,907,723

In 2022, expenses totaled \$17,747,514 compared to \$16,907,723. Post-pandemic service plan operations expense increased over 2021 by \$1,058,270 due to an increase in personnel/program costs in public safety, and street teams cleaning sidewalks and bus stops in the amount of \$1,115,983, and an increase in accent plants and floral displays of \$141,610, an increase of \$90,568 in programming for the new Trebly park, and an increase of \$54,195 for Big Art Bigger Change mural project. The increases were offset by a decrease of \$150,000 in funding to support the Fort Bend Transit system providing transportation into the District that was stopped during the pandemic and not reinstated in 2022 as planned, and a decrease of \$231,948 due to a postponement of the downtown traffic study and related personnel. Capital spending increased \$34,620 due primarily to Main street fountain repairs.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Budgetary Highlights

Service plan operations

	2022		2021	
	Actual	Budget	Actual	Budget
Revenues	\$ 15,723,316	\$ 14,567,879	\$ 14,598,218	\$ 15,068,830
Expenses				
Downtown feels safe and comfortable	9,656,052	9,826,526	8,566,223	8,913,200
Public realm is charming, inviting, beautiful	3,224,088	3,554,465	2,937,715	2,598,000
Accessible to region and easy to get around	154,180	314,494	313,295	288,500
Vibrant, sustainable mixed-use place	1,076,373	1,382,759	1,176,283	1,227,650
Downtown's vision understood by all	1,807,625	2,555,097	2,127,404	2,207,350
District governance and service known for excellence	957,258	1,065,295	904,831	976,297
Total expenses	16,875,576	18,698,636	16,025,751	16,210,997
Change in net position	\$ (1,152,260)	\$ (4,130,757)	\$ (1,427,533)	\$ (1,142,167)

- Overall, 2022 service plan operations revenues were above budget by \$1,155,437 due primarily to the increase to the service plan operations assessment rate of .01/\$100 due to concerns about increasing property value protests during 2022.
- Service plan operations expenses for 2022 were less than budget by \$1,823,060 (9.7%). Personnel costs were under budget \$151,685 (5.1%). Operations and maintenance expenses were under budget by \$452,269 (4.0%) due to safety guides being under budget \$564,038 because of open positions, the delay in the opening of Trebly Park resulting in a variance from budget of \$164,112, homeless planning & services under budget \$155,077, street lighting expenses and trash collection \$89,544 and \$44,201 less than forecasted and the District spending \$47,956 less than budget on banners, pole & pot maintenance, Allen Parkway maintenance and Holiday décor. Offsetting the decreases from budget were increases of \$533,752 in street teams cleaning sidewalks and bus stops; and \$93,456 in landscaping and irrigation maintenance and repair. Marketing expenses were \$329,657 (16.9%) under budget, planning and design was under budget \$540,139 (66.2%) due to the pause on the North Houston Highway Improvement Project and postponing the traffic study and streetscapes design work. DLI payments were \$176,698 under budget due to delay in request for funding and the Fort Bend Transit System was under budget \$150,000 due to delays in restoring service to downtown. Assessment reserves were \$182,979 above forecast due to an increasing number of property value protests resulting in a decrease in projected assessment revenue.

Houston Downtown Management District Management's Discussion and Analysis (Unaudited)

Capital projects

	2022		2021	
	Actual	Budget	Actual	Budget
Revenues	\$ 1,353,040	\$ 1,288,372	\$ 1,288,302	\$ 1,344,390
Expenses				
Downtown feels safe and comfortable	-	-	-	100,000
Public realm is charming, inviting, beautiful	266,145	707,500	145,000	520,000
Accessible to region and easy to get around	227,195	1,177,000	441,117	1,392,000
Vibrant, sustainable mixed-use place	57,925	86,000	104,640	154,500
Capital improvement and expenditures	320,673	257,000	191,215	232,000
Total expenses	871,938	2,227,500	881,972	2,398,500
Change in net position	\$ 481,102	\$ (939,128)	\$ 406,330	\$ (1,054,110)

- Capital projects revenues for 2022 were over budget by \$64,668, primarily attributable to favorable interest rates.
- Capital expenditures for 2022 were \$1,355,562 less than budget due to a delay in procurement of new banners in the amount of \$162,500 and furniture for Trebly Park of \$14,111. Delayed projects which included the Prairie Street project, the Southeast Sidewalks project and the Congress Street Bridge resulted in a favorable variance to budget of \$1,005,829. Wayfinding signage and street sign updates were less than forecasted by \$211,226. Additional amounts under budget were \$20,575 in Downtown Living Initiative capital expenditures, and \$7,500 in retail challenge grants. Capital replacement projects were \$53,104 over budget due to major repairs to the Main Street Square fountain.

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Houston Downtown Management District, 1221 McKinney, Suite 4250, Houston, Texas 77030.

Houston Downtown Management District Governmental Funds Balance Sheet and Statement of Net Position

December 31, 2022

	Service Plan Operations	Capital Projects	Total	Adjustments	Statement of Net Position
Assets					
Cash and cash equivalents	\$ 5,412,582	\$ 5,092,323	\$ 10,504,905	\$ -	\$ 10,504,905
Assessment due from tax collector, net	14,330,703	1,223,082	15,553,785	-	15,553,785
Accounts receivable	203,889	-	203,889	-	203,889
Due from affiliate	71,621	-	71,621	-	71,621
Prepaid expenses	26,235	-	26,235	-	26,235
Interfund (payable) receivable	72,708	(72,708)	-	-	-
Capital assets, net	-	-	-	3,297,695	3,297,695
Total assets	\$ 20,117,738	\$ 6,242,697	\$ 26,360,435	\$ 3,297,695	\$ 29,658,130
Liabilities					
Accounts payable and accrued expenses	\$ 976,188	\$ 111,795	\$ 1,087,983	\$ -	\$ 1,087,983
Due to affiliate	572,034	-	572,034	103,285	675,319
Non-current lease liability					
Due within one year	-	-	-	229,727	229,727
Due in more than one year	-	-	-	2,599,482	2,599,482
Total liabilities	1,548,222	111,795	1,660,017	2,932,494	4,592,511
Deferred Inflows of Resources					
Deferred tax assessment	677,430	57,653	735,083	(735,083)	-
Fund Balances					
Nonspendable-prepayments	26,235	-	26,235	(26,235)	-
Restricted for capital projects	-	6,073,249	6,073,249	(6,073,249)	-
Assigned for catastrophe	800,000	-	800,000	(800,000)	-
Unassigned	17,065,851	-	17,065,851	(17,065,851)	-
Total fund balances	17,892,086	6,073,249	23,965,335	(23,965,335)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 20,117,738	\$ 6,242,697	\$ 26,360,435		
Net position					
Invested in capital assets				\$ 468,486	\$ 468,486
Restricted for capital projects				6,130,902	6,130,902
Unrestricted				18,466,231	18,466,231
Total net position				\$ 25,065,619	\$ 25,065,619
Total fund balances of total governmental funds					\$ 23,965,335
Amounts reported for governmental activities in statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds					3,297,695
Certain liabilities are not due and payable in the current period and therefore not reported in the funds					(103,285)
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds					(2,829,209)
Deferred revenue is not available for current period expenditures and therefore deferred in the funds					735,083
Net position of governmental activities					\$ 25,065,619

The accompanying notes are an integral part of these basic financial statements.

Houston Downtown Management District Governmental Fund Revenues, Expenditures and Changes in Fund Balances and Statement of Activities

For the year ended December 31, 2022

	Service Plan Operations	Capital Projects	Total	Adjustments	Statement of Activities
Revenues					
Assessments, net	\$ 14,656,277	\$ 1,249,523	\$ 15,905,800	\$ 248,304	\$ 16,154,104
Project revenue	680,080	-	680,080	-	680,080
Interest and other	156,583	85,589	242,172	-	242,172
Total revenues	15,492,940	1,335,112	16,828,052	248,304	17,076,356
Expenditures/expenses					
Downtown feels safe and comfortable at all times					
Collaboration to maintain low crime rate	2,635,867	-	2,635,867	-	2,635,867
Reduced presence of homeless and street persons	1,176,662	-	1,176,662	-	1,176,662
Downtown sidewalks are comfortably lighted	122,743	-	122,743	-	122,743
Downtown clean and well-kept appearance	5,271,418	-	5,271,418	208,379	5,479,797
Remove signs of disorder in downtown	62,162	-	62,162	-	62,162
Prepare for emergencies	116,198	-	116,198	-	116,198
Debt service					
Principal payments	197,728	-	197,728	(197,728)	-
Interest charge	62,623	-	62,623	-	62,623
	9,645,401	-	9,645,401	10,651	9,656,052
Public realm is charming, inviting, beautiful and celebrates the life of the city					
Key pedestrian streets are inviting	546,899	-	546,899	-	546,899
Public spaces managed, programmed and delightful	1,143,277	-	1,143,277	-	1,143,277
Place of civic celebration	1,533,912	-	1,533,912	-	1,533,912
	3,224,088	-	3,224,088	-	3,224,088
Accessible to region and easy to get around					
Effective transit access more places, more hours	11,743	-	11,743	-	11,743
Easy to find way around	111,946	-	111,946	-	111,946
Connect neighbors and districts inside/outside downtown	12,398	-	12,398	-	12,398
Convenient, understandable and managed parking	18,093	-	18,093	-	18,093
	154,180	-	154,180	-	154,180
Vibrant, sustainable mixed-use place					
Best place to work in region	333,096	-	333,096	-	333,096
Exciting neighborhoods to live in	693,667	-	693,667	-	693,667
Competitive shopping place	20,939	-	20,939	-	20,939
Remarkable destination for visitors	28,671	-	28,671	-	28,671
	1,076,373	-	1,076,373	-	1,076,373
Downtown's vision and offering understood by all					
Market to region	1,198,673	-	1,198,673	-	1,198,673
Promote downtown's ease of use	34,517	-	34,517	-	34,517
Vision/development framework understood by all	458,927	-	458,927	-	458,927
Tools to assist continued redevelopment	75,846	-	75,846	-	75,846
Develop and maintain information to support downtown	39,662	-	39,662	-	39,662
	1,807,625	-	1,807,625	-	1,807,625

(Continued)

The accompanying notes are an integral part of these basic financial statements.

Houston Downtown Management District Governmental Fund Revenues, Expenditures and Changes in Fund Balances and Statement of Activities (Continued)

For the year ended December 31, 2022

	Service Plan Operations	Capital Projects	Total	Adjustments	Statement of Activities
District governance and service known for excellence					
Engage stakeholders in decision making	\$ 796,125	\$ -	\$ 796,125	\$ (17,376)	\$ 778,749
Communications to owners, tenants and others	47,514	-	47,514	-	47,514
Preservation of districts' capital assets	43,976	-	43,976	87,019	130,995
	887,615	-	887,615	69,643	957,258
Capital improvement and expenditures					
Public realm is charming, inviting and beautiful	-	266,145	266,145	-	266,145
Accessible to region and easy to get around	-	227,195	227,195	-	227,195
Vibrant, sustainable mixed-use place	-	57,925	57,925	-	57,925
Capital replacement expenditure	-	307,543	307,543	13,130	320,673
	-	858,808	858,808	13,130	871,938
Total expenditures/expenses	16,795,282	858,808	17,654,090	93,424	17,747,514
Excess (deficiency) of revenues over expenditures	(1,302,342)	476,304	(826,038)	826,038	
Other financing sources					
Issuance of lease liability	85,498	-	85,498	(85,498)	-
Excess (deficiency) of revenues and other financing sources over expenditures	(1,216,844)	476,304	(740,540)	740,540	
Change in net position				(671,158)	(671,158)
Fund balances/net position, beginning of year	19,108,930	5,596,945	24,705,875	2,052,105	25,736,777
End of year	\$ 17,892,086	\$ 6,073,249	\$ 23,965,335	\$ 2,792,645	\$ 25,065,619
Change in total fund balance of governmental funds					\$ (740,540)
Amounts reported for governmental activities in statement of activities are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset:					
Capital additions					38,073
Right of use asset					85,498
Retirement of assets					(75,502)
Depreciation expense					(100,149)
Amortization expense					(256,448)
The repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds					
Issuance of lease liability					(85,498)
Repayment of principal					197,728
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds					
					17,376
Some assessments will not be remitted to the District for several months after fiscal year-end; they are not considered as "available" revenues in governmental funds					
					248,304
Change in net position of statement of activities					\$ (671,158)

The accompanying notes are an integral part of these basic financial statements.

Houston Downtown Management District Notes to Basic Financial Statements

Note 1: DESCRIPTION OF ORGANIZATION

Houston Downtown Management District (the District), is a municipal management district created under Chapter 375 of the Local Government Code and is currently codified in Chapter 3801 of the Texas Special Districts Code. The District's boundaries include all of the 1,178 acres that lie primarily within the freeway ring around the City of Houston's central business district. The District is governed by a 30-member Board of Directors, representing property owners, managers and tenants in downtown.

The District's main areas of operation are geared towards ensuring that downtown always feels safe and comfortable; public realm is charming, inviting, beautiful and celebrates life of the city; accessible to region and easy to get around; vibrant, sustainable mixed-use place; Downtown's vision and offering understood by all; District governance and service known for excellence; and capital projects. All programs are provided for under a five-year service plan (2021 - 2025) for downtown revitalization which was adopted by the Board in November 2020.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The more significant accounting policies used by the District are described below in Note 2.

In evaluating the District as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification*. The District does not have any component units.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Annual assessments are recognized as revenues in the year in which they are levied. Expenses are recorded when liabilities are incurred.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other nonexchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The District does not have any business-type activities.

Houston Downtown Management District Notes to Basic Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the government-wide financial statements, net position is classified into three components as follows:

Invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by any bonds, notes, lease liability or other borrowings.

Restricted – This component of net position consists of constraints on use placed on net position through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets”.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a “current financial resources” measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenue available if it is collected within 60 days after the year end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisition are reported as expenditures in governmental funds. Issuance of long-term debt, including lease liabilities, are reported as other financing sources.

Fund Accounting

In government, the basic accounting and reporting entity is a “fund.” A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording financial resources together with all related liabilities, obligations, reserves and equities which are segregated for carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Houston Downtown Management District Notes to Basic Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's funds include:

Service Plan Operations

The Service Plan Operations fund was established to account for an annual assessment of up to 10.75 cents per \$100 valuation of taxable real property according to the annual tax roll of the Harris County Appraisal District, as supplemented, pursuant to the 2021-2025 Service Plan. These funds are to be used for operating expenses including public safety, homelessness initiatives, cleanliness, maintenance, landscaping services, urban planning, economic and business development, marketing and communications necessary to build a constituency of support for a thriving, economical and vital downtown. It accounts for all activities except those required to be accounted for in other funds.

Capital Projects

The Capital Projects fund was established to account for an assessment set annually not to exceed 1.00 cent per \$100 valuation of taxable real property according to the annual tax roll of the Harris County Appraisal District, as supplemented, pursuant to the 2021-2025 Service Plan. These funds are to be used for major capital improvements to revitalize downtown including lighting, parks, streetscape enhancements, wayfinding signage, and retail and catalytic project grants.

Fund Balance

The difference between fund assets and liabilities is "Net Position" on government-wide financial statements and "Fund Balance" on governmental funds financial statements. The District follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be maintained intact.

Restricted – amounts where legally enforceable constraints are imposed by an external party such as a creditor, grantor, contributor, or regulations of other governments or constraints imposed by law through contracted provisions or enabling legislation.

Houston Downtown Management District Notes to Basic Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Board of Directors, the District’s highest level of decision making authority.

Assigned – amounts where constraints are imposed on the use of resources through the intent of the District for specific purposes but are neither restricted nor committed.

Unassigned – the residual amount of the general fund balance more than amounts that are nonspendable or that are restricted, committed, or assigned to specific purposes within the general fund.

In the fund financial statements, the District reserves or designates all or portions of fund balance in the various governmental fund financial statements. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes. The committed fund balances for governmental funds represent balances that have been authorized through formal action by the Board of Directors but not yet spent.

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for a specific purpose may be designated as assigned by authorization of the Board of Directors.

When an expenditure is incurred for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers the amount to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment functions.

Special Assessment

The District’s 2022 assessment was levied in November 2022 based on assessed values as of January 1, 2022 for all real property located in the District. Under the new Service Plan adopted by the Board in November 2020, the District’s assessment over the five years of the plan (2021-2025) will be based on each year’s current tax year values. These assessments are due in January 31 of the years 2022 through 2026 and are delinquent if not paid before February 1 of that year. The District’s Board of Directors determines the rate for each year and the combined Service Plan Operations and Capital Projects rate for 2022 was 12.75 cents per \$100 valuation. The District contracts with a tax assessor/collector for assessment collection services.

Houston Downtown Management District Notes to Basic Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting

The District's Board of Directors adopts an annual budget for the Service Plan Operations fund and Capital Projects fund. The budget for the Service Plan Operations fund and the Capital Projects fund is based on projected assessments. Additionally, after adoption, increases and decreases in the budget may be made only upon Board of Directors' approval. A review of revenues and expenditures compared to budget is provided monthly to the Board of Directors with the monthly financial statements.

In addition to approval of the annual budget, the District's Board of Directors must authorize an expenditure more than \$10,000 in advance of the purchase or contract for services. A copy of the check register is provided monthly to the Board of Directors.

Cash and Cash Equivalents

Cash consists of demand and time deposits, and funds maintained in public funds investment pools. The District considers all deposits with a maturity of three months or less to be cash equivalents.

Interfund Receivable and Payable

Interfund receivable and payable arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The amounts recorded as interfund receivable and payable are considered temporary loans that will be repaid in less than one year. At December 31, 2022, the Capital Projects fund owed the Service Plan Operations fund \$72,708. These receivables and payables are eliminated in the statement of net position.

Capital Assets

In the government-wide financial statements, capital assets, excluding leased assets, are recorded at cost. Depreciation and amortization of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of capital assets range from 3 to 15 years. In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition.

Leases

Leases contracts that provide the District with control of a non-financial asset for a period of time in excess of twelve months are reported as a leased asset with a related lease liability in the government-wide financial statements. The lease liability is recorded at the present value of the future lease payments. As most of the leases do not provide an implicit rate, management uses the estimated incremental borrowing rate based on the information available at the commencement date in determined the present value of lease payments. The leased asset is recorded for the same amount as the related lease liability plus any prepayment and indirect cost to place the asset in service. Leased assets are amortized by the straight-line method over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Houston Downtown Management District Notes to Basic Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, the leased asset used in the governmental fund operations is accounted for as a capital outlay expenditure of the appropriate governmental fund upon acquisition and the related lease liability is reported as other financing sources.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District's lease agreements may contain lease and non-lease components, which are accounted for separately in accordance with GASB 87. The determination of the expense/expenditure for non-lease components has been made based on relative stand-alone prices of these components. The variable lease payments, which are primarily comprised of common area maintenance, utilities and real estate taxes, are recognized in as an expense/expenditure in the period in which the obligation for those payments was incurred.

Deferred Inflows of Resources

Deferred inflows of resources are a liability of the District and represent billing of special assessments not available within the current period or soon enough thereafter to pay liabilities of the current period. These billings are deferred and recognized as an inflow of resources in the period the amount becomes available.

Federal Grants

Federal grants and assistance awards made based on entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Federal Income Tax

The District is exempt from Federal income taxes under section 501(a) as an organization described in Section 501(c)3 of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the District is a publicly-supported organization and is not a private foundation. Under the provisions of Internal Revenue Procedure 95-48, the District is not required to file public information returns on Form 990.

Use of Estimates

The preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Houston Downtown Management District Notes to Basic Financial Statements

Note 3: DEPOSITS AND INVESTMENTS

Under the Texas Local Government Investment Pool (TexPool) Participation Agreement, administrative, and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Fund Investment Act. Audited financial statements of the pool are available at First Public, 12008 Research Blvd. Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller Office. Due to its short-term, highly liquid nature, TexPool investments have been reported as cash equivalents.

As of December 31, 2022, the District held \$9,654,010 in the TexPool Prime fund. The District's investment in the TexPool Prime fund is rated AAA by Standard & Poor's and maintains a weighted average maturity of 60 days or less. The District limits its exposure to interest rate risk by investing in securities that assure safety of public funds, maintain liquidity and achieve the highest rate of return. The TexPool Prime fund invests in a combination of commercial paper, repurchase agreements, variable rate notes, and government securities.

The Board of Directors has adopted a written investment policy regarding the investment of its funds pursuant to Chapter 2256 of the Texas Government Code and Chapter 49 of the Texas Water Code, effective as of December 11, 2014. The investments of the District follow the Board of Directors' investment policy. Such investments may include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) TexPool local government investment pools; and (4) various other items that comply with the Public Funds Investment Act and the District's Investment Policy.

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires pledging of collateral for all bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits and the District has entered into a Collateral Pledge Agreement with J. P. Morgan Chase to provide this service. At December 31, 2022, the carrying amount of the District's deposit totaled \$850,895 and the bank balances totaled \$1,458,375. As of December 31, 2022, \$8,204 of District's deposits were undercollateralized.

Houston Downtown Management District Notes to Basic Financial Statements

Note 4: ASSESSMENTS DUE FROM TAX COLLECTOR

Assessments due from tax collector as of December 31, 2022 are summarized as follows:

	Service Plan Operations	Capital Projects	Total
Assessment due from tax collector	\$ 15,615,177	\$ 1,328,944	\$ 16,944,121
Less: allowance for delinquent accounts and refunds	(1,284,474)	(105,862)	(1,390,336)
	<u>\$ 14,330,703</u>	<u>\$ 1,223,082</u>	<u>\$ 15,553,785</u>

A reserve for delinquent accounts and refunds has been established for properties protesting HCAD valuations in the amount of \$1,390,336 as of December 31, 2022.

Note 5: CAPITAL ASSETS

A summary of changes in capital assets during 2022 is as follows:

	Balance at January 1, 2022	Additions	Retirements	Balance at December 31, 2022
Depreciable assets				
Banners and banner arms	\$ 476,982	\$ -	\$ -	\$ 476,982
Forklift	5,500	-	-	5,500
Golf carts - street team	56,508	10,895	(28,140)	39,263
Holiday decorations	224,576	-	-	224,576
Street sweeper	9,995	-	-	9,995
Auto Scrubber	33,089	-	-	33,089
Trolley map stands	20,775	-	-	20,775
Vehicles - Smart Car	18,693	27,178	(18,693)	27,178
Operations center 1313 Main build-out	664,637	-	-	664,637
Operations center furnishings	108,656	-	-	108,656
Operations generator	75,502	-	(75,502)	-
Operations IT infrastructure	43,139	-	-	43,139
Amortizable assets				
Leased asset: operations center	3,114,727	-	-	3,114,727
Leased asset: warehouse	-	85,498	-	85,498
Total capital assets	4,852,779	123,571	(122,335)	4,854,015
Less: accumulated depreciation and amortization	(1,246,556)	(356,597)	46,833	(1,556,320)
Governmental activities capital assets, net	<u>\$ 3,606,223</u>	<u>\$ (233,026)</u>	<u>\$ (75,502)</u>	<u>\$ 3,297,695</u>

All property and equipment purchased by the District is the property of the District until the District is terminated. If the infrastructure is integrated in and used as a part of the City's infrastructure, it may be conveyed to the City of Houston, as is the case with the District's capital projects.

Depreciation and amortization expense for the year ended December 31, 2022 totaled \$256,448 reported as downtown clean and well-kept appearance, \$87,019 reported as preservation of districts' capital assets and \$13,130 reported as capital replacement expenditure in the accompanying statement of activities.

Houston Downtown Management District Notes to Basic Financial Statements

Note 6: LEASES

Lessor's Lease

In 2010, the District entered into a five-year lease agreement with a local restaurant to sell food and beverage from the Market Square Park kiosk. The District amended the agreement to extend the term through September 2025. In the amendment, either party has the option to terminate the lease with 120 days' notice. Lease rental income is calculated based on gross sales (6% of the first \$1,000,000 in gross sales and 7% of gross sales in excess of \$1,000,000). In accordance with GASB Statement No. 87, variable lease payments based on future performance or usage are recognized as revenue based on the payment provisions of the lease contract. Lease rental income was \$42,143 and utility reimbursements were \$13,683 for the year ended December 31, 2022 and is included in Project Revenue in the accompanying financial statements.

Lessee's Lease

The District, as lessee, agrees to certain conditions for the use of an office space for the purpose of operating an operations center under an operating lease agreement expiring in March 2034. Per the agreement, the monthly lease payment of \$18,567 starting in April 2019 is adjusted by 2.5% annually through the duration of the agreement. The District has used the District's estimated incremental borrowing rate of 2.14% to discount the annual lease payments to recognize the leased asset and the related lease liability as of January 1, 2021, adoption date. As of December 31, 2022, the District has a lease liability outstanding related to the operations center of \$2,764,198.

The District also entered into a warehouse lease in July 2022 expiring in June 2024. Per the agreement, the monthly lease payment starting July 2022 is \$3,562 and increases to \$3,760 in July 2023 through end of the agreement. The District has used the District's estimated incremental borrowing rate of 2.84% to discount the annual lease payments to recognize the leased asset and the related lease liability as of July 1, 2022, commencement date. As of December 31, 2022, the District has a lease liability outstanding related to the warehouse of \$65,011.

As of December 31, 2022, the leased assets is recorded at the present value of the future lease payments of \$3,200,225 net of its accumulated amortization of \$491,522.

Annual requirements to amortize the lease liability and related interest are as follows:

For the years ending December 31,	Principal	Interest
2023	\$ 229,727	\$ 58,641
2024	219,683	53,420
2025	207,895	48,909
2026	218,871	44,353
2027	230,246	39,559
2028-2032	1,336,744	116,893
2033-2034	386,043	5,551
	<u>\$ 2,829,209</u>	<u>\$ 367,326</u>

Houston Downtown Management District Notes to Basic Financial Statements

Note 6: LEASES

Other information related to leases is as follows:

<i>For the year ended December 31,</i>	2022
Base rent expense	\$ 256,449
CAM charges expense	6,842
Total lease expense	\$ 263,291

A summary of changes in the District's lease liability follows:

Balance at January 1, 2022	\$ 2,941,439
Additions	85,498
Retirements	(197,728)
Balance at December 31, 2022	\$ 2,829,209
Current portion, lease liability	\$ 229,727

Note 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, errors and omissions, personal injuries, and natural disasters. The risk of loss is covered by the Texas Municipal League Intergovernmental Risk Pool. In addition, a portion of the unrestricted fund balance in the amount of \$800,000 has been designated as assigned for catastrophe. There have been no significant reductions in insurance coverage and no settlements.

Note 8: RELATED PARTY TRANSACTIONS

The District has an administrative contract with Central Houston, Inc., whereby Central Houston, Inc. provides certain administrative and management services to the District. The District and Central Houston, Inc. share executive management, office space, and administrative support. Central Houston, Inc. provided staffing services to the District in the amount of \$2,810,884 in 2022. As of December 31, 2022, the District had a due to affiliate of \$675,319.

In addition, the District paid approximately \$583,000 in 2022 to Central Houston Civic Improvement, Inc. mainly for its business development program and NHHIP Civic Opportunities. Such amounts are included in expenses in the accompanying financial statements.

Houston Downtown Management District Notes to Basic Financial Statements

Note 9: COMMITMENTS

Finger-FSC Crawford, Ltd.

In February of 2013, the District entered into an economic development agreement with Finger-FSC Crawford, Ltd. to provide a grant equal to 75% of the incremental District assessment generated by the project for a term of fifteen years from the date of completion of the project and its inclusion on the District's tax assessment roll. The project was for development of approximately 397 residential units and 10,000 square feet of retail on blocks 50 and 51 in the District. In addition, the City of Houston provided a Chapter 380 grant to the owner of the project in the amount that the owner would otherwise be required to pay the City for abandoning the right-of-way of the 1500 block of Prairie Street. The residential property was completed in 2016. The third payment was made to Finger-FSC Crawford, Ltd. in the amount of \$62,336 in 2022.

Downtown Living Initiative

The District, in conjunction with the City of Houston and the Downtown Redevelopment Authority (DRA), created a program in 2012 called the Downtown Living Initiative (DLI), which is designed to incentivize residential development in downtown. Developers are eligible to receive a rebate equal to 75% of the incremental District assessment and City of Houston property taxes generated by the project upon completion for a fifteen-year period up to a maximum of \$15,000 per unit. There was an overall cap of units able to participate in this program of 5,000 units. The application deadline for the DLI program was June 30, 2016 and the program is now closed.

The District has executed DLI agreements with fifteen developers totaling 4,257 units. Projects opened as of the end of 2022 include: SoDo on Main, Block 334, Market Square Tower, the Star, Aris Market Square, Eighteen25, Catalyst, 1414 Texas, 1711 Caroline, the Marlowe and the Camden Downtown. Estimated completion dates for the additional development projects range through the end of 2023. The residential projects are geographically dispersed throughout several areas of the District, including the Ballpark District, the Historic District, and the southern portion of downtown.

Developers are required to meet certain deadlines and be in compliance with design guidelines in order to benefit from the incentive program, although extensions may be granted if approved by the Board. The District's liability for DLI assessment rebates to developers is contingent upon renewal of subsequent service plans beyond 2025.

Catalytic Retail Projects

The District has a program to support catalytic retail projects. During 2017, a \$140,000 grant was awarded to Bravery Chef Hall which activates the street level of the residential project Aris Market Square and features a food hall concept for rising-star chefs. Bravery opened in 2019. The last installment was paid in 2022.

Total payments made by the District during 2022 under its economic development, catalytic and DLI grants was \$688,769.

Houston Downtown Management District Notes to Basic Financial Statements

Note 9: COMMITMENTS (Continued)

Assuming the service plan is renewed in its current form, the District's commitment for future years is as follows:

For the years ending December 31,	
2023	\$ 1,015,491
2024	1,045,955
2025	1,077,334
2026	1,070,061
2027	822,658
Thereafter	4,768,830
	\$ 9,800,329

Service Agreements

The District entered into an agreement with Block by Block to provide personnel, equipment and supplies for public safety, cleaning and maintenance services for the District beginning on January 1, 2016. The 2022 expenditures by the District under the existing services agreement is \$4,908,698.

The District has entered into several other smaller service agreements for cleaning, landscaping, engineering, design and various consultants to provide professional services.

Southeast Sidewalk Improvements Project

In January 2022, the District entered into an advance funding agreement with Texas Department of Transportation (TxDOT) to provide funding equal to \$1,186,800 based on total estimated costs of \$3,446,245 for the Downtown Houston Southeast Sidewalk Improvements project (the Sidewalk project). The remaining funding of \$2,259,445 is provided by federal and state funding. In the event that the actual costs of the Sidewalk project exceed the estimated costs, any excess costs will be responsibility of the District. The initial payment of \$10,040 was paid by the District during the year ended December 31, 2022. A payment of approximately \$551,760 will be paid by the District before construction starts which is expected to start in XX. Subsequent payments will be made as the construction progresses.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

Houston Downtown Management District Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual (Unaudited)

For the year ended December 31, 2022

	Service Plan Operations	Capital Projects	Total	Budget	Variance Favorable (unfavorable)
Revenues					
Assessments, net	\$ 14,886,653	\$ 1,267,451	\$ 16,154,104	\$ 15,097,251	\$ 1,056,853
Project revenue	680,080	-	680,080	743,000	(62,920)
Interest and other	156,583	85,589	242,172	16,000	226,172
Total revenues	15,723,316	1,353,040	17,076,356	15,856,251	1,220,105
Expenses					
Downtown feels safe and comfortable at all times					
Collaboration to maintain low crime rate	2,635,867	-	2,635,867	3,278,655	642,788
Reduced presence of homeless and street persons	1,176,662	-	1,176,662	1,310,512	133,850
Downtown sidewalks are comfortably lighted	122,743	-	122,743	211,222	88,479
Downtown clean and well-kept appearance	5,542,420	-	5,542,420	4,867,930	(674,490)
Remove signs of disorder in downtown	62,162	-	62,162	41,277	(20,885)
Prepare for emergencies	116,198	-	116,198	116,930	732
	9,656,052	-	9,656,052	9,826,526	170,474
Public realm is charming, inviting, beautiful and celebrates the life of the city					
Key pedestrian streets are inviting	546,899	-	546,899	532,513	(14,386)
Public spaces managed, programmed and delightful	1,143,277	-	1,143,277	1,328,657	185,380
Place of civic celebration	1,533,912	-	1,533,912	1,693,295	159,383
	3,224,088	-	3,224,088	3,554,465	330,377
Accessible to region and easy to get around					
Effective transit access more places, more hours	11,743	-	11,743	161,132	149,389
Easy to find way around	111,946	-	111,946	132,306	20,360
Connect neighbors and districts inside/outside downtown	12,398	-	12,398	10,500	(1,898)
Convenient, understandable and managed parking	18,093	-	18,093	10,556	(7,537)
	154,180	-	154,180	314,494	160,314
Vibrant, sustainable mixed-use place					
Best place to work in region	333,096	-	333,096	405,861	72,765
Exciting neighborhoods to live in	693,667	-	693,667	896,318	202,651
Competitive shopping place	20,939	-	20,939	17,700	(3,239)
Remarkable destination for visitors	28,671	-	28,671	62,880	34,209
	1,076,373	-	1,076,373	1,382,759	306,386
Downtown's vision and offering understood by all					
Market to region	1,198,673	-	1,198,673	1,313,863	115,190
Promote downtown's ease of use	34,517	-	34,517	28,156	(6,361)
Vision/development framework understood by all	458,927	-	458,927	1,067,982	609,055
Tools to assist continued redevelopment	75,846	-	75,846	61,125	(14,721)
Develop and maintain information to support downtown	39,662	-	39,662	83,971	44,309
	1,807,625	-	1,807,625	2,555,097	747,472
District governance and service known for excellence					
Engage stakeholders in decision making	778,749	-	778,749	933,070	154,321
Communications to owners, tenants and others	47,514	-	47,514	34,072	(13,442)
Preservation of districts' capital assets	130,995	-	130,995	98,153	(32,842)
	957,258	-	957,258	1,065,295	108,037
Capital improvement and expenditures					
Public realm is charming, inviting and beautiful	-	266,145	266,145	707,500	441,355
Accessible to region and easy to get around	-	227,195	227,195	1,177,000	949,805
Vibrant, sustainable mixed-use place	-	57,925	57,925	86,000	28,075
Capital replacement expenditure	-	320,673	320,673	257,000	(63,673)
	-	871,938	871,938	2,227,500	1,355,562
Total expenses	16,875,576	871,938	17,747,514	20,926,136	3,178,622
Change in net position	\$ (1,152,260)	\$ 481,102	\$ (671,158)	\$ (5,069,885)	\$ 4,398,727

(Continued)

Houston Downtown Management District Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual (Unaudited) (Continued)

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

For the year ended December 31, 2022

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources	\$ 17,076,356
Differences - budget to GAAP:	
Assessments that are not remitted to the District within availability periods are not considered as revenues in governmental funds	(248,304)
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances	\$ 16,828,052
Uses/outflows of resources	\$ 17,747,514
Differences - budget to GAAP:	
Expenditures budgeted on accrual basis rather than modified accrual basis	17,376
Capital outlay	123,571
Retirement of assets	(75,502)
Repayment of principal	197,728
Amortization expense	(256,448)
Depreciation expense	(100,149)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances	\$ 17,654,090

**Houston Downtown Management District
Notes to Required Supplementary Information (Unaudited)
For the year ended December 31, 2022**

Annual budgets are adopted on a full accrual basis. Reconciliation of budgetary basis to modified accrual is included with the budgetary comparison schedule. The legal level of control is at the fund level.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to December 31, the District's Board will review and approve the operating and capital improvement budgets for the succeeding year. Assessment rates for operations and capital improvements are set in the fourth quarter prior to the first year of a new five-year service plan and prior to each succeeding year of a service plan if changes to the initial rates are to be made.
- b. Budget preparation also involves the following before adoption:
 1. Review of needs and priorities within the District.
 2. Review of draft budget by Board committees.
 3. Review of draft budget by the District's Board.
 4. Receipt of property owner input through Town Hall Meetings or another format.

Prior to December 31, the budget is legally enacted through passage of a Board resolution by the favorable vote of a majority of the members of the Board. No amendments were made to the budget during the year.

Houston Downtown Management District

Resolution of Appreciation

WHEREAS, VALERIE WILLIAMS was elected to the Board of Directors of the Houston Downtown Management District in 1995; and

WHEREAS, VALERIE WILLIAMS wishes to retire from the Board of Directors having committed her experience, time, and responsibility to the District for the past twenty-eight years; and

WHEREAS, VALERIE WILLIAMS played a key role in Downtown's business growth and development. As a certified public accountant and through her long tenure in various leadership roles at Ernst & Young, she has shared her knowledge and expertise in several capacities; and

WHEREAS, during her tenure as a Director, VALERIE WILLIAMS committed substantial time and talent to the District in her service on the Board of Directors, serving as Chair, Vice Chair and Vice President of the Board; Chair of the Audit, Finance & Investment, and Nominating Committees; and as a member of the Audit, Executive, Finance & Investment, and Nominating Committees; and

FURTHER WHEREAS, VALERIE WILLIAMS shared substantial knowledge, advice, keen insight and sound judgment in her public service to the District and served as a champion for Downtown.

NOW, THEREFORE, be it RESOLVED, the Board of Directors expresses its sincerest appreciation to VALERIE WILLIAMS for her service and is grateful for her service in her multiple capacities as a member of the District Board and the District wishes her well in future endeavors; and

RESOLVED FURTHER, the Board of Directors directs the Secretary to transmit to VALERIE WILLIAMS a certified copy of this resolution as a permanent token of the Board's expression of gratitude.

**MEMORANDUM**

June 15, 2023

TO: Board of Directors

FROM: Kris Larson
Nominating Committee

ACTION: Recommendation of Nominee for District Officer

The Nominating Committee respectfully request the Board of Directors to consider the following recommendation as an Officer of the Board of Directors to serve until a successor is duly elected and qualified:

Treasurer & Investment Officer: Richard Torres; Position No. 24

In preparation of transitioning full time into the Vice Chair role, we express our sincere appreciation for Robbi Jones' leadership serving as the District's Treasurer & Investment Officer and for Richard Torres' gracious acceptance to serve in this position.

ACTION: Accept the Nominating Committee's recommendation to appoint Richard Torres as Treasurer & Investment Officer to the District Board.



2023 HDMD Budget

MID-YEAR
AMENDMENTS

2023 Approved Budget Operating



10/31/2022 Fund Balance

\$7,209,417

2023 Assessment Revenue

\$15,141,762

Total Other Revenues

\$1,266,500

Utilization of Fund Balance

\$3,346,600

Total Revenue

\$19,754,862

Budgeted Expenditures

\$19,754,862

Forecasted Fund Balance

\$3,862,817

2023 Approved Budget

Capital



10/31/2022 Fund Balance

\$5,182,744

2023 Assessment Revenue

\$1,288,661

Total Other Revenues

\$120,000

Utilization of Fund Balance

\$0

Total Funds Available

\$6,591,404

Budgeted Expenditures

\$4,528,636

Forecasted Fund Balance

\$2,062,768



FUND BALANCE POLICY

Approved by Board in May, 2023

3 - 4 Months Operating Expenses

2023 Minimum Target: \$4.8 M*

*Does not include / apply to Capital Budget

Forecasted Surplus: Operating



Operations	\$158,540
Ops - Homeless	\$150,000
Planning & Design	\$100,000
Marketing	\$195,000
Admin	\$435,565
Adjustment for Refunds / Protests	(98,550)
Total Surplus	\$940,555

Fund Balance Forecasting



Forecasted Fund Balance

\$3,862,817

Adopted Policy Minimum
Difference

\$4,800,000
-\$937,183

Forecasted Surplus

\$940,555

Initial staff recommendations - Operating

Replace Main St. ground cover
\$55,000



Expand trash can inventory
\$75,000



Repair & paint Market Square Park iron fence
\$50,000





How quickly would the Board like to pursue its fund balance target?



Does the Board want to earmark some / all of the projected 2023 operating surplus toward achieving its fund balance target?



Are there any emergent, current year priorities for budget reallocation?

Forecasted Surplus: Capital



Project	Budget	Proj. Surplus
Trebley Furnish.	\$13,000	(\$41,404)
Tree Planting	\$200,000	\$50,000
SE Sidewalks	\$1,356,387	\$411,800
Capital Replace.	\$250,000	\$50,000
Misc.	0	(\$8,414)
Fees / Depreciation	\$20,600	\$6,220
Total		\$418,202

Initial staff recommendations - Capital

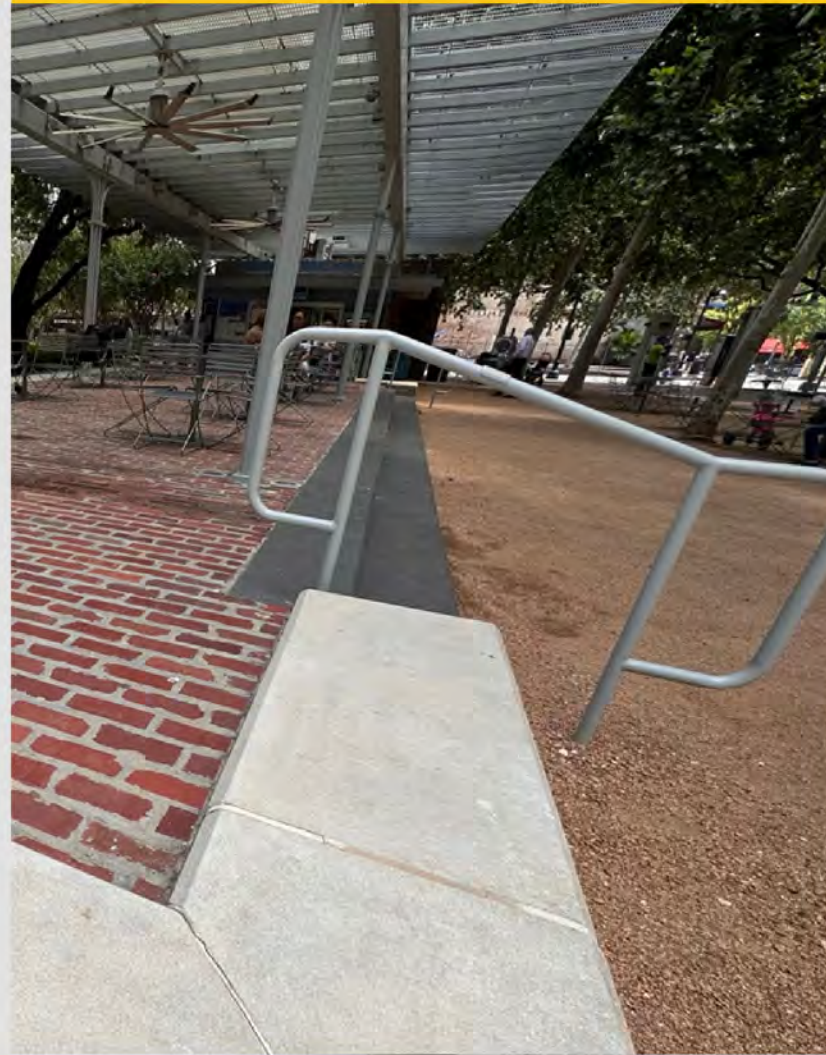
Turf the dogparks

\$100,000



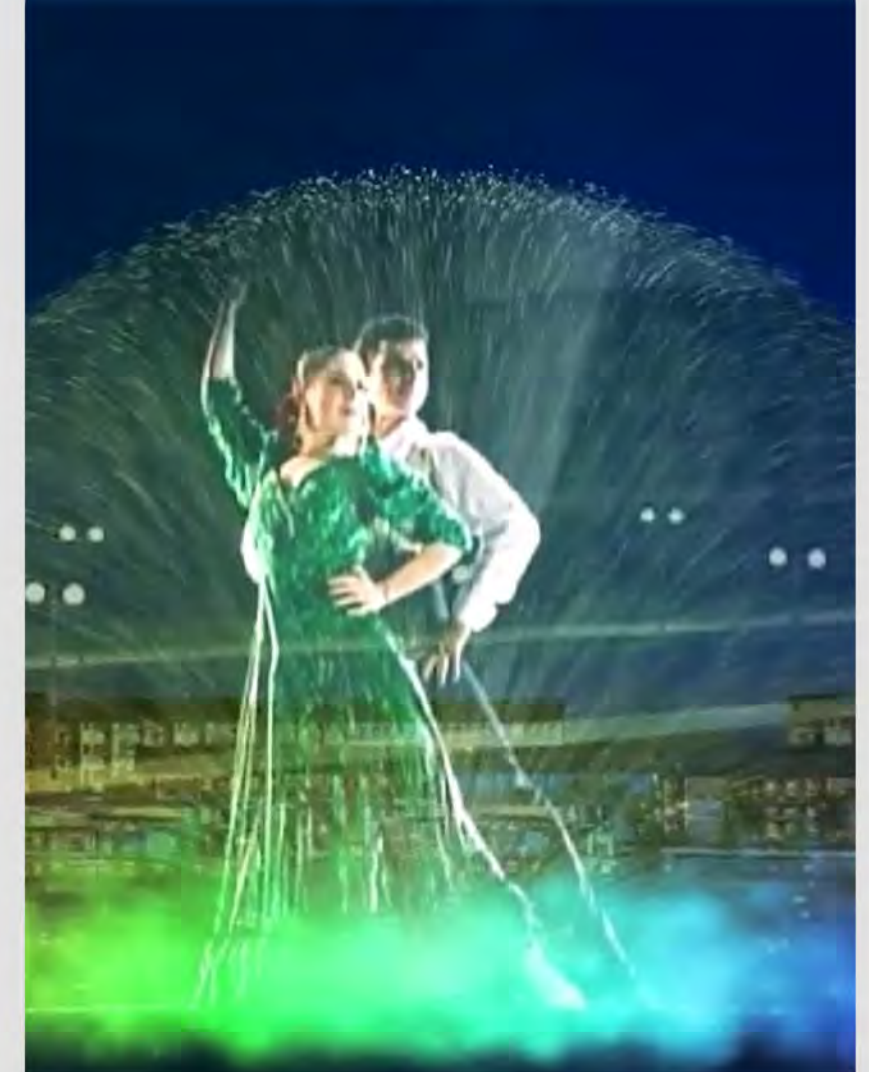
DG replacement

\$100,000



Replace Main St.
Fountain Projector

\$75,000





Do members of the Board have other ideas or priorities for the capital budget?



Should the reserve for protested HCAD valuations be adjusted?



Thank you.

ACTION ITEM	Authorize expenditure to Coalition for the Homeless Houston and Harris County to support community wide homeless system management.
SERVICE PLAN	2021-2025
Account Code	851.200
Budget & Year	\$1,200,000 2022
REQUEST	\$100,000
DESCRIPTION	This expenditure is to provide general operating support for the Coalition.
DISCUSSION	<p>The District has been providing annual assistance to the Coalition for many years. The Coalition has requested \$100,000 this year to continue their efforts to reduce homelessness.</p> <p>The District's continual support allows the Coalition to continue to be the lead agency to bring the individual agencies together to work efficiently and collaboratively towards effective and obtainable goals.</p>
M/WBE Participation	The Coalition for the Homeless Houston, a 501 (c) (3) non-profit corporation, is not a DBE.


Board of Directors
FY 2023

Troi Taylor
Chair

Chris Hanslik
Vice Chair

Annette Garber
Secretary

Griff Godwin
Treasurer

Teddy Adams

Ashley Allen, PhD

Cynthia Alvarado, CPM®

Devon Anderson

Tina Arias Peterman

Ric Campo

Redick Edwards

Doug Foshee

Lance Gilliam

Erica Hughes, Esq.

Andy Icken

Michael Lykes

Chrishelle Palay

Santhi Periasamy, PhD

Shannah Stephens

Kris Thomas

Ken Valach

Michael Nichols
President/CEO

Susan Bailey-Newell
Chief Operating Officer

Katherine Murray
Interim Chief Financial Officer

Sara Martinez
*Vice President of
Communications &
Development*

Jessica Preheim
*Vice President of
Strategic Planning*

Ana Rausch, MA
*Vice President of
Program Operations*

June 12, 2023

Mr. Kristopher Larson, AICP
Central Houston, Inc.
1221 McKinney Street, Suite 4250
Houston, TX 77010

Dear Mr. Larson,

On behalf of the Board of Directors and staff of the Coalition for the Homeless of Houston/Harris County, I want to thank the Downtown Management District for its continued generosity through investments in our work to make homelessness rare, brief, and non-recurring in the Houston region.

Since the Coalition began leading the work of The Way Home in 2012, we have seen reductions in overall homelessness by more than 60% and have placed more than 28,000 people in permanent housing with a 90% success rate over the long term.

And while these results are impressive, we know that some of our most vulnerable neighbors remain living on the street with significant barriers to accessing housing. These very vulnerable people are frequently dealing with serious mental illness and or substance use disorders while living unsheltered, making them very visible and sometimes disruptive to those who live and work in, and/or visit Downtown.

Unsheltered homelessness can also draw bad actors who prey upon those living on the streets. And while anyone can break the law, we do know that people experiencing homelessness are much more likely to be the victim of a violent crime than to commit one.

We recognize that, while we tout the successes we have made at scale over the last decade, we are sometimes still failing at the individual level, when it comes to our most vulnerable neighbors. That is why we are dedicated to initiatives like the 4C group that meets regularly to ensure that, no matter what the barriers, we work to ensure that **everyone** has access to safe and affordable housing.

To that end, we have attached a proposal and are asking the Downtown Management District to continue its support of the Coalition for the Homeless through a general operating grant of \$100,000.

We are confident that your investment will allow us to continue to be a flexible and responsive leader that is working to ensure that **everyone in our community has a safe place to call home.**

Again, thank you for your continued support. If you have any questions or concerns, please feel free to contact me at mnichols@homelesshouston.org or 281-788-3059.

Sincerely,

Michael Nichols
President/CEO



Proposal: Coalition for the Homeless General Operating Support

Background:

Coalition for the Homeless

Founded in 1982 and incorporated as a nonprofit in 1988, the Coalition for the Homeless acts as a catalyst, uniting partners and maximizing resources to move people experiencing homelessness into permanent housing with supportive services. The Coalition believes we can create a community where everyone has a safe place to call home. We advance this vision every day by creating strong public/private partnerships, using data to drive our strategy, fostering collaboration among community stakeholders, and educating the public on homelessness and its solutions.

Since 2012 the Coalition has served as lead agency to The Way Home Continuum of Care (CoC), which is the local homeless response system. To better understand our role, think of air travel. Airlines that you have likely heard of (United, Delta, Southwest, etc.) work directly with passengers to move them from point A to point B, but the airport staff and air traffic control ensure that the airlines can serve passengers efficiently and with the best degree of service. They also ensure that there are enough gates at the airport to manage traffic and can report on big picture data to understand trends on air travel. In the same way, our community has dozens of direct service providers who work directly with people experiencing homelessness to move them from homelessness to housing. And the Coalition supports those agencies by making sure we are coordinated and well resourced, and by keeping an eye on system-level data and trends to move toward a community where homelessness is rare, brief, and nonrecurring.

The Way Home

To effectively address homelessness in our community, we had to shift from working as individual agencies to creating a coordinated approach to all that we do. This meant shifting from a collection of individual programs to a community-wide, networked response that was strategic and data-driven to inform how we allocate resources, services, and programs. Out of this effort, The Way Home CoC was formed.

The Way Home CoC is the collaborative effort to prevent and end homelessness for individuals and families in Harris, Fort Bend and Montgomery counties. It is comprised of more than 100 partners working together to solve homelessness. Partners and supporters of The Way Home know that permanent housing combined with supportive services is the key to solving homelessness. The Way Home has reduced overall homelessness by more than 60% and housed more than 28,000 people since its inception. More impressively, the latest system performance measurements show that 90% of people housed through The Way Home remain stably housed over the



long term. This success would not be possible without a community-wide coordinated approach to delivering services, housing, and needed programs.

Problem Statement/Needs Assessment:

General Operating:

The Coalition is the only agency that can effectively and impartially align The Way Home system so our community and service providers can end homelessness for individuals and families as quickly as possible. Before its work began as lead agency, people in crisis had a difficult time accessing services to end their homelessness. Direct service providers also worked in silos with little to no communication, resulting in duplication of services and vulnerable people falling through the cracks.

Since serving as lead agency, the Coalition has focused on breaking down these silos and implementing a collective impact approach to our work to solve homelessness. This vital shift is the reason that the Houston region has seen success over the last decade – we have led the creation of a system that is very effective at housing people as quickly as possible. We have changed our approach from managing homelessness to solving it.

As a result, our homeless response system is connecting people in crisis to assistance more equitably, no matter where they show up to ask for help within our system. This has allowed the Coalition to design a more efficient homeless response system that is:

- helping people move through the system faster and into housing at an accelerated rate,
- continuously improving data and quality, and
- providing accurate information on what types of service are available and can be matched to individual consumers and what kinds of assistance are available and what level of housing/service interventions consumers need to stabilize.

Our leadership is not only essential within the homeless response system. Over the past several years, we have also been strengthening our cross-system relationships. Working across systems in partnership with the Downtown Management District through our Homelessness Cross-System Planning meetings helps us explore how to serve people experiencing homelessness best holistically, across multiple systems. Working with partners like the Harris Center, the Houston Recovery Center, the criminal justice system, Harris County, and the City of Houston helps us understand the intersection of these systems and find new ways to work together to achieve shared goals.



The Community COVID Housing Program:

In March 2020, the global Coronavirus pandemic arrived in Houston, providing a major disruption to our ongoing work of solving homelessness. Like Hurricane Harvey, we knew that people experiencing homelessness would be more severely impacted by this virus and it would be critical that they maintain their connection to services. The Coalition's decades of experience and leadership were essential to ensuring that people and families experiencing homelessness were a priority in both short- and long-term planning.

The Community COVID Housing Program (CCHP) was established to permanently house people experiencing literal homelessness as well as those who fell into homelessness because of the economic effects of the coronavirus.

- On July 1, 2020, the City of Houston, Harris County, and the Coalition for the Homeless [announced](#) this joint plan to serve 5,000 people experiencing homelessness by October 2022 to limit the spread of COVID-19.
 - The City of Houston and Harris County committed a combined \$57M in public funding to the CCHP and local private philanthropy – including the Houston Downtown Management District – committed an additional \$7M in private funds.
- And thanks to the success of Phase 1 of the CCHP, in January 2022, Houston and Harris County pledged an additional \$100M in public investments to serve an additional 7,000 unique clients by the end of 2024.

Thirteen partner agencies, including the Coalition, are now working in coordination with the City of Houston and Harris County to fully implement this holistic, housing-focused response to the pandemic. This program and the Coalition's leadership on implementation has accelerated our homeless response system's ability to house individuals.

- **More than 13,432 people experiencing homelessness or at imminent risk of homelessness have been housed or diverted from homelessness since October 2020.**
- **9,505 people have been served under phase 1 of the CCHP, exceeding the initial goal of 5,000.**
- **3,927 people have been served under phase 2 of the CCHP, toward our goal of 7,000.**

The commitments to the CCHP have allowed us to serve an unprecedented number of people experiencing homelessness. The investments made through his program will also continue to transform our homeless response system by adding new and enhanced client supports to ensure their long-term success in permanent housing, getting us closer to ending unsheltered homelessness.



Encampment Decommissioning

The Coalition has also been leading the work and garnering national recognition for our community's work to decommission homeless encampments. The Coalition has always known that we cannot just move people in encampments down the road; the answer to encampments is to provide people living there with permanent housing and supportive services. Thanks to the additional housing resources available through the CCHP and the strong partnerships that the Coalition has cultivated with the City of Houston, Harris County, and local management districts, **we have been able to decommission 98 encampments, and of the 530 people engaged from those encampments, 73% have been housed!** An additional 13% self-resolved and only 10% refused to engage with outreach staff. Our experience is that the majority of people living in encampments will accept an offer of permanent housing – even if they have turned down offers of emergency shelter in the past.

Our leadership on encampments has received national attention from the U.S. Department of Housing & Urban Development (HUD), which assigned a technical assistant to study our work on encampments. He worked with us and the City of Houston to create an Encampment Decommissioning Manual that is being touted as a national best practice on addressing encampments. Our manual has been shared with communities across the nation like Boston, Los Angeles, and Seattle and we frequently meet with communities to offer mentorship and lessons learned as they begin their own work.

Navigation Center

Since 2019, the Coalition has been working with the City of Houston to open a low-barrier housing Navigation Center where we can offer people living unsheltered immediate, safe, and low-barrier shelter while they work on obtaining permanent housing. We know that a Navigation Center is a key piece that has been missing in our community when it comes to addressing unsheltered homelessness.

The Coalition served as project manager for the construction of a permanent Housing Navigation Center located in the Fifth Ward. This center opened in late January 2023 and has approximately 100 beds. Since the encampment decommissioning work began, we have seen that most people living unsheltered are willing to accept permanent housing when offered or go to the Navigation Center while their housing is secured. In fact, the navigation center (first the temporary location and now the permanent one on Jensen) has been a key to our success in decommissioning encampments since they offer bed space to quickly move people from encampments.

The Navigation Centers are also co-ed and allow people to bring their pets with them, unlike at most current, traditional emergency shelters. Both the temporary and Permanent Navigation Centers work on referral only so we can be sure that housing



is offered through our coordinated homeless response system. The Centers are designed to provide clients with services that include healthcare resources, employment assistance, housing navigation, and case management. Staff at the Navigation Centers also walk alongside clients through the referral, paperwork, and move-in processes to ensure clients are set up for long-term success.

Through May, 139 people have been enrolled at the Navigation Center, with 66 of those people housed. As of May, the average length of stay at the Navigation Center was 51 days; this is an increase over the March 2023 average of 31 days due to reduced availability of permanent housing beds.

Downtown Management District's Role in Our Work:

The Coalition deeply values our long-time relationship with the Downtown Management District. The financial support provided by DMD has not only supported transformative efforts like the CCHP and Housing Harvey's Homeless (H3), but perhaps more importantly, general operating support of the Coalition, which has allowed us to grow and strengthen so the Coalition can be a flexible and responsive lead agency. The Coalition is essential because we coordinate the partners and resources to make programs like the CCHP successful; from case management programs to agencies that provide rental assistance, from securing private landlord partners to ensuring that people moving into housing have the home essentials they need to thrive over the long term.

Our dedicated partnership has given us the space to learn from our work, building on our successes and tweaking the processes that need to be adjusted. Downtown Management's long-time support of sustainable programming has led to Houston being a national model on addressing homelessness. We appreciate your support and look forward to our continued partnership.

Attachment A: Coalition for the Homeless FY 2023 Operating Budget

Attachment B: FY 2023 Board of Directors

Attachment A:
Coalition for the Homeless of Houston/Harris County
FY 2023 Organization Budget

Category	FY 2023 Budget	General Operating	Federal Grant Budget	Restricted Private Grant Budget
Revenue				
Public Charities	\$ 275,000.00	\$ 275,000.00	\$ -	\$ -
Corporations	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -
Board Giving	\$ 125,000.00	\$ 125,000.00	\$ -	\$ -
Government Grants	\$ 7,138,925.00	\$ -	\$ 7,138,925.00	\$ -
Individual Donations	\$ 1,774,996.00	\$ 1,774,996.00	\$ -	\$ -
Foundations	\$ 210,000.00	\$ 210,000.00	\$ -	\$ -
HMIS Fees	\$ 250,000.00	\$ 250,000.00	\$ -	\$ -
Investment Income	\$ 50.00	\$ 50.00	\$ -	\$ -
Miscellaneous Income	\$ -	\$ -		
Total Revenue	\$ 9,848,971.00	\$ 2,710,046.00	\$ 7,138,925.00	\$ -
Expenses				
Total Payroll & Related Expenses	\$ 7,162,964.00	\$ 677,915.00	\$ 7,162,964.00	\$ 246,436.00
Contract & Professional Services	\$ 68,000.00	\$ 13,000.00	\$ 55,000.00	\$ -
Contractors	\$ 590,132.00	\$ 101,000.00	\$ 433,132.00	\$ 56,000.00
Occupancy	\$ 419,543.00	\$ 147,568.00	\$ 271,975.00	\$ -
General Expenses	\$ 497,168.00	\$ 356,963.00	\$ 140,205.00	\$ -
Total Expenses	\$ 8,737,807.00	\$ 1,296,446.00	\$ 7,138,925.00	\$ 302,436.00
Net Income (Loss)	\$ 1,111,164.00	\$ 1,413,600.00	\$ -	\$ (302,436.00)



**Attachment B:
FY 2023 Board of Directors**

Board Member	Affiliation	Title
Troi Taylor <i>Chair</i>	Taylor Construction Management	President
Chris Hanslik <i>Vice Chair</i>	BoyarMiller	Firm Chairman
Annette Garber <i>Secretary</i>	HCA Houston Healthcare	Director, Media Relations
Griff Godwin <i>Treasurer</i>	Greater Houston Builders Association	Chief Financial Officer
Teddy Adams	Crown Castle	Vice President Legal
Ashley Allen, PhD	Houston Community Land Trust	Executive Director
Cynthia Alvarado	Midtown Management District	Operations Manager
Devon Anderson	Justice Forward	President/CEO
Tina Arias Peterman	Masterson Advisors	Director
Ric Campo	Camden Property Trust	Chairman & CEO
Redick Edwards	Houston Housing Finance Corporation Board	President & Director
Doug Foshee	SallyPort Investments	Chairman, President & CEO
Lance Gilliam	Waterman Steele	Partner
Erica Hughes, Esq.	Department of Justice	Immigration Judge
Andy Icken	City of Houston	Chief Development Officer
Michael Lykes	Harris County Precinct 2	Chief of Staff
Chrishelle Palay	H.O.M.E. Coalition	Director
Santhi Periasamy, PhD	Santhi Periasamy, Ph.D., P.L.L.C.	Licensed Psychologist
Shannah Stephens	Bank of America	Senior Vice President - Consumer Programs Marketing
Kris Thomas	Houston Housing Authority	Commissioner
Ken Valach	Trammell Crow Residential and Crow Holdings Industrial	CEO

ACTION ITEM	Authorize 2023 expenditures for sidewalk and curb and gutter repairs along Prairie Street.
SERVICE PLAN	2021-2025
Account Code	592.801
Budget	\$200,000
REQUEST	Not to exceed \$35,000
DESCRIPTION	Expenditure will cover the costs for the removal, repair, and replacement of failing sidewalk and curb and gutter in the 1100-1200 blocks of Prairie Street.
DISCUSSION	The existing curb and gutter are failing due to ground and base material subsidence which has resulted in major water ponding issues. These failures pose a significant trip and safety hazard for pedestrians and result in additional work for our cleaning and maintenance crews in dealing with the stagnant water. The failing portions of curb and gutter will be removed and reinstalled with positive drainage.
DBE Participation	TBD

ACTION ITEM	Authorize President / CEO to execute an amended interlocal agreement with Ft. Bend County for direct park and ride transit services from Sugarland to Downtown.
SERVICE PLAN	2021-2025
Account Code	723.600
Budget Year	2023
Budget Amount	\$150,000
REQUEST	For an amount not to exceed the annual budgeted amount of \$150,000.
DESCRIPTION	Per the terms of Fort Bend County's federal grant application obtained through the Houston-Galveston Area Council (HGAC) and per negotiations between the District and Fort Bend Transit between 2016-2020, the District provides a portion of the local match in an amount not to exceed \$450,000 distributed in three annual installments. The interlocal agreement was executed in November 2020 and the initial payment of \$150,000 was processed in January 2021. Two annual payments of \$150,000 each year remain as a District funding obligation.
DISCUSSION	Due to the COVID-19 pandemic, return-to-work metrics, and supply chain logistics related to bus fleet procurement, Fort Bend Transit has delayed the launch of this service. Currently, the fleet has been built and delivered with service start expected by 2023 year end, based on securing the driving personnel. Fort Bend County has provided an amendment to the interlocal that shifts annual payments from 2022-23 to 2024-25. Fort Bend Transit will provide evidence of fleet operations once the service is launched. Late 2023 or early 2024 is the scheduled timing for the second installment, and 2025 will be the final installment of three annual payments per the proposed and revised terms of this interlocal agreement.
DBE PARTICIPATION	Fort Bend County is the responsible agency to implement M/W/DBE participation, a record of which will be provided to the District in annual ridership reports.

ACTION ITEM	Authorize President / CEO to execute an amended agreement and additional expenditures with Huitt-Zollars for professional services associated with the Southeast Sidewalks project.
SERVICE PLAN	2021-2025
Account Code	592.600
Budget Year	2023
Amended Budget Amount	\$175,000
REQUEST	For an amount not to exceed \$175,000, this authorization continues the District's previous professional services engineering work for the Southeast Sidewalks project.
DESCRIPTION	The 2023 project budget of \$123,356 is requested to be increased to \$175,000 as part of the mid-year reconciliation to cover additional services as proposed by the consultant for construction administration services.
DISCUSSION	As a long-term capital project, the sidewalk improvements for southeast downtown remains a priority with public benefit now extending to a number of recently completed projects, including Trebly Park. Additional engineering services by the consultant were required to complete the letting documents for TxDOT contractor procurement, now completed; that effort has expended the majority of previously authorized funds. The additional funds requested by the consultant of approximately \$50,000 cover the anticipated effort for shared project management during the construction phase of the project, currently scheduled for August 2023-March 2024.
DBE PARTICIPATION	Huitt-Zollars is not eligible for MWDBE status and is not registered with the City of Houston.

ACTION ITEM Authorize President/CEO to execute agreements and related expenditures for Marketing/Video.

SERVICE PLAN 2021-2025
 Account Code 643.368
 Budget Amount \$50,000 2023

REQUEST \$50,000

DESCRIPTION This expenditure would support video services conducted throughout 2023 to update our video library with contemporary images of our city and skyline to support the investments in the new website, upcoming economic development marketing programs, quarterly market reports, and much more.

DISCUSSION Most of the organization's videography efforts were put on pause after the onset of the pandemic, and as such, requires an update to reflect our recovering Downtown.

DBE PROGRAM The proposed vendor, Storyhive, is DBE certified

ACTION ITEM Authorize President/CEO to execute agreements and related expenditures for Marketing/Place Branding.

SERVICE PLAN 2021-2025
 Account Code 643.372
 Budget Amount \$50,000 2023

REQUEST \$50,000

DESCRIPTION As the three entities look forward to simplifying and unifying the organizations' brands, HDMD will implement strategies to incorporate the visual brand in places that receive high traffic and exposure. This expenditure will help support and establish our new public-facing brand identity. Examples of place branding opportunities could include, but are not limited to: sidewalks, park benches, trash receptacles, IKE kiosks, and floormats.

DISCUSSION

DBE PROGRAM TBD

ACTION ITEM	Authorize agreements and 2023 expenditures for Downtown holiday décor.
SERVICE PLAN	2021-2025
Account Code	834.207
Budget Amount	\$850,000 2023
REQUEST	Not to exceed \$850,000
DESCRIPTION	<p>Our holiday décor program has expanded significantly over the past five years and focuses on Main Street from Polk to Commerce, Bagby Street, Market Square Park, and Trebly Park.</p> <p>Main Street- sphere trees, pole décor, NOEL display and street transverses- \$170,000 Bagby Street- signature light installations- \$470,000 Market Square Park- tree, mistletoe, and trellis lighting- \$21,000 Trebly Park - \$40,000 Twinkle lights for above- \$85,000 Power relocation & pole décor installation/deinstallation- \$60,000</p> <p>We have a 1-year lease with Always in Season for the Main Street and Market Square Park décor; we are in year three of a three-year lease for our Bagby décor. Costs include storage, labor, installation, deinstallation, and basic refurbishment.</p>
DISCUSSION	World-class cities have spectacular holiday décor. The holiday decor positions Downtown as a local and regional holiday destination, drives traffic to Downtown businesses, supports existing holiday activities and creates PR and buzz.
DBE PROGRAM	Vendors are not DBE certified.



CENTRAL HOUSTON, INC.

STRATEGIC ALIGNMENT PLAN UPDATES

JUNE 2023

GOAL 1

Champion major projects, initiatives and investments that improve Downtown.

- 1.1** Build and maintain cross-sector relationships with area leaders so that CHI can support, facilitate or lead on catalytic opportunities.

Highlight: On May 26th, CHI management hosted the second in a new series of quarterly luncheon engagements which welcome leaders from public, non-profit and philanthropic interests whose work affects Downtown Houston. Currently, a dozen C-suite leaders from the aforementioned industries are invited to the intimate luncheons which are focused on establishing, strengthening, and renewing relationships and partnerships. Board Chairs from the three CHI affiliates are also invited to take part in the luncheon. The next luncheon will be held on September 22nd.

Participating Agencies:



- 1.3** Collaborate with partners such as the City of Houston, Harris County, Greater Houston Partnership and Houston First to leverage opportunities for shared strategies to improve Downtown Houston.

Highlight: On May 27th, CHI produced a standing-room-only *Big Art. Bigger Change.* mural reveal event and bus tours in collaboration with leadership and staff of University of Houston-Downtown, Harris County, City of Houston, and U.S. Congress, District 18. To support the event, CHI also created and shared a Social Media Toolkit to facilitate partners' participation in expanding and amplifying CHI's communications and outreach efforts.

Participating Agency:



GOAL 2

Enhance and maintain a comfortable, welcoming, and well-managed public realm.

2.1 Maintain and advance the standard of care for Downtown’s cleanliness and well-kept appearance.

Highlight: The street light outage check for the entire HDMD District plus Allen Parkway was completed by CHI management during the month of May and resulted in 178 total observed outages. CHI reported 141 outages to CenterPoint, 13 outages to the City of Houston, and HDMD will repair 2 outages located along Allen Parkway from Downtown to Montrose Street.

Participating Agency:



2.8 Broadly address the needs of the people experiencing homelessness and the associated impacts.

Highlight: In response to continued concerns about conditions around the Beacon, the HDMD Board approved funding to support a new safety outpost at 401 San Jacinto St. in the former Rachel’s café space. This satellite office will provide a working space for our homeless outreach teams and partners involved in getting our most vulnerable into housing. The space will also provide a high level of transparency for security and law enforcement personnel and will be designed to serve as a regular drop-in location for HPD officers. Planning and space build-out is underway with the goal of opening in early July.

Participating Agencies:



GOAL 3

Drive vibrancy through improved street-level connectivity, a commitment to walkability, and inclusive programming strategies.

3.6 Plan, design, and construct public infrastructure that supports safety and equity.

Highlight: May 2023 was particularly active for engagement on the More Space Main Street 2.0 project. The engagements included meetings with seven associated and partner agencies (HPW, P&D, HFD, HPD, METRO & CNP) plus five direct, one-on-one meetings with Main Street small business operators and hoteliers. On May 30, 2023, the District hosted a four-hour public workshop at Little Dipper’s More Space outdoor café which was attended by approximately 125 citizens. HDMD’s project team and consultants are now advancing towards the initial round of planning concepts with future agency and public engagement in August.

Participating Agencies:



3.8 Prioritize investments in pedestrian lighting on key walking corridors and near residential buildings.

Highlight: On May 11, 2023, the HDMD Board authorized a professional services agreement with Arup to perform downtown-wide photometric analysis along all sidewalks and provide initial recommendations for future pedestrian lighting enhancements. The lighting consultant will also perform an additional service, a Night-time Vulnerability Assessment, for certain areas of Downtown, thereby providing a higher level of analysis and understanding as to existing lighting conditions. Planning work will commence in mid-June and run through the end-of-year.

Participating Agency:



GOAL 4

Foster a vital and thriving economy through business growth, residential expansion, and enhanced reasons to be in Downtown.

- 4.11** Foster a thriving storefront economy, prioritizing recruitment efforts, where possible, to fill available properties that have favorable co-tenancy on key corridors.

Highlight: CHI welcomed urban retail expert Mike Berne, with MJB Consulting, to Downtown Houston from May 28th – June 3rd to explore Downtown Houston’s retail environment and storefront economy and advise on CHI’s emergent storefront development strategy. While here, Berne engaged long-term storefront stakeholders, leading retail brokers and property owners as well as toured and investigated Downtown and our competitive area markets. MJB Consulting will submit a written report on their findings and recommended competitive strategies to the Thrive Committee in August.

Participating Agencies:



- 4.15** Be the go-to organization for Downtown market research and intelligence.

Highlight: CHI management has made significant progress in better understanding the storefront ecosystem in Downtown. An internal team comprised of representatives from several CHI departments has recently completed the first phase of a comprehensive exploration and assessment of street-level storefronts across Downtown. This renewed storefront database effort will help us better understand who is in Downtown and where they are located. This data is critical to several concurrent CHI projects, including but not limited to the website overhaul, the quarterly market reports, and the retail recruitment strategy. The next phase of the effort will involve categorization of the identified business and the building of a long-term system to keep the data current.

Participating Agencies:



GOAL 5

Develop a hivemind of intelligence and goodwill by genuinely engaging and convening stakeholders.

5.4 Explore the potential for simplifying stakeholders’ awareness of CHI and its affiliates by unifying their brand identities.

Highlight: CHI and its consulting team have concluded the discovery phase of the branding consolidation project, including a SWOT analysis, site tours, stakeholder surveys and facilitated discussions, and finalized project brief. Further, CHI management provided its consulting team with creative guidance to refine brand themes and visual mood boards.

Participating Agencies:



5.7 Develop programs and collateral to orient new companies, employees, and residents to Downtown.

Highlight: HDMD has developed new info cards to provide stakeholders greater ease in contacting us to respond to public realm concerns. The cards are designed for Downtown residents, employees, visitors and business owners and feature our brand-new simplified and centralized phone number for requesting a Downtown Public Safety Guide, a Cleaning Ambassador, a SEAL Security officer, or our operations office.

Participating Agencies:



Downtown Houston Helps
713-233-2003

Your Downtown is Safe and Welcoming
Downtown Public Safety Guides patrol pedestrian areas and special events as a visible, welcoming helpful presence.
These Safety Guides are available daily to assist residents, workers, visitors and business owners. Please call on us for prompt, courteous response to:
• Report any concern about safety
• Request a walking escort
• Connect people experiencing homelessness with social services
• Deter panhandling
• Assist with directions & information on Downtown happenings
For safety concerns that need a licensed security officer response, Downtown District provides 24/7 security officer coverage in partnership with SEAL Security.

Your Downtown is Clean and Beautiful
Downtown Cleaning Ambassadors maintain the attractive appearance of your Downtown public areas.
Every day, our teams empty **310** trash receptacles and remove over **1,700** tons of trash per year from Downtown. Cleaning Ambassadors work daily to remove graffiti, power wash sidewalks and surfaces and operate street sweepers.
Every year, your Downtown Operations teams plant more than **140,000** colorful, flowering plants, maintain over **2,000** shade trees, and keep **15** fountains splashing.
Your Downtown Cleaning Ambassadors also ensure Market Square Park and Treble Park are beautiful places to play, dine, relax, and enjoy seasonal performances.
Help us keep Downtown clean and beautiful by reporting areas that need our attention.
Your Downtown Cleaning Ambassadors and Public Safety Guides are working to make Downtown a connected and thriving place for everyone.

CALL 713-233-2003 OR EMAIL OPERATIONS@DOWNTOWNDISTRICT.ORG FOR:

PUBLIC SAFETY SERVICES	CLERICAL & BUSINESS	SEA SECURITY	DISTRICT OPERATIONS
<ul style="list-style-type: none"> • General information • Open House • Safety Escort • Security of the House 	<ul style="list-style-type: none"> • Reception • Mail • Copying • Background Check 	<ul style="list-style-type: none"> • Apartment Renovation • Public Relations • House Detention • Violation 	<ul style="list-style-type: none"> • Field Program • Outreach Services • Construction Inspection • Street Light Outlets

Engagements

47,958

Total

Homeless Count

278

Average

Sidewalk Cleaning

4.11

Average

Garbage Disposed (Tons)

749

Total

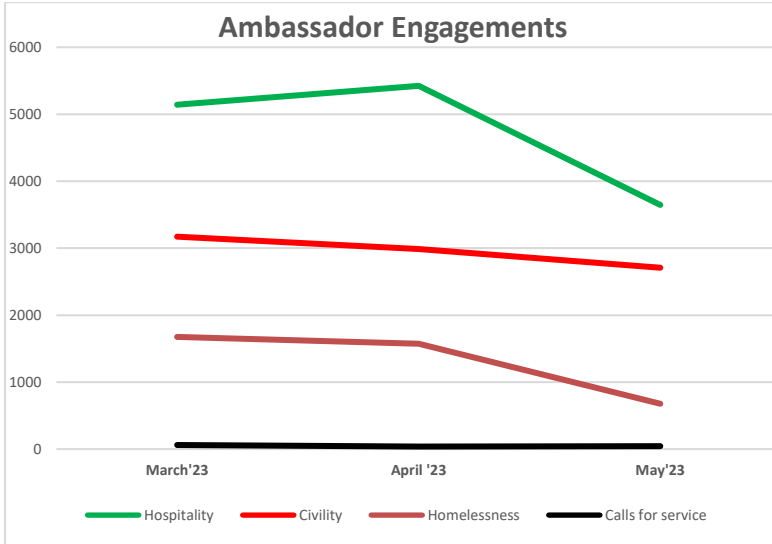
Reliability

83%

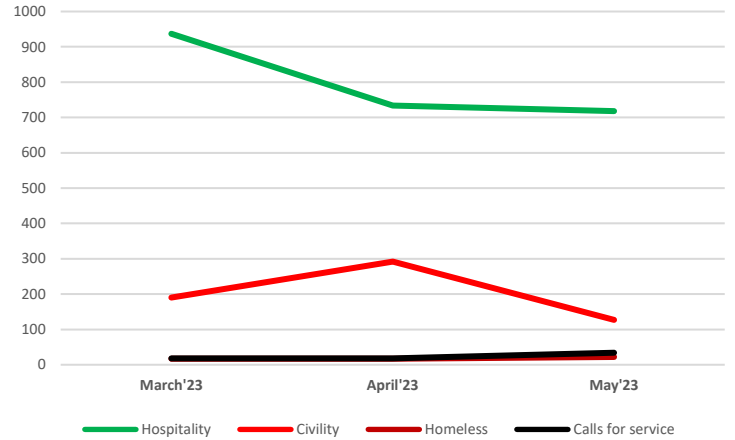
Average

Safety & Quality Control

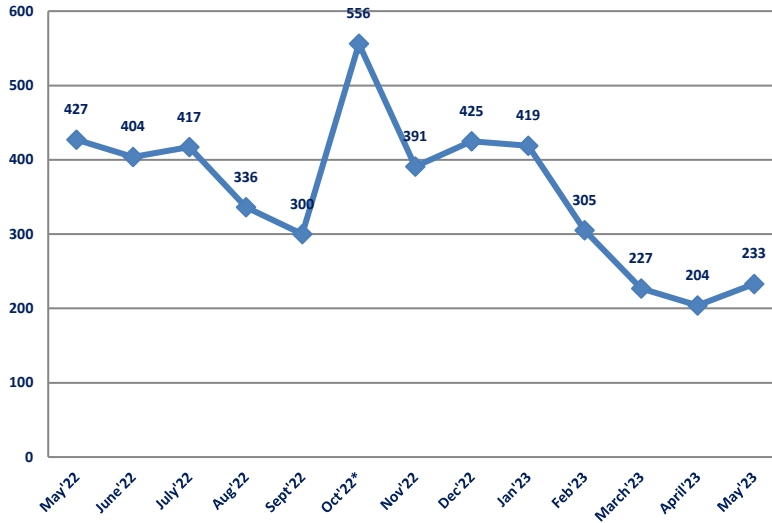
Ambassador Engagements



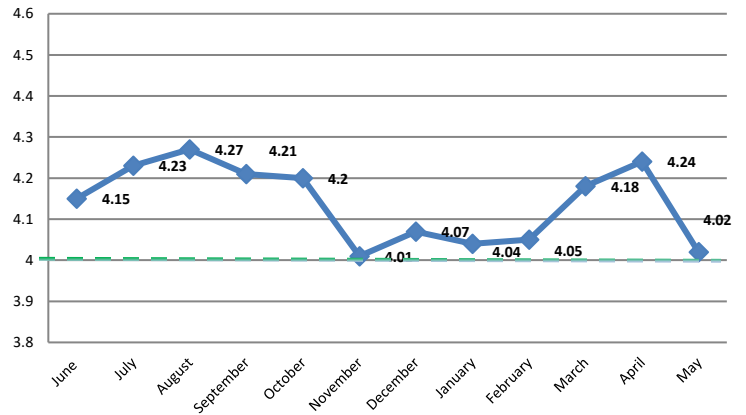
HPD/Seal Engagements



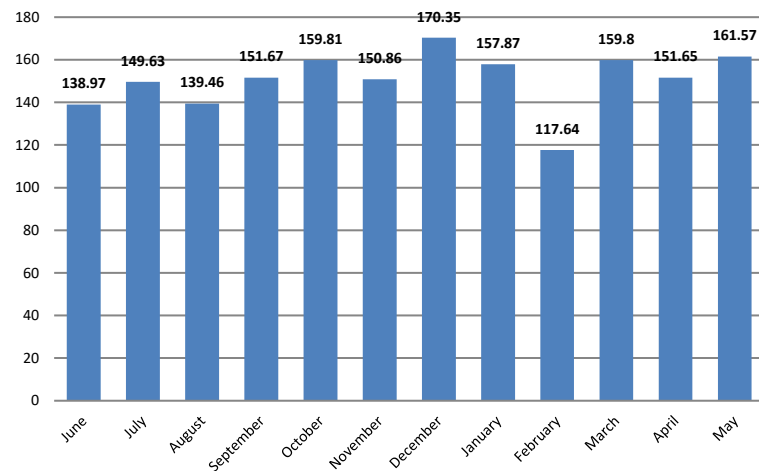
Homeless Count



Sidewalk Cleaning



Garbage Disposed (Tons)



Reliability

