

UPTOWN DEVELOPMENT AUTHORITY

FINANCIAL REPORT

June 30, 2009



11 Greenway Plaza, Suite 1515
Houston, Texas 77046
(713) 621-1515

UPTOWN DEVELOPMENT AUTHORITY
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to the Financial Statements	20
Other Supplementary Information:	
Combined Funds - Schedule of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds - Budget and Actual - Unaudited	33
Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited	34

Independent Auditors' Report

Board of Directors
Uptown Development Authority
Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Uptown Development Authority (the "Authority"), a component unit of the City of Houston, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 the Uptown Development Authority, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Uptown Development Authority's basic financial statements. The Combined Funds – Schedule of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Budget to Actual, and the Operating Expenses, Capital Expenditures and Project Plan Reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Houston, Texas
October 21, 2009

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Management's Discussion and Analysis

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UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

As management of the Uptown Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009.

The Authority is a special-purpose government engaged in a single governmental program. It is also a component unit of the City of Houston, Texas. The Authority reports its financial activities in accordance with required reporting standards for special-purpose governments engaged in a single governmental program. The Authority's single governmental program involves improving the general mobility in the Uptown Houston area.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Uptown Development Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator regarding the financial position of the Authority. Other factors that are not included in the financial statements, such as increased tax base in the Authority's boundaries, should also be considered in evaluating the condition of the Authority's overall financial position.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by incremental tax revenues received from the City of Houston and Houston Independent School District. The governmental activities of the Authority are restricted to those objectives outlined in its project plan. The prominent activities include improving streets and intersections and creating a street grid network.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Uptown Development Authority are considered governmental funds.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2009

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains five individual governmental funds for both infrastructure and affordable housing. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* for the Affordable Housing Special Revenue Fund, the Capital Projects Fund, the Affordable Housing Capital Projects Fund, the Debt Service Fund and the Affordable Housing Debt Service Fund. All are considered to be major funds.

The Authority adopts an annual appropriated budget for all of its funds combined, which is approved by the City of Houston. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

In the government-wide statements, the difference between assets and liabilities is called net assets. Net assets are categorized based on their availability to provide financial resources for the Authority. Net assets that are "Invested in capital assets" represent the District's investments in capital assets. "Restricted" net assets represent amounts that are restricted for future debt service requirements. "Unrestricted" net assets represent amounts available to meet the Authority's future obligations.

As noted earlier, changes in net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net assets were a negative \$1,405,258 as of June 30, 2009. The Authority continues to have net asset deficits because the Authority incurs long-term debt for general mobility improvements that are ultimately conveyed to the City of Houston. The Authority then continues to accumulate resources for repayment of this long-term debt over an extended period of years until the debt is repaid.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2009

A comparative schedule of net assets at June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 23,127,031	\$ 23,338,247
Capital assets	386,055	248,332
Land	<u>8,505,662</u>	
Total Assets	<u>32,018,748</u>	<u>23,586,579</u>
Accounts payable and other liabilities	38,872,985	7,665,442
Long-term liabilities	<u>32,729,456</u>	<u>46,439,337</u>
Total Liabilities	<u>71,602,441</u>	<u>54,104,779</u>
Net assets		
Invested in capital assets, net of related debt	8,891,717	248,332
Restricted	6,301,300	6,273,564
Unrestricted	<u>(54,776,712)</u>	<u>(37,040,097)</u>
Total Net Assets	<u>\$ (39,583,695)</u>	<u>\$ (30,518,201)</u>

Total assets increased by \$8,432,169 from the prior year. This was primarily due to the Authority's purchase of the Water Wall Park. Liabilities increased \$17,497,662 due to an increase in the note payable with Bank of America, increased payables for projects, and transfer due to Affordable Housing.

The total net assets of the Authority decreased by \$9,065,494 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2009</u>	<u>2008</u>
Revenues		
General Revenues:	\$	\$
Contract tax increment	19,151,730	14,603,859
Investment earnings	<u>468,518</u>	<u>398,402</u>
Total Revenues	<u>19,620,248</u>	<u>15,002,261</u>
Expenses		
General government	489,771	514,505
Affordable housing	6,156,080	4,611,321
Interest on long-term debt	2,388,636	2,364,896
Capital outlay on behalf of City of Houston	19,540,166	8,805,708
Depreciation and amortization	<u>111,089</u>	<u>111,089</u>
Total Expenses	<u>28,685,742</u>	<u>16,407,519</u>
Increase (Decrease) in net assets		
before transfers	(9,065,494)	(1,405,258)
Transfers		
Increase (decrease) in net assets	<u>(9,065,494)</u>	<u>(1,405,258)</u>
Net assets - beginning	<u>(30,518,201)</u>	<u>(29,112,943)</u>
Net Assets - ending	<u><u>\$ (39,583,695)</u></u>	<u><u>\$ (30,518,201)</u></u>

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2009

Contract tax increment revenues increased by \$4,547,871 from the previous year due to an increase in property valuations within the Authority's boundaries.

Total expenses were \$28,685,742 in the current year. This is an increase of \$12,278,223 from the previous year, which is due to increased capital spending on mobility and infrastructure projects (San Felipe Phases II and III reconstruction, Ambassador Way, Post Oak Lane and Skylark construction, Garretson Street construction and the purchase of the Water Wall Park). Additionally, there was an increase in Affordable Housing transfers.

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$11,288,130, a \$6,325,800 decrease in comparison with the prior year. Approximately \$6.9 million is reserved for debt service.

The following is a comparative summary of changes in fund balances for the prior two fiscal years:

	2009	Increase (Decrease)	2008	Increase (Decrease)	2007
Capital Projects	\$ 4,294,802	\$(6,338,648)	\$10,633,450	\$ 6,150,883	\$ 4,482,567
Debt Service	4,609,021	1,898	4,607,123	7,248	4,599,875
Affordable Housing Capital Projects				(50,876)	50,876
Affordable Housing Special Revenue	76,511	7,343	69,168	8,552	60,616
Affordable Housing Debt Service	2,307,796	3,607	2,304,189	1,389	2,302,800
	<u>\$11,288,130</u>	<u>\$(6,325,800)</u>	<u>\$17,613,930</u>	<u>\$ 6,117,196</u>	<u>\$11,496,734</u>

The \$6,338,648 decrease in fund balance for the Capital Projects Fund is due to an increase in capital expenditures.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2009

Capital Asset and Debt Administration

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized as follows:

	<u>2009</u>	<u>2008</u>
Capital assets being depreciated:		
ATIS Equipment	\$ 413,888	\$ 413,888
Pedestrian Lights	220,500	
	<u>634,388</u>	<u>413,888</u>
Less accumulated depreciation	<u>(248,334)</u>	<u>(165,556)</u>
	<u>386,054</u>	<u>248,332</u>
Capital assets, net of accumulated depreciation	<u>\$ 386,054</u>	<u>\$ 248,332</u>

During the year, there were additional assets were purchased. The Authority purchased pedestrian lighting for two recently reconstructed streets: Garretson and Ambassador Way. This is the first phase of an extensive pedestrian improvement program which includes lighting as well as sidewalks and medians. Additionally, the Authority has equipment from the ATIS project (cameras, monitors, etc) which is used to monitor/report and improve traffic conditions throughout the area. In December 2008, the Authority purchased the Water Wall Park for \$8.5million. This land is now a public park for all Houstonians to enjoy.

The Authority issues debt or other financing to finance the capital improvement plan adopted by the City of Houston. In accordance with the Authority's agreement with the City of Houston, infrastructure improvements financed with this debt are the property of the City. All costs incurred by the Authority are primarily capital costs to execute the plan. Accordingly, street improvements and other infrastructure assets are not carried on the Authority's statements.

A comparative summary of the Authority's long-term liabilities as of June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Tax increment contract revenue bonds payable	\$ 34,335,000	\$ 35,860,000
Note payable to Harris County	884,715	1,144,377
Bank promissory note	<u>25,000,000</u>	<u>11,880,000</u>
	60,219,715	48,884,377
Less unamortized discount on bonds payable	<u>(618,719)</u>	<u>(660,378)</u>
	<u>\$ 59,600,996</u>	<u>\$ 48,223,999</u>

Additional information on the Authority's long-term debt can be found in Note 5.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2009

Economic Factors

The Authority administers the operations of the Tax Increment Reinvestment Zone ("TIRZ") on behalf of the City of Houston (the "City"). The TIRZ is one of the nation's largest suburban districts, which boasts a unique blend of office, retail, hotel and residential sectors. The TIRZ includes approximately 1,010 acres of land within its original boundaries and approximately an additional 18 acres of land annexed in January 2008. All land lies within the boundaries of the City.

Office Space

Uptown has over 23 million square feet of office space. In the commercial sector, the vacancy rate has declined from 26 percent to 8.4 percent in the past four years. This achievement, coupled with a steady flow of lease renewals, as well as record high rental rates of over \$30 per square foot, speaks to the business community's commitment to Uptown and solidifies its prominent position as one of the City's most viable economic districts.

Overall, ad valorem values for the office sector have increased over 20% in fiscal year 2009, primarily because of the overall strength of the Uptown office market. The office market hit some of its highest vacancy rates in 2004 due to the height of the West Loop reconstruction. However, since its completion in 2006, there has been a tremendous amount of leasing activity occurring in the past four years.

Retail

Uptown is synonymous with shopping and is known as a world-renowned center for retail. Overall, ad valorem values for the retail sector increased approximately 9% in the current fiscal year. This market continues to perform as The Galleria is now the fourth largest retail center in the United States. In early 2008, a 22-acre mixed-use development known as BLVD broke ground in the heart of Uptown. The project will feature over 400,000 square feet of upscale retail stores and restaurants. To date, approximately 70,000 square feet of retail and commercial construction has been completed. Tenants include the acclaimed RDG and Bar Annie restaurant as well as Festari, New Balance and Pickles & Ice Cream.

Hotel

Uptown currently has 30 first quality hotels in the area, offering more than 7,100 rooms for guests. Starwood Hotel & Resorts Worldwide Inc. recently completed the 'aloft' Hotel, which is expected to open in the fall of 2009. Ad valorem values for this sector have increased by 21% since last year.

The area's RevPAR (revenues per available room) is the highest in the region at \$102.50 compared to \$95.15 for the Houston Central Business District and \$81.66 for Houston City-wide. Uptown Houston also boasts one of the highest occupancy rates in the city at 68%, while the Houston City-wide occupancy rate was 65.1% for the five month ending in May 2009.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2009

Residential

Seven new high-rise residential towers have been built in Uptown in the past eight years and occupancy rates are among the highest in the city at 93%. With more than 30,000 residences, Uptown Houston is one of the most prestigious and desirable areas to live.

The economic and financial stresses that have adversely affected the nation have been slow to affect the Uptown area. In fiscal year 2009, the ad valorem values were up over 12% from the previous year. However, the ad valorem values are expected at best to remain flat for the next fiscal or decline slightly. While hotel and retail sector values are solid, the office values are expected to decline. However, the Uptown District remains a viable district and it is expected that new development will emerge as the financial markets continue to improve. The capital budget for the Authority is based on the increment value received from the City of Houston and new bond issues. While economic factors (property values, vacancy rates, future development, etc.) impact the size of debt issues, management takes a conservative approach to ensure that adequate resources are available to support the projects within the mandates of the Plan.

Requests for Information

This financial report is designed to provide a general overview of the Uptown Development Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1980 Post Oak Boulevard #1580, Houston, Texas 77056.

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Basic Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

Statement of Net Assets - Governmental Activities

June 30, 2009

Assets

Cash and investments	\$ 22,674,059
Deferred issue costs, net	452,972
Land	8,505,662
Other Capital assets, net	<u>386,055</u>
Total Assets	<u>32,018,748</u>

Liabilities

Accounts payable and accrued expenses	4,865,345
Due to other governments	6,421,846
Accrued interest	714,254
Long-term liabilities:	
Due within one year	26,871,540
Due in more than one year	<u>32,729,456</u>
Total liabilities	<u>71,602,441</u>

Net Assets

Invested in capital assets	8,891,717
Restricted for debt service	6,301,300
Unrestricted (deficit)	<u>(54,776,712)</u>
Total net assets (deficit)	<u>\$ (39,583,695)</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue Capital Grants and Contributions	Net Expense
General government	\$ 489,771	\$	\$ (489,771)
Affordable housing	6,156,080		(6,156,080)
Interest	2,388,636		(2,388,636)
Depreciation and amortization	111,089		(111,089)
Capital outlay on behalf of the City of Houston	19,540,166		(19,540,166)
Totals	<u>\$ 28,685,742</u>		<u>(28,685,742)</u>
General revenues			
Contract tax increment revenues			19,151,730
Unrestricted investment earnings			468,518
			<u>19,620,248</u>
Change in net assets			(9,065,494)
Net assets (deficit) - beginning			<u>(30,518,201)</u>
Net assets (deficit) - ending			<u><u>\$ (39,583,695)</u></u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

Balance Sheet - Governmental Funds

June 30, 2009

	<u>Affordable Housing</u>				
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
Assets					
Cash and temporary investments	\$ 11,773,643	\$ 2,360,029	\$ 7,355,031	\$ 1,185,356	\$ 22,674,059
Due from other funds		2,248,992		1,122,440	3,371,432
Due from other governments					
Total assets	<u>\$ 11,773,643</u>	<u>\$ 4,609,021</u>	<u>\$ 7,355,031</u>	<u>\$ 2,307,796</u>	<u>\$ 26,045,491</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 4,865,345	\$	\$	\$	\$ 4,865,345
Due to other funds	2,248,992		1,122,440		3,371,432
Due to other governments	265,766		6,156,080		6,421,846
Accrued interest	98,738				98,738
Total liabilities	<u>7,478,841</u>		<u>7,278,520</u>		<u>14,757,361</u>
Fund balances:					
Reserved:					
Debt service		4,609,021		2,307,796	6,916,817
Authorized construction	4,294,802		76,511		4,371,313
Total fund balances	<u>4,294,802</u>	<u>4,609,021</u>	<u>76,511</u>	<u>2,307,796</u>	<u>11,288,130</u>
Total liabilities and fund balances	<u>\$ 11,773,643</u>	<u>\$ 4,609,021</u>	<u>\$ 7,355,031</u>	<u>\$ 2,307,796</u>	<u>\$ 26,045,491</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2009

Total fund balance, governmental funds \$ 11,288,130

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Land	\$ 8,505,662	
Other capital assets	634,388	
Less accumulated depreciation	<u>(248,334)</u>	
Change due to capital assets		8,891,716

Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included on the Statement of Net Assets. These are as follows:

Bonds payable	(34,335,000)	
Note payable to Harris County	(884,715)	
Note payable to bank	(25,000,000)	
Additional accrued interest	(615,517)	
Deferred charge for issuance costs	452,972	
Unamortized bond discount	<u>618,719</u>	
Change due to long term debt		<u>(59,763,541)</u>

Net Assets of Governmental Activities in the Statement of Net Assets \$ (39,583,695)

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2009

	<u>Affordable Housing</u>				
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
Revenues					
Contract tax increment	\$ 9,624,218	\$ 2,248,992	\$ 6,156,081	\$ 1,122,440	\$ 19,151,731
Investment earnings	383,874	44,446	17,910	22,287	468,517
Total revenues	<u>10,008,092</u>	<u>2,293,438</u>	<u>6,173,991</u>	<u>1,144,727</u>	<u>19,620,248</u>
Expenditures					
Current:					
General Government	489,771				489,771
Affordable Housing			6,156,080		6,156,080
Debt Service:					
Principal	259,662	1,020,000		505,000	1,784,662
Interest and other charges	450,980	1,271,541	10,568	636,120	2,369,209
Capital Outlay	28,266,328				28,266,328
Total expenditures	<u>29,466,741</u>	<u>2,291,541</u>	<u>6,166,648</u>	<u>1,141,120</u>	<u>39,066,050</u>
Excess of revenues over / (under) expenditures	(19,458,649)	1,897	7,343	3,607	(19,445,802)
Other Financing Sources					
Proceeds from note payable	13,120,000				13,120,000
Total other financing sources	<u>13,120,000</u>				<u>13,120,000</u>
Net change in fund balances	(6,338,649)	1,897	7,343	3,607	(6,325,802)
Fund balances - beginning of year	<u>10,633,451</u>	<u>4,607,124</u>	<u>69,168</u>	<u>2,304,189</u>	<u>17,613,932</u>
Fund balances - end of year	<u>\$ 4,294,802</u>	<u>\$ 4,609,021</u>	<u>\$ 76,511</u>	<u>\$ 2,307,796</u>	<u>\$ 11,288,130</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds: \$ (6,325,802)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets are allocated over their estimated lives as depreciation expense.

Capital outlay expenditures	\$ 8,726,163	
Depreciation expense	<u>\$ (82,778)</u>	
Change due to capital assets		8,643,385

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. Also governmental funds report issuance costs, premiums and discounts when the related debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Note payable	(13,120,000)	
Principal payments on debt	1,784,662	
Accrued interest and amortization of discount	(19,428)	
Amortization of bond issue costs	<u>(28,311)</u>	
		<u>(11,383,077)</u>
Change in net assets of governmental activities		<u>\$ (9,065,494)</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Creation of Authority

The Uptown Development Authority (the "Authority") of the City of Houston, Texas, (the "City") a not-for-profit local government corporation, was created under Chapter 394 of the Texas Local Government Code and Chapter 431 of the Texas Transportation Code and the general laws of the State of Texas. The Authority was created to aid and assist in the development of the Uptown area by providing improvements for general mobility. These projects include an emphasis on minimizing traffic congestion through the financing of improvements to existing streets, a street grid network, improvements to intersections, a parking management program and a pedestrian network. The Authority is empowered to act on behalf of the City with respect to administering Reinvestment Zone Number Sixteen, City of Houston, Texas (the "Zone"). The purpose of the Zone is to provide funding for these mobility improvements.

Property within the Zone is located on the west side of Houston, near the interchange of the I-610 and US 59 freeways. The Authority is governed by a nine member Board of Directors, five of whom are appointed by the City.

Reporting Entity

The Authority's financial statements include the accounts of all the Authority's operations. In conformity with generally accepted accounting principles, the Authority is considered a component unit of the City of Houston.

Additionally, as required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the Authority's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the Authority's financial reporting entity.

Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the *Statement of Net Assets* and the *Statement of Activities*) report information about the Authority as a whole. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. For the most part, the effect of interfund activity has been removed from these statements.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. These fund financial statements are the *Governmental Funds- Balance Sheet* and the *Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances*.

The Authority reports the following major governmental funds:

The *Capital Projects Fund* is used to account for construction of the Authority's general mobility improvement projects. The principal source of revenue is contract tax increment revenues. Expenditures include administrative costs, as well as infrastructure improvement expenditures.

The *Debt Service Fund* is used to account for the payment of interest and principal on the infrastructure improvement long-term debt of the Authority. The primary source of revenue is provided by contract tax increment revenues. Expenditures are principal and interest payments.

The *Affordable Housing Special Revenue Fund* is used to account for the receipt of contract tax revenues for the City's affordable housing program. Expenditures consist of transfers to the City of Houston.

The *Affordable Housing Capital Projects Fund* is used to account for capital activity related to the Authority's affordable housing program. The principal source of revenue is bond proceeds in the event of a bond offering.

The *Affordable Housing Debt Service Fund* is used to account for the payment of principal and interest on the Authority's affordable housing bonds. The principal source of revenue is contract tax increment revenue. Expenditures are principal and interest payments.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contract tax increment revenues are recognized as revenues in the year for which they are levied

The Authority's government-wide net assets are categorized as follows:

- Invested in capital assets - This component of net assets consists of capital assets net of accumulated depreciation.
- Restricted - This component of net assets consists of constraints placed on net asset use 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 net assets - This component of net assets consists of net assets that do not meet the definition of "restricted."

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Cash and Investments

The Authority's cash and investments consist of demand deposits and funds maintained by a trustee in a no-load money market mutual fund, as mandated by the Authority's Bond Indentures and Resolutions.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority's receivables consist of amounts due from the City of Houston and Houston Independent School District for contract tax increment revenues. These amounts are considered collectible and, accordingly, an allowance for uncollectible accounts has not been recorded.

Capital Assets

Capital assets are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated over their remaining useful lives (i.e., five years) using the straight-line method.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity / Restricted Assets

The Authority records reservations for all or portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. The reserved fund balances for governmental funds represent the amount that has been identified for specific purposes.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2 - Deposits and Investments

At year end, the carrying value (which approximates market value) of the Authority's cash and investments were as follows:

	Capital Projects	Debt Service	Affordable Housing		Total
			Special Revenue	Debt Service	
Demand and time deposits	\$ 11,773,643	\$ 2,360,029	\$ 7,355,031	\$ 1,185,356	\$ 22,674,059
Total	\$ 11,773,643	\$ 2,360,029	\$ 7,355,031	\$ 1,185,356	\$ 22,674,059

The Authority's investments in money market mutual funds have a weighted average maturity of 43 days and are rated AAAM by Standard and Poor's.

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The Public Funds Collateral Act (Chapter 2257, Texas Government Code) requires that all of the Authority's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The Authority has adopted a written investment policy, which establishes additional requirements for collateralization of deposits.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 2 - Deposits and Investments (Continued)

Authorized Investments

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority has adopted a written investment policy to establish the principles by which the Authority's investment program should be managed. This policy further restricts the Authority's allowable investments.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The Authority's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 3 - Deferred Charges

Deferred charges consist of issuance costs associated with the Authority's tax increment contract revenue bonds. These costs are being amortized over the life of the bonds. Total amortization expense for the year was \$28,311.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 4 - Capital Assets

During the year, the Authority capital assets changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Equipment	\$ 413,888	\$ 220,500	\$	\$ 634,388
Less accumulated depreciation	(165,556)	(82,778)		(248,334)
Land		<u>8,505,662</u>		<u>8,505,662</u>
	<u>248,332</u>	<u>8,643,384</u>		<u>8,891,716</u>
Capital assets, net	<u>\$ 248,332</u>	<u>\$ 8,643,384</u>	<u>\$</u>	<u>\$8,891,716</u>

Depreciation expense in the amount of \$82,778 has been recorded in the government wide statements.

In accordance with an agreement between the Authority and the City of Houston (“the City”), the Authority conveys all of its infrastructure improvements to the City. Accordingly, the Authority does not record capital assets in the government-wide financial statements, but instead reports capital expenditures as transfers to other governments. In December 2008, the Authority purchased the Water Wall property to sustain it as a City park at a cost of approximately \$8.5 million.

Note 5 - Long Term Liabilities

As of June 30, 2009, the Authority’s long term liabilities are comprised of the following:

	<u>Total</u>	<u>Due Within One Year</u>
Tax increment contract revenue bonds payable	\$ 34,335,000	\$ 1,595,000
Unamortized discounts on bonds payable	(618,719)	
Note payable to Harris County	884,715	276,540
Bank promissory note	<u>25,000,000</u>	<u>25,000,000</u>
	<u>\$ 59,600,996</u>	<u>\$ 26,871,540</u>

During the year, the Authority’s long-term liabilities changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Tax increment contract revenue bonds payable	\$ 35,860,000	\$	\$ (1,525,000)	\$ 34,335,000
Unamortized discounts on bonds payable	(660,378)		41,659	(618,719)
Note payable to Harris County	1,144,377		(259,662)	884,715
Bank promissory note	<u>11,880,000</u>	<u>13,120,000</u>		<u>25,000,000</u>
	<u>\$ 48,223,999</u>	<u>\$ 13,120,000</u>	<u>\$ (1,743,003)</u>	<u>\$ 59,600,996</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 5 - Long Term Liabilities (Continued)

Tax Increment Contract Revenue Bonds

The Authority issues Tax Increment Contract Revenue bonds in order to construct infrastructure improvement facilities and the City of Houston's affordable housing facilities. The City of Houston has authorized the Authority to issue bonds and notes with aggregate principal amounts not to exceed \$60,000,000 outstanding at any time. The maximum authorization for short-term debt is \$6,000,000 outstanding at any time.

Bonds payable are comprised of the following individual issues:

Series	Amount Outstanding	Original Issue	Interest Rates	Beginning/Ending Maturity Dates	Interest Payment Dates	Call Dates
2001A	\$ 7,175,000	\$ 9,385,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2001B	3,575,000	4,670,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002A	5,825,000	7,280,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2002B	2,930,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004A	8,085,000	9,000,000	2.60% - 5.375%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004B	4,045,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004C	1,800,000	2,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025		
2004D	900,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025		
	<u>\$ 34,335,000</u>					

The Series 2001A, 2002A, 2004A and 2004C were issued in order to construct infrastructure improvement facilities. The Series 2001B, 2002B, 2004B and 2004D were issued for the City of Houston's affordable housing facilities. All of the Authority's bonds are secured by the Authority's pledge of certain tax increment payments received from the City and Houston Independent School District.

The bond indentures and resolutions stipulate the Authority will establish separate reserve funds for the infrastructure improvement facilities Tax Increment Contract Revenue Bonds and the affordable housing Tax Increment Contract Revenue Bonds. Each reserve fund will be maintained in an amount equal to the lesser of (1) 1.25 times the average annual debt service requirements, (2) maximum annual debt service or (3) 10% of the stated principal amount of the bonds or 10% of the issue price of the bonds if they were issued with more than a minimum amount of original issue discount. These reserves are maintained within the Debt Service Fund.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 5 - Long Term Liabilities (Continued)

Annual debt service requirements to retire these outstanding bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	1,595,000	1,820,397	3,415,397
2011	1,670,000	1,745,103	3,415,103
2012	1,760,000	1,663,130	3,423,130
2013	1,830,000	1,574,609	3,404,609
2014	1,935,000	1,479,443	3,414,443
2015	2,040,000	1,376,499	3,416,499
2016	2,145,000	1,265,848	3,410,848
2017	2,270,000	1,145,168	3,415,168
2018	2,400,000	1,013,930	3,413,930
2019	2,540,000	873,715	3,413,715
2020	2,695,000	724,003	3,419,003
2021	2,850,000	563,779	3,413,779
2022	3,020,000	392,991	3,412,991
2023	1,970,000	249,463	2,219,463
2024	1,140,000	163,253	1,303,253
2025	1,205,000	100,392	1,305,392
2026	1,270,000	34,045	1,304,045
	<u>\$ 34,335,000</u>	<u>\$ 16,185,768</u>	<u>\$ 50,520,768</u>

Note Payable to Harris County

In January 2003, the Authority executed an agreement with Harris County (the "County") which required the Authority to reimburse the County \$1,738,191 for costs related to the Westpark Tollway. The amount was due to the County upon completion of construction and a review of project costs by the County Auditor. In March 2007 the Authority executed a note payable with the County for payment of the amount due. An initial payment of \$350,000 was made upon execution of the note. The note bears interest at the rate of six and one-half percent (6.5%).

Annual debt service requirements to maturity are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 276,540	\$ 57,507	\$ 334,047
2011	294,516	39,531	334,047
2012	313,659	20,388	334,047
	<u>\$ 884,715</u>	<u>\$ 117,426</u>	<u>\$ 1,002,141</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 5 - Long Term Liabilities (Continued)

Bank Promissory Note

In April 2007, the Authority negotiated a loan agreement (the "Note") with Bank of America in order to provide financing for infrastructure improvements. The Note matures December 31, 2009 or upon issuance of infrastructure bonds by the Authority, whichever occurs first. Under the terms of the Note, the Authority may borrow up to \$25,000,000, with an initial commitment by the Authority of \$5,000,000. The Note bears interest at the 65% of daily LIBOR rate. As of June 30, 2009, the Authority has borrowed \$25,000,000. The applicable interest rate during the period ranged from 3.1434% to 2.7136%. The Authority accrued \$103,434 in interest expense related to this note.

Under the terms of the Agreement, the Authority is to pay an unused commitment fee of 10 basis points if the outstanding balance of the Note is at least 50% of the commitment. If the Authority borrows less than 50% of its commitment, the fee is 15 basis points. The fee is calculated daily and is due to the Bank on a quarterly basis.

As the Note matures December 2009, The Authority as of the end of the fiscal year is in the process of issuing contract revenue bonds of approximately \$40,000,000. The proceeds will be used to retire the \$25,000,000 note with the Bank of America. The balance will be used to fund capital projects in fiscal year 2010.

Note 6 - Contract Tax Increment Revenues

On December 15, 1999, the City of Houston (the "City") acting under provisions of Chapter 311, Texas Tax Code, created the Tax Increment Reinvestment Zone No. 16 (the "Zone") to promote development of the Uptown area. The Zone terminates December 31, 2029, or earlier, if all outstanding debt has been paid in full. Incremental ad valorem taxes on property located in the Zone are deposited into a "Tax Increment Fund" at the City. These funds are used to repay bonds sold to fund improvements that will significantly enhance the values of taxable real property in the Zone. The City, on behalf of the Zone, remits all monies in the Tax Increment Fund less administrative fees to the Authority by July 1st of each year.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 6 - Contract Tax Increment Revenues (Continued)

During the year ended June 30, 2009, the Authority received \$19,151,730 in tax increment revenues as follows:

	City of Houston	Houston ISD	Total
Total tax increments	\$ 14,509,544	\$ 8,101,905	\$ 22,611,450
Retainage for administrative costs	(725,477)	(25,000)	(750,477)
Set-aside for educational facilities		(2,709,242)	(2,709,242)
Net received	<u>\$ 13,784,067</u>	<u>\$ 5,367,663</u>	<u>\$19,151,730</u>

As required by statute, the City dedicates one-third of the tax increments for affordable housing in other areas of the City during the term of the Zone. This affordable housing activity is considered a part of the general mobility plan of the Authority.

The Authority is dependent upon the tax increments revenues.

Note 7 - Contracts

The Authority has entered into various contracts in the course of performing its duties. Summaries of the Authority's significant contracts follow:

Tri Party Agreement

In 1999 an agreement between the City, the Zone and the Authority was approved and executed by each of the parties. This agreement sets forth the duties and responsibilities of each party. The Authority agrees to manage the affairs and activities of the Zone. It also has the authority to acquire and develop land and to issue bonds, notes or other obligations. The Authority is required to use all monies received from the Zone to 1) pay principal and interest on any obligations and 2) pay administrative costs. The City and the Zone are required to establish a Tax Increment Fund and deposit into it appropriate tax increment revenues. These funds are required to be remitted to the Authority no later than July 1st of each year.

Agreement with Harris County Improvement District No. 1

The Authority and the Harris County Improvement District No. 1 (the "District") have entered into an agreement whereby the District provides administrative, management and special services to the Zone and the Authority. During the period ended June 30, 2009, the Authority remitted \$455,216 to the District. This amount consisted of \$100,008 for operating and administrative costs, \$200,000 for traffic control and mobility and \$155,207 for project management.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2009

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

Note 9 - Interfund Receivables/Payables

Individual fund receivable/payable balances at June 30, 2009 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Capital Projects	\$	\$ 2,248,992
Debt Service	2,248,992	
Affordable Housing Special Revenue		1,122,440
Affordable Housing Debt Service	<u>1,122,440</u>	
Total	<u>\$ 3,371,432</u>	<u>\$ 3,371,432</u>

Note 10 - Commitments

At year-end, the Authority had commitments outstanding in the form of contracts of approximately \$6 million for construction projects.

Other Supplementary Information

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UPTOWN DEVELOPMENT AUTHORITY
Combined Funds - Schedule of Revenues, Expenditures, and
Changes in Fund Balances-All Governmental Funds
Budget to Actual - Unaudited
For the Year Ended June 30, 2009

	Original And Final Budget	Actual	Variance with Final Budget Positive / (Negative)
Revenues			
Contract tax increment	\$ 22,381,286	\$ 19,151,732	\$ (3,229,554)
Investment earnings		468,517	468,517
Other	7,071,400		(7,071,400)
Total revenues	29,452,686	19,620,249	(9,832,437)
Expenditures			
Current:			
General government	490,500	489,771	729
Debt Service:			
Principal	1,525,000	1,784,662	(259,662)
Interest and other charges	2,240,171	2,369,209	(129,038)
Capital Outlay	34,414,120	28,266,328	6,147,792
Total Expenditures	38,669,791	32,909,970	5,759,821
Excess (deficiency) of revenues over expenditures	(9,217,105)	(13,289,721)	(4,072,616)
Other Financing Sources (Uses)			
Proceeds from long-term debt	10,000,000	13,120,000	3,120,000
Transfers out	(10,847,124)	(6,156,080)	4,691,044
Total other financing sources (uses)	(847,124)	6,963,920	7,811,044
Net Change in fund balance	(10,064,229)	(6,325,802)	3,738,427
Fund balances - beginning of year	18,535,060	17,613,932	(921,128)
Fund balances - End of Year	\$ 8,470,831	\$ 11,288,130	\$ 2,817,299

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED
For the Year Ended June 30, 2009

TIRZ #16 Uptown Development Authority

FY09 OPERATING EXPENSES

<u>Category</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
TIRZ ADMINISTRATION AND OVERHEAD				
Administration (salary and benefits)	HCID No. 1	\$ 45,000	\$ 45,000	\$
Administration Consultant				
Office Expenses	HCID No. 1	10,000	10,008	
	Essential Insurance &			
Insurance	Financial Grp	21,000	18,664	
Accounting	HCID	15,000	15,000	
Auditor	Null- Lairson	10,000	11,900	
Property Account Consultant				
COH Municipal Charge		350,000	350,000	
Bond Trustee				
Financial Advisor		3,500		
Subtotal		\$ 454,500	\$ 450,572	\$ (3,928)
PROGRAM AND PROJECT CONSULTANTS				
	Allen Boone			
Legal	Humphries	15,000	24,199	
In-House Legal Counsel		15,000	15,000	
Architect Consultants				
Engineering Consultants				
Project Management Consultants				
Construction Audits		6,000		
Other Professional Services				
Subtotal		\$ 36,000	\$ 39,199	\$ 3,199
Total Management Consulting Services		\$ 490,500	\$ 489,771	\$ (729)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

		FY09 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 1: San Felipe Phase 2,3 - Sage to IH610		\$ 4,700,000	\$	\$
Engineering Services	Lockwood, Andrews, Newnam		57,960	
	Gunda		35,853	
	Kirst Kosmoski		8,715	
	Walter P Moore		10,717	
Architectural Services				
Construction Management	Cobb, Fendley, Assoc.		721,171	
Project Management	HCID No. 1		124,994	
Construction Costs	Texas Sterling		8,657,169	
	CenterPoint/ATT/etal			
	Utilities		351,505	
	Environmental Design		139,840	
Program Financing			214,659	
Other Professional Services	John Horton Consulting SWA Group		24,142 134,546	
Subtotal		\$ 4,700,000	\$ 10,481,272	\$ 5,781,272
Project 2: Rice Sage Phase II		100,000		
Engineering Services				
Architectural Services				
Construction Management				
Project Management				
Construction Costs	Texas Sterling Construction LP		146,049	
Program Financing				
Other Professional Services				
Subtotal		\$ 100,000	\$ 146,049	\$ 46,049
Project 3: West Alabama Phase II Reconstruction		100,000		
Engineering Services				
Architectural Services				
Construction Management				
Project Management				
Construction Costs				
Program Financing				
Other Professional Services				
Subtotal		\$ 100,000	\$	\$ (100,000)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

FY09 CAPITAL EXPENDITURES

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 4: Advance Traveler Information System				
		\$ 50,000	\$	\$
Engineering Services				
Architectural Services				
Construction Management	Walter P Moore		34,876	
Construction Costs	Transcore		32,000	
Project Management	HCID No. 1			
Program Financing				
Other Professional Services				
Subtotal		\$ 50,000	\$ 66,876	\$ 16,876
Project 5: Area Intersection and Signalization				
		2,969,200		
Engineering Services	Gerry DeCamp		20,245	
	Walter P Moore		25,741	
	Gunda		10,202	
	Lina T. Ramey		138,401	
	TSC Engineering			
Architectural Services				
Construction Management	Gunda		279,123	
Construction Costs	Kenmor Electric			
	Teamwork			
	Construction			
	Traffic Systems			
	Construction		213,954	
	HCID No. 1/ Structural			
	Steel		367,973	
Project Management	HCID No. 1		11,885	
Program Financing			20,449	
Other Professional Services				
Subtotal		\$ 2,969,200	\$ 1,087,974	\$ (1,881,226)
Project 6: Construction related Traffic Management and Communication				
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services	HCID No. 1		200,000	
Subtotal		\$	\$ 200,000	\$ 200,000

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

FY09 CAPITAL EXPENDITURES				
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 7: Right of Way		\$ 1,000,000	\$	\$
Engineering Services			\	
Architectural Services				
Construction Management				
Construction Costs (ROW costs)	San Felipe Project			
Program Financing				
Other Professional Services	Andrews Kurth		293,738	
	Fulbright & Jaworski		9,895	
	Lina T. Ramey & Assoc(surveying)		21,304	
	Integra Realty			
	Resources		9,000	
	Lewis Realty		4,999	
	HCID No. 1's Staff			
	Counsel		15,000	
Subtotal		\$ 1,000,000	\$ 353,936	\$ (646,064)
Project 8: Transit Corridor		334,047		
Engineering Services			\	
Architectural Services				
Construction Management				
Construction Costs			334,047	
Other Professional Services				
Subtotal		\$ 334,047	\$ 334,047	\$ -
Project 9: South Post Oak lane Reconstruction		3,220,000		
Engineering Services	Walter P Moore		37,473	
	SWA Group		12,045	
Architectural Services				
Construction Management	Cobb Fendley		237,335	
Construction Costs	SER Construction		2,306,697	
	Traffic Systems		2,995	
	Utilities		20,259	
Project Management	HCID No. 1		62,690	
Program Financing			107,661	\$ 107,599
Other Professional Services				
Subtotal		\$ 3,220,000	\$ 2,787,156	\$ (432,844)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

FY09 CAPITAL EXPENDITURES

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 10: Ambassador Way		\$ 2,030,000	\$	\$
Engineering Services	Walter P Moore		23,781	
	SWA Group		7,644	
Architectural Services				
Construction Management	Cobb Fendley		150,617	
Construction Costs	SER Construction		1,463,866	
	Traffic Systems		1,901	
	Utilities		12,856	
Project Management	HCID No. 1			
Program Financing				
Other Professional Services				
	Vinson & Elkins			
Subtotal		\$ 2,030,000	\$ 1,660,664	\$ (369,336)
 Project 11: Skylark Reconstruction		 910,000		
Engineering Services	Walter P Moore		10,809	
	SWA Group		3,474	
Architectural Services				
Construction Management	Cobb Fendley		68,012	
Construction Costs	SER Construction		665,393	
	Traffic Systems		864	
	Utilities		5,844	
Project Management	HCID No. 1			
Program Financing				
Other Professional Services				
Subtotal		\$ 910,000	\$ 754,397	\$ (155,603)
 Project 12: Secondary Roadways (Woodway)		 200,000		
Planning / Engineering Services	Walter P Moore			
	TSC Engineering		1,095	
	SWA Group		3,594	
	TCB		7,868	
	Gunda			
Architectural Services				
	Cobb Fendley			
Construction Management	Associates			
Construction Costs	Texas Sterling			
Program Financing				
Other Professional Services				
Subtotal		\$ 200,000	\$ 12,557	\$ (187,443)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

FY09 CAPITAL EXPENDITURES

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 13: Westheimer Pedestrian Improvements				
		\$ 1,000,800	\$	\$
Engineering Services	Kirst Kosmoski		11,875	
Architectural Services	SWA Group		441,340	
Construction Management	SWA Group		20,912	
	Teamwork			
Construction Costs	Construction		5,984	
	Trio Electric		220,500	
Other Professional Services	Goodman		44,670	
			30,000	
Subtotal		\$ 1,000,800	\$ 775,281	\$ (225,519)
Project 14: Post Oak Boulevard Reconstruction				
		2,000,000		
Engineering Services	TCB / AECOM		153,437	
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services				
Subtotal		\$ 2,000,000	\$ 153,437	\$ (1,846,563)
Project 15: Garrettson Reconstruction				
		1,700,000		
Engineering Services	TSC Engineering Services		773	
Architectural Services				
Construction Management	Cobb Fendley & Associates		168,083	
	Texas Sterling			
Construction Costs	Construction LP		1,122,214	
Project Management	HCID No. 1		19,736	
Program Financing			33,894	
Other Professional Services	SWA Group		54,612	
Subtotal		\$ 1,700,000	\$ 1,399,310	\$ (300,690)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

		FY09 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 16: North and South				
Wynden				
Engineering Services	Walter P Moore	\$ 5,500,000	\$ 47,014	\$
	Kirst Kosmoski		2,205	
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services	SWA Group		69,488	
Subtotal		\$ 5,500,000	\$ 118,706	\$ (5,381,294)
Project 17: Water Wall Acquisition and Operation				
		8,700,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs/ Purchase			8,505,662	
Maintenance/Operation			139,646	
Other Professional Services				
Subtotal		\$ 8,700,000	\$ 8,645,308	\$ (54,692)
Total Capital Expenditures		\$ 34,414,047	\$ 28,976,970	\$ (5,583,126)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN RECONCILIATION -
UNAUDITED (Continued)
For the Year Ended June 30, 2009

PROJECT PLAN RECONCILIATION

	<i>Project Plan Amount</i>	<i>Expenditures to FY09</i>	<i>Variance</i>
Non-Education Projects			
Improve Existing Streets	\$ 67,000,000	\$ 49,918,996	\$ 17,081,004
Create Street Grid Network	\$ 33,000,000	\$ 12,719,588	\$ 20,280,412
Improve Intersections	\$ 26,000,000	\$ 7,119,828	\$ 18,880,172
Parking Management Program	\$ 50,000,000	\$	\$ 50,000,000
Pedestrian Network	\$ 53,000,000	\$ 1,384,194	\$ 51,615,806
Parks	\$ 8,500,000	\$ 8,645,308	\$ (145,308)
Education Projects	\$ 129,000,000	\$ 14,404,710	\$ 114,595,290
Zone Administration / Operations	\$ 6,750,000	\$ 2,405,834	\$ 4,344,166