

C • R • D • A

*Capital Region*

*Development Authority*

## 2014 – 2015 Annual Report

# CAPITAL REGION DEVELOPMENT AUTHORITY 2014 - 2015 ANNUAL REPORT

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September 10, 2015

To the Honorable Dannel P. Malloy, Governor State of Connecticut; Auditors of Public Accounts; and the Finance, Revenue and Bonding Committee of the General Assembly:

The Capital Region Development Authority (CRDA) has completed its third year of operations and submits this report in accordance with CGS 32-605. The highlights of year three include the completion of the major capital upgrades at the XL Civic Center and the first tenants occupying the new housing stock being constructed in Hartford's downtown business district.

CRDA's work continued in a variety of diverse ways: on behalf of state agencies including the renovation of 450 River Plaza; in cooperation with regional towns such as at the National Welding site in Newington; on behalf of statewide sports promotion at the Connecticut Tennis Center in New Haven; and with an expansion of tenancies at Adriaen's Landing/Front Street. Besides launching additional housing initiatives within downtown Hartford, CRDA acquired the Church Street Garage from the City of Hartford and will now undertake renovations to the structure while tying it more closely to the operations of the XL Civic Center.

Over the last year, over 470 events were held at the various venues (XL Center, Connecticut Tennis Center, Convention Center and Rentschler Field) attracting nearly 1.2 million visitors. Directly or through its operating managers, CRDA contributes 1,340 (233 FT/1,107 PT) jobs to the State economy. Construction activity creates an additional number of trade jobs, estimated to be in excess of 2,000.

CRDA began upgrades to the Convention Center and to Rentschler Field, meeting the need to maintain the two buildings at the high 'state of the art' level demanded of the industry and in order to be competitive with similar facilities in the nation. As the year closed, construction began on a variety of historic properties including the conversion of the Capewell Horsenail factory into 72 units of housing and the rebirth of the Hartford Times building into the new UConn Hartford campus.

The attached report includes greater detail on the finances, the operations and the various issues each of the CRDA initiatives dealt with over the last year.



Suzanne Hopgood  
Chair, Capital Region Development Authority

# **Capital Region Development Authority**

**100 Columbus Boulevard, Suite 500**

**Hartford, CT**

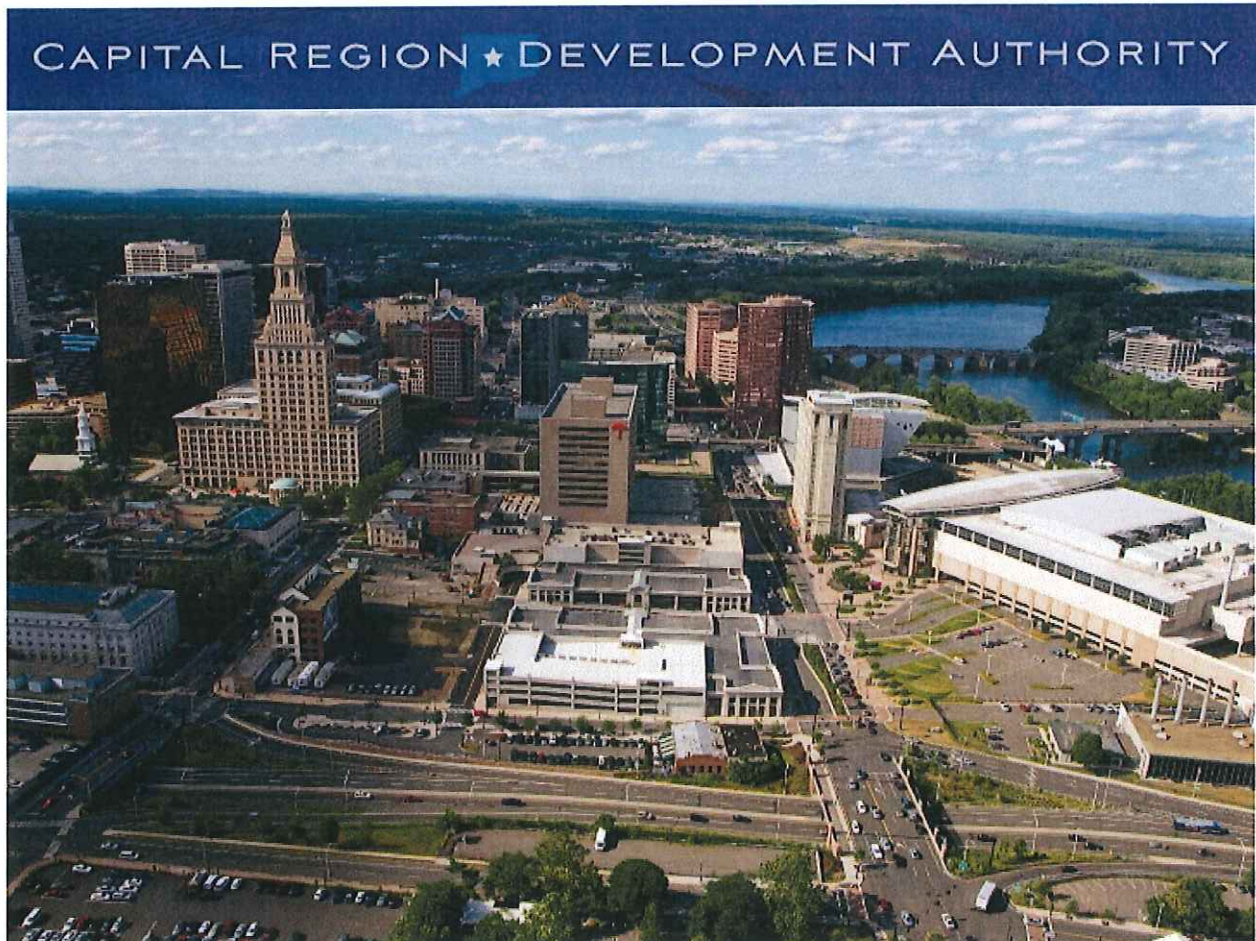
**[www.crdact.net](http://www.crdact.net)**

## **2014 - 2015 Fiscal Year Report**

**Pursuant to Connecticut General Statutes**

**§32-605**

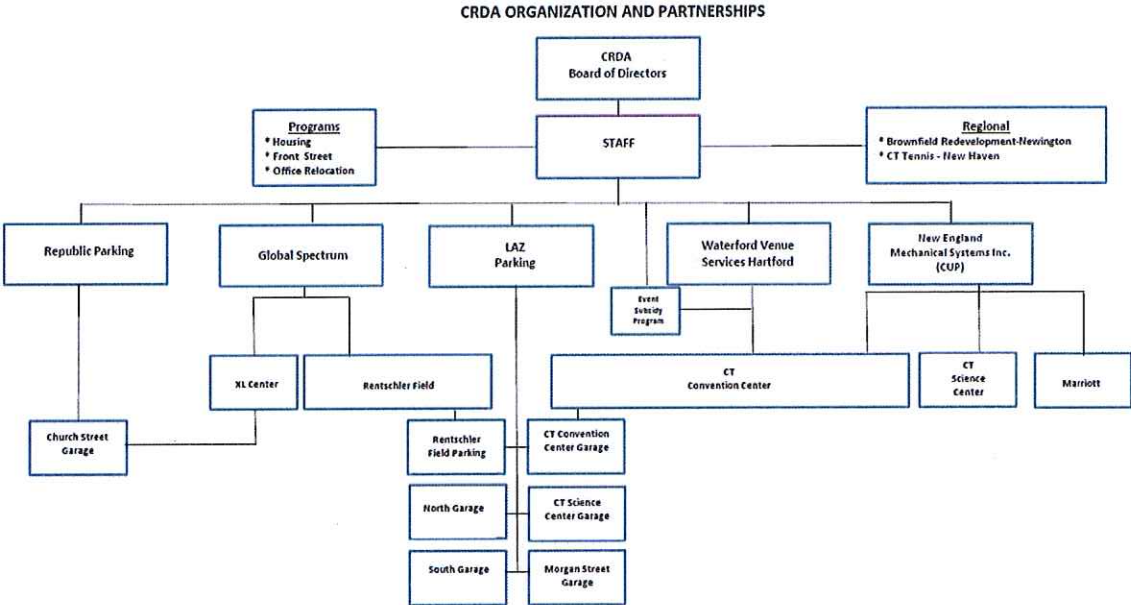
## AN ANALYSIS OF THE AUTHORITY'S SUCCESS IN ACHIEVING PURPOSES



On June 15, 2012, Public Act 12-147 of the 2012 legislative session established the Capital Region Development Authority, (CRDA or the Authority) by changing the name of the Capital City Economic Development Authority, (CCEDA), expanding its authorities and redefining its boundaries.

As stated in C.G.S. Section 32-602, the purpose of the Authority shall be: to stimulate new investment in Connecticut; attract and service conventions and events of similar nature; to encourage diversification of the state economy; to strengthen Hartford's role as the region's major business and industry employment center and the state's seat of government; and, to encourage residential housing development in downtown Hartford. With respect to the convention center, the purpose of CRDA is to construct, operate, maintain and effectively market the project. The overall goal is to enable Hartford to become a major, regional family-oriented center for arts, culture, education, sports and entertainment. The result of these efforts is to create new jobs, increase benefits to the state's hospitality industry, broaden the base of Connecticut's overall tourism effort and stimulate substantial surrounding economic development and corresponding increased tax revenues to the state. While the mission of CRDA includes the oversight of the original Capital City Projects, the true test of the effectiveness of the state's investment is the degree to which Hartford regains its vibrancy and attracts private investment. These State investments will pay returns that can be quantified in increased property value, economic activity, and municipal revenues.

The CRDA organization and corporate management partners are displayed in the chart below.



## Connecticut Convention Center (CTCC)

Since its first full year of operation in 2006, the Connecticut Convention Center has served as the anchor venue of the Adriaen's Landing District. The building offers 140,000 square feet of exhibit space, a 40,000 square foot ballroom; an additional 25,000 square feet of meeting space and a 2,339 space garage. Now having completed its tenth year of operation, the CTCC has attracted more than 2.9 million guests and generated in excess of \$64 million in revenues.



At the completion of fiscal year 2015, the CTCC had net revenues of \$4.6 million, slightly ahead of budget expectations of \$4.0 million with gross operating profit showing losses less than projected. When fixed charges, debt service and reserves are included, the CTCC ended the year at a negative Net Operating Income of \$4.358 million, requiring the state appropriation subsidy. Nonetheless, as the economy improved, the building continued to produce more in tax revenue to the state than it received in state operating support (\$5.7 million tax revenue versus \$4.3 million operating support).

	FY 2013	FY 2014	FY 2015
<u>State of Connecticut Tax Generation</u>	Actuals	Actuals	Actuals
Sales & Use Tax	\$2,571,022	\$2,833,775	\$2,190,958
Income Tax	1,792,998	1,935,873	1,760,767
Other Tax	993,449	1,069,706	935,164
Room Occupancy Tax	89,404	838,333	775,766
<b>Total State of Connecticut Tax Generation</b>	<b>\$5,446,873</b>	<b>\$6,677,687</b>	<b>\$5,662,655</b>

Throughout the fiscal year, the CTCC dealt with a highly competitive marketplace and the changing nature of the industry's event portfolio with more and smaller events replacing single large events. During the year, 186 events were held attracting 346,000 visitors with gross operating profits up due to the mix of events producing higher individual rates of return.

As the year progressed, capital improvements continued, funded by both the building's reserve and specific bonding provided by the General Assembly. Energy upgrades; furnishing and kitchen replacements; information systems improvements, including linkage to Bradley Airport flights; as well as updated IT and sound systems, new landscaping and guest services facilities were funded.

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b><u>Operating Revenues</u></b>	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>
Building Rental	\$2,190,560	\$2,434,145	\$2,514,079
Event Services (net)	727,056	740,243	815,596
Food & Beverage (net)	990,616	937,492	1,218,871
Other	60,586	138,122	28,886
<b>Total Operating Revenues</b>	<b>\$3,968,818</b>	<b>\$4,250,002</b>	<b>\$4,577,432</b>
<b><u>Attendance</u></b>			
Conventions/Tradeshows	98,740	81,201	88,737
Consumer Shows	129,042	158,997	116,019
Banquets/Receptions	22,971	19,738	30,271
Other Events	56,741	71,151	67,972
Meetings	37,014	41,786	42,881
<b>Total Attendance</b>	<b>344,508</b>	<b>372,873</b>	<b>345,880</b>



## ***Stadium at Rentschler Field***

Constructed between 2001 and 2003 and hosting its first UConn game in August 2003, management of the Stadium at Rentschler Field was formally transferred to CRDA on July 1, 2013, pursuant to a Memorandum of Understanding with the Office of Policy and Management and Public Act 12-147. Like the CTCC, Rentschler Field is approaching its twelfth anniversary, requiring a re-look at operational procedures and the need to re-invest in the facility. Amendments to the underlying lease at Rentschler between the University of Connecticut and State OPM were negotiated in 2014 to reflect the University's historic use of the building and changes in CRDA's approach to maintaining the structure that have led to economic savings for both CRDA and UConn.



Rentschler Field revenues and expenditures are managed through an Operating Account and an Enterprise Fund, a special revenue fund of the State of Connecticut specifically dedicated to the Stadium. This mechanism assures that ticket revenue from non-UCONN events and other event revenues are dedicated to the venue's operating expenses and the facility does not have to seek support from the State General Fund. Non-UConn events must produce revenues in excess of expenses and any earnings are retained by the Enterprise Fund for the facility. During the past year, more than 247,000 attendees enjoyed Rentschler Field including the grounds surrounding the stadium. Of this group, 154,000 were attending for UConn events.

The stadium struggled during the year due to the drop in football attendance that could be attributed to a variety of factors. This resulted in less parking and concession revenues while fixed expenses remained nearly constant. Notwithstanding, operational economies were achieved via implementation of a new Building Maintenance System (BMS) that was acquired and installed as part of the capital upgrades to the building in Fiscal Year 2014. This assisted stadium management to produce utility decreases during the abnormally cold and long winter of 2015 in excess of \$100,000.

Additional land was acquired during the year to enlarge the parking fields. A small parcel on Silver Lane was acquired from an Estate in Probate Court and is now being incorporated into the overall Rentschler Field property. Additionally, 10 acres were gained in outright ownership from UTC as part of their extension of the naming rights to the stadium. Finally, CRDA acquired a long term lease of an additional 15 acres to park cars as part of the naming rights agreement. Together, these parcels will off-set the land currently used, but owned by UTC, along the former air fields, which are being prepared for long term commercial redevelopment.

Capital upgrades continue in order to maintain the facility at NCAA Division 1-A standards and to increase fan amenities as well as to achieve some operating economies in both 'day of game' expenses and overall facility costs. Structural work, including critical waterproofing of the building are underway.

Financial results of the Stadium at Rentschler Field are reported within the operations of the Office of Policy and Management contained in the Consolidated Financial Statements for the State of Connecticut and are not included within the Financial Statements of CRDA.

## XL Center



The priority focus of CRDA during Fiscal Year 2015 was the launching and completion of a \$35 million capital upgrade program to the XL Center with a minimal amount of event and revenue disruption. This was largely accomplished as planning and bidding began in the Spring of 2014, with initial construction work beginning at the end of the hockey season, continuing through the summer months and resulting in the re-opening of the building for revenue service in early September.

Chief among the improvements were major mechanical and plumbing upgrades to the HVAC, concession, bathroom and kitchen areas. New seating and fan amenities were included along with major updates to its code compliance including ADA standards. Economies have begun to show in the building's operating performance, most noticeably in higher per capita revenues from the concessions. Repair and maintenance accounts are more predictable and manageable, though utility costs saw an increase, in part, because so many systems are now operational whereas in the most recent past, they were completely offline due to mechanical failure.

There was a marked improvement of the AHL team this past year with its attendance increase outpacing the rest of the league. The building also benefited from the initial season of the UCONN men's hockey team's participation within the Hockey East League. Adding to the year's performance was the success of the AAC men's basketball tournament in March. Conversely, the UCONN men's and women's basketball teams had lower attendance, fewer games, and several non-premium dates. On the concert front, there are early indications that the building is more attractive to performers and promoters due to the recent upgrades.

During the year, CRDA also undertook an analysis of the building's long term viability. The report produced by SCI Architects and entitled "New & Transformed Arena Program Development and Construction Feasibility" can be found at [www.crdact.net](http://www.crdact.net) . CRDA's primary objectives were to understand the industry's trends and the building's ability to compete and maximize revenues in this environment. CRDA analyzed whether the existing facility or a new one was necessary to meet the current mix of tenants and users while also satisfying fan expectations. The study forecasted costs to transform the arena as well as estimates to replace it. A variety of consequences and opportunities were reviewed and the report drilled down into a more thorough assessment of today's and tomorrow's central Connecticut market place.

The report concluded that it was possible to rebuild and transform the arena in its current location. Such an effort would likely cost an estimated \$250 million. The suggested program would allow for a phased construction over a two – three year period, minimizing disruption in the event schedule. Essentially, new premium seating would be provided, existing skyboxes would be transformed into clubs and event space, and the main bowl would be upgraded with a second concourse providing greater fan movement and amenities including additional concession and bathroom facilities. Team area improvements, system replacement and improved architectural presentation are included.

Replacing the building would likely cost twice as much, result in a prolonged period of being closed and not likely to increase revenues, improve operational economies or improve fan amenities to any justifiable extent beyond the more economical transformation strategy outlined above.

One conclusion of the analysis is also important to highlight: a lack of a serious effort to overhaul the civic center will likely lead to its slow and methodical decline, losing events, money and fan attention.

Critical to making the economics work for a new civic center, is a long term agreement with the University of Connecticut for its men's and women's basketball games as well as its growing hockey program. Such an agreement will also significantly improve revenues to UConn's Athletic Program.

## *Connecticut Science Center*



The Connecticut Science Center had a very strong year in 2014, serving over 325,000 people through both on-site and outbound educational experiences, supporting school-based science learning and growing as a major tourist and family destination for Connecticut. Supporting student science achievement and earning exemplary visitor satisfaction scores, the Science Center has now served over 2-million people since opening in 2009, including visitors from every Connecticut city and town, routinely. Led by attendees from Western Massachusetts, upwards of 15% of the Science Center's audience brings out-of-state revenues to Connecticut as it contributes to the growth of the state and the capital region as a tourism destination.

The Science Center has set forth an ambitious plan for new science exhibits and learning labs paired with the rapid growth of its direct work in support of schools. These activities are integral to the Science Center's effort to prepare schools throughout the state for new science education requirements and advance a science and technology-ready workforce for the future.

A new frozen yogurt venue has been added to on-site amenities for Science Center visitors as well as convention attendees and surrounding office employees. The Science Center is also attracting convention business and international regard to Connecticut, having been named as the host institution for the 2018 global conference of the Association of Science-Technology Centers, which will bring upwards of 2,000 visitors to the capital city.

# Adriaen's Landing/Front Street District

The Adriaen's Landing/Front Street development area saw continued growth during the past year including the opening of the Infinity Theatre and Bistro, Nix's Seafood and the announcement of Bear's Barbecue expansion, bringing the occupancy of the retail buildings to 93%.

The Front Street Apartments neared completion by year's end with an expected Fall 2015 occupancy of its 121 housing units. Construction of the UConn Hartford Campus followed the formal groundbreaking on May 18, 2015 at the former Hartford Times building.



The Marriott Hotel began a capital upgrade program as per its franchise agreements and will coordinate those improvements with investments being made to the Convention Center. CRDA, the City of Hartford and the Waterford Group entered into a PILOT agreement to facilitate the financing of the upgrades.

A Lease Agreement between OPM and CRDA provided for the transfer of miscellaneous state parcels within the Adriaen's Landing area to CRDA which in turn have been incorporated into the Front Street, Convention Center and UConn project areas.



UConn's Downtown Hartford Campus Groundbreaking

## ***Housing –Downtown***

CRDA made considerable progress in FY 2015 towards its statutory goal of 3,000 new housing units in the downtown Hartford development district. At year's end, four projects completed construction and began occupancy including 201 Ann Street (the Grand); 179 Allyn Street; 777 Main Street (partial occupancy at previous Bank of America building); and at the Spectra (the former Sonesta Hotel on Constitution Plaza).

The first four projects out-performed their initial pro formas and underwriting projections though this is expected to temper back as more properties and units come on line over the 2016 fiscal year. Construction is underway at another four projects with completions likely from Fall 2015 through Fall 2016. Underwriting and financial closings are progressing for additional projects with a total projection approaching 1,000 units while other potential projects are queuing in the agency's pipeline.

CRDA utilizes its funds to make both loans and equity contributions to potential projects to fill one of two types of funding gaps, first to address the gap between the cost of construction and the 'upon completion' value, and secondly, to close the financial shortage between the conventional capital stack of debt and equity and the completed value. The Agency investment averages slightly less than \$60,000 per unit and drives projects that are 80% market and 20% affordable in their rents.

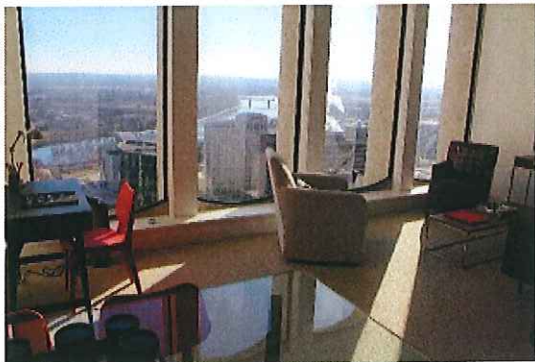
To date, for projects either completed, in construction, or in the financing closing phase, CRDA has leveraged over \$4 for every \$1 of its funds leading to a current investment in housing in the downtown in excess of \$240 million.



*201 Ann Street*



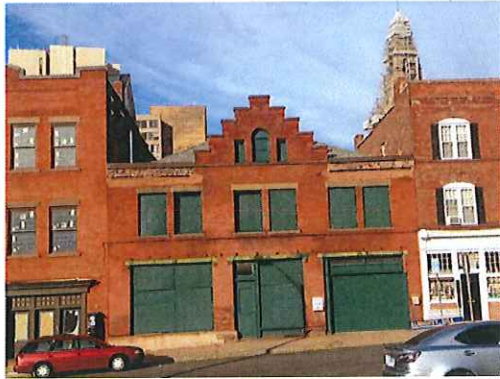
*179 Allyn Street*



*777 Main Street*



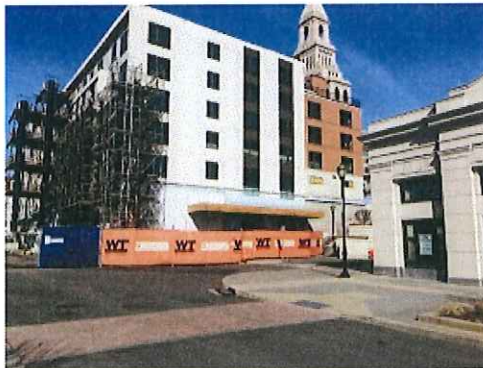
*Spectra Apartments*



40 Elm Street



36 Lewis Street



Front Street Lofts



Capewell Lofts

CRDA Housing Approved

Project	# Units	TDC	TDC/Unit	CRDA'Ask'	CRDA \$/Unit	Mkt/AF Split	Structure	CRDA Bd. Approval	Bond Commission	Closed	Target Occupancy	Occupancy
777 Main	285	\$84.5M	\$296K	\$17.7M	\$62K	80/20	\$7.5M equity \$10.2M 2nd mortgage	1/30/2013	3/13/2013	3/28/2014	Renting	56% <sup>1</sup>
201 Ann	26	\$4.45M	\$202K	\$3.8M/\$750K	\$28.8K	100	initial constr. note \$3.8M convert to 2nd mortgage at \$750,000	3/21/2013 4/25/2013	6/21/2013	10/29/2013	Renting	65%
179 Allyn	63	\$14.89M	\$233K	\$6.5M	\$103K	80/20	\$3.25M equity, \$3.25M 2nd Loan	3/21/2013	6/21/2013	11/15/2013	Renting	98%
Front Street	121	\$35.7M	\$310K	\$12M	\$99.1K	100	DECD grant, not part of \$60M	n/a	12/12/2007	12/17/2013	Fall 2015	N/A
Sonesta	193	\$23.9M	\$123K	\$2.05M	\$10.6K	85/15	Bridge HTC	6/4/2013	6/21/2013	12/5/2013	Renting	26%
3 Constitution	49	\$19.25M	\$361K	\$4.28M	\$87.3K	84/16	equity pkg., commercial 17K sq ft.	9/19/2013	2/28/2014 11/16/2014		Sumer 2016	N/A
Capewell	72	\$26.1M	\$359K	\$5.0M	\$69.4K	80/20	construction financing/converted to mortgage note	1/15/2014	2/28/2014 11/16/2014	6/30/2015	Late Fall 2016	N/A
390 Capitol	112	\$35.3M	\$290K	\$7M	\$62.5K	80/20	2 loans, .5%, 20 yr.	6/19/2014	3/17/2015		Spring 2017	N/A
36 Lewis	6	\$1.8M	\$306K	\$300K	\$50K	100	construction/perm loan 1-3% 30 yr.	6/19/2014	7/25/2014	4/8/2015	Early 2016	N/A
38-42 Elm	6	\$1.21M	\$202K	\$332,650	\$55.4K	100	loan 3% 30 yr.	6/19/2014	7/25/2014	2/25/2015	Fall 2015	N/A
1279-83 Main	8	\$830K	\$103.7K	\$125K	\$15.6K	75/25	loan 3% 25 yr.	5/21/2015	7/24/2015		Mid 2016	N/A
370 Asylum	60	\$19.8M	\$331K	\$3.6M	\$60K	70/30	loan <3%, 20 yr.	6/18/2015				
Summary	1001	\$267.73M	\$260K avg.	\$50.7M <sup>1</sup>	\$57.7K avg. <sup>1</sup>	83/17	831 mkt./170 affordable					

<sup>1</sup> does not include DECD \$12M Front Street  
<sup>2</sup> deposits and leases



The housing pipeline is delivering a mix of units to the marketplace, attempting to serve multiple price points and unit size demands. CRDA is also spreading its risk by offering rehabilitated units, new construction, high amenity properties and other less elaborate high rises and walk ups. Historic rehabs as well as modern design projects are underway in the downtown Hartford core on the edge of the central business district, serving neighborhoods to the north, south and southwest. The unit configuration is predominately one bedroom units. Efficiencies and micro units offer the second highest type of unit with two bedrooms representing only 13% of the market. This is shown below.

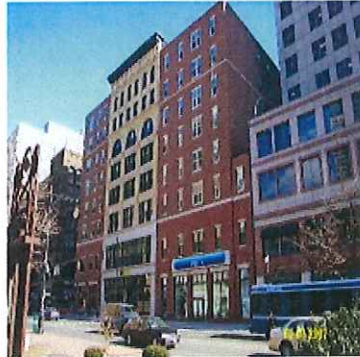
Housing Pipeline by Unit									
Project	# Units	Split Mkt/Aff	Unit Configuration				Size Units sq. ft.	Avg. Mkt. Mthly Rent	Rent \$/sq. ft.
			Studio	1 BR	2 BR	3 BR			
777 Main	285	226/59	65	198	22	0	528-1,086	\$714-\$1,900	\$1.35- \$2.08
201 Ann	26	26	0	26	0	0	734	\$1,575	\$1.90
179 Allyn	63	50/13	0	63	0	0	425-900 (741)	\$925-\$1,025	\$1.25- \$1.38
Front Street	121	121	36	75	10	0	840-1,125 (722)	\$1,516	\$2.10
Sonesta (5 Const.)	193	161/32	54	125	14	0	443-1164	\$833-\$1,800	\$1.10- \$2.04
Riverview (3 Const.)	49	41/8	0	33	16	0	580-1,108	\$825-\$2,400	\$1.18- \$2.50
Capewell	72	57/15	16	34	20	2	700-1,841	\$1,042- \$2,500	\$1.36- \$1.50
390 Capital (HOS)	112	89/23	0	71	41	0	750-925	\$900-\$1,250	\$1.35
38-42 Elm	6	6	2	2	2	0	700-1300	\$900-\$1,850	\$1.28- \$1.42
36 Lewis	6	6	0	4	2	0	810-1026	\$1,750- \$2,100	\$2.05- \$2.16
370 Asylum	60	42/18	37	18	5	0	653-1200	\$1,100- \$1,500	\$1.43- \$1.93
1283 Main	8	6/2	0	0	8	0	760-790	\$850 - \$900	\$1.11 - \$1.20
<b>Totals</b>	<b>1201</b>	<b>831/170</b>	<b>210</b>	<b>649</b>	<b>140</b>	<b>2</b>			

CRDA is also responsible for the continued monitoring of initiatives launched by its predecessor agency, CCEDA, which helped underwrite the developments at Hartford 21; the Lofts at Main and Temple; and Trumbull on the Park. These 440 units have been well received by the marketplace and enjoy some of the highest rents per square foot and highest occupancy rates in the city of Hartford. As of 6/30/15, the units were as follows:

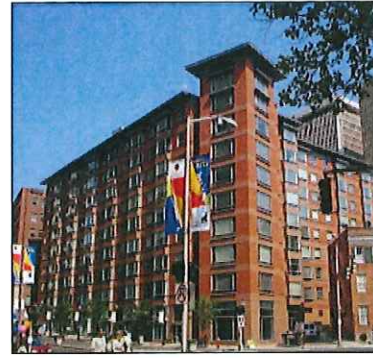
PROJECT NAME: (as of 6/30/13)	HOUSING			RETAIL/OTHER COMMERCIAL	
	<u>Available</u>	<u>Leased</u>	<u>%Leased</u>	<u>Available</u>	<u>Leased</u>
<b>Hartford 21</b>	262 units	252	91%	161,475 sq. ft.	77%
<b>Main &amp; Temple (Sage Allen)</b>	78 units	78	97%	13,378 sq. ft.	100%
<b>Trumbull on the Park</b>	100 units	99	98%	8,000 sq. ft.	84%



*Hartford 21 Apartments*



*Main & Temple Apartments*



*Trumbull on the Park*

## Parking

CRDA manages in excess of 16,500 parking spaces now that it has acquired the 1,299 vehicle Church Street Garage. The largest single *garage*, managed by CRDA however, continues to be the facility at the *Convention Center*, with its 2,339 spaces. This facility had a better than budgeted year producing revenues above projections and delivering revenues to retire principle as well as interest on its outstanding revenue bonds. The four garages located at Adriaen's Landing (CTCC, North and South Garages at Front Street, and the Science Center Garage) produced \$6.9 million in revenue and covered \$3.5 million in operating expenses and \$3.4 million in debt service during the fiscal year.

The largest single CRDA *location* for parking is the 9,300 spaces at *Rentschler Field* that will be adjusted over the next year due to the land assembly noted above (Rentschler Field section on pages 9 - 10) and because of the likely advancement of development plans for commercial investments at the former air field in East Hartford.

The state acquired the *Morgan Street Garage* in fiscal year 2014, also managed by CRDA, and currently serves the state community college. During the next two fiscal years, it is intended that the Morgan Street facility will be transferred over to DAS as part of the overall state office building complex to be located at 450 Columbus Blvd and currently being prepared by CRDA.

The *Church Street Garage* will continue to serve the downtown community including the Hilton Hotel and various corporate and residential users. Over the next year, the facility will be managed more closely with the operations at the XL Center to complement the civic center's shows and sporting events. CRDA plans a series of improvements and better linkage between the buildings during the new fiscal year.

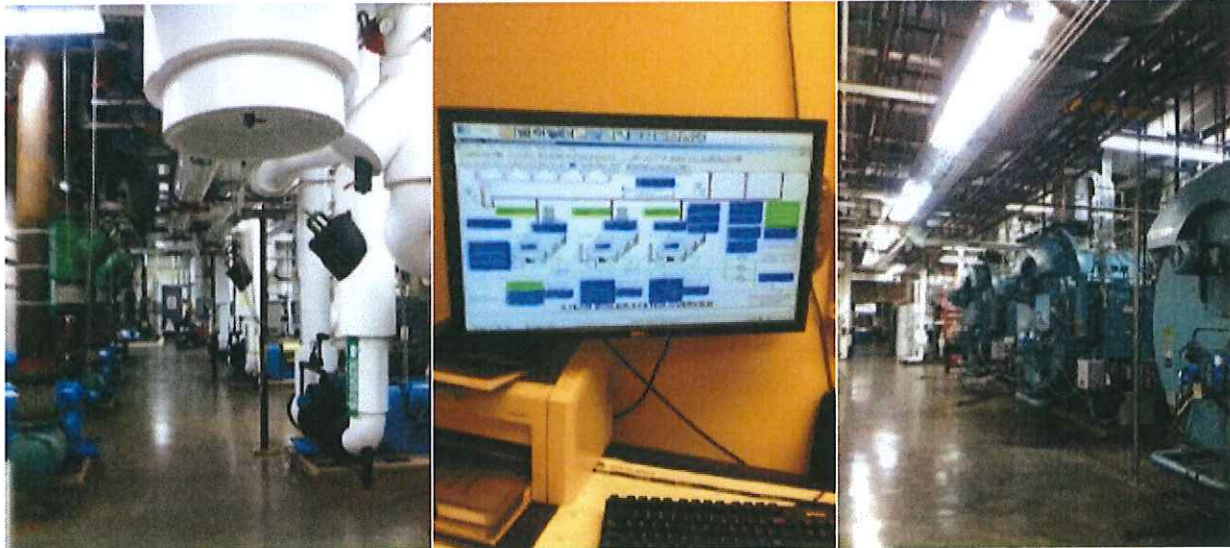
With the exception of the Church Street Garage which is operated by Republic Parking, the remainder of the parking inventory is managed by Laz Parking per a competitive bid process that occurred in FY 2015.

### CRDA-Managed Parking Facilities

SITE	SPACES
CT Convention Center	2,339
CT Science Center	468
Front Street North	657
Front Street South	232
Morgan Street	2,300
Rentschler Field	9,300
Church Street	1,299
<b>Total</b>	<b>16,595</b>

## ***Central Utility Plant***

In order to efficiently and effectively supply most of Adriaen's Landing with heating and cooling capabilities, a central utility plant ("CUP") was built within the Convention Center. CRDA's role is to manage and maintain it in order to provide a consistent, dedicated and reliable source of heating and cooling to Adriaen's Landing. The CUP supplies heating capabilities to the Convention Center, two outdoor snow-melt systems, the Marriott Hotel and the CT Science Center. It further provides chilled water to these facilities to maintain air temperatures and provide refrigerants for its food storage lockers.



*Chilled Water System*

*Control Room Systems*

*Steam Boiler System*

The CUP is composed of a 9,500 square foot structure located on the mezzanine level of the Convention Center, housing steam generating equipment, central plant chillers, chilled water and condenser pumps and a control room. The total cost of the plant, and its later expansion in 2009 to include the CT Science Center, was \$16.2 million. The CUP maintains operations 24/7 and 365 days a year. It has no employees of its own, using the services of outside operators (New England Mechanical Services) and various intelligent systems to properly maintain and manage it.

The CUP is governed by an energy sharing agreement, administrated by CRDA, between the Convention Center, Marriott Hotel and the CT Science Center whereby each party is required, among other things, to fund a certain portion of the CUP's operations, debt service and capital needs. The annual budget is \$3 million of which the Convention Center pays approximately \$1.7 million each year. CRDA administers the accounting and billing for the CUP, ensuring that each party is represented in its operating decisions and funds its portion of the overall need. Plant upgrades this past year include: boiler instrumentation service and tank repairs, free cooling heat exchange maintenance, chiller eddy current testing, and repairs to the cooling tower and oxygen probes.

## ***State Office Relocation***

CRDA completed the renovation of 55 Farmington Avenue during fiscal year 2014 and transferred the property to DAS. Now that over 1,024 state employees have successfully relocated and are working at this office complex for over a year, CRDA is administering the additional project task assignment of replacing the boilers and chillers within the office building.

CRDA began the more involved and larger renovation at 450 Columbus Blvd that will eventually house 2,250 state employees and seven agencies. During the past year, \$14.3 million was expended in the renovation of the 558,000 square foot towers. This work includes the following activity: renovations to a five level parking structure for over 750 vehicles and includes waterproofing, fire sprinkler work and concrete restoration & sealant replacement, as well as two existing office towers of 11 & 15 stories, totaling 475,575 net square feet, above the parking structure.

Early Release work that has taken place involves interior demolition, environmental abatement, and roof & exterior sealant replacement. Work that is scheduled to begin shortly includes plaza and site renovation, interior tenant fit-out, and IT & security improvements. It is expected that the buildings will be ready for occupancy in the Fall 2016 and will allow the state to relocate its work force from older fatigued state owned structures and/or leased private buildings.



55 Farmington



450 Columbus Boulevard

## **Regional Initiatives**

CRDA's regional role is envisioned through its authorization language. Such services can be offered to seven communities abutting Hartford, including: West Hartford, Newington, Wethersfield, East Hartford, South Windsor, Windsor and Bloomfield. Also per CGS Chapter 588X, CRDA is authorized to act to promote sports and entertainment venues on a state-wide basis.

### **THE CONNECTICUT OPEN:**



In the summer of 2013, the Sanction to hold a United States Tennis Association event as part of the Women's Professional Tour WTA Premier Event was in jeopardy of being transferred out of New Haven, compromising the New Haven Open's economic impact, nearly eleven years of operations and eliminating the major use of the state constructed Connecticut Tennis Center located on the Yale campus. CRDA was awarded a \$618,000 grant from the State DECD and utilized the funds to purchase the Sanction effective October 1, 2013. CRDA in turn licensed the event to the newly created not for profit Tennis Foundation of Connecticut (TFC) with a two year agreement on December 31, 2013 which proceeded to restructure its Board, staff, and its relationship with sponsors.

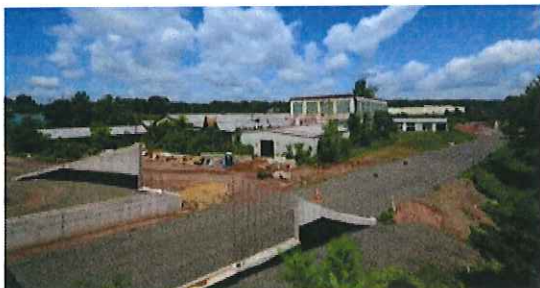
The event is now owned by CRDA, managed by the TFC and is subject to an annual review of the late August tournament, now known as the Connecticut Open. Along with the DECD Commissioner and the Secretary of OPM, CRDA is a member of the TFC executive committee and has worked with the TFC staff throughout the year to streamline its operations, design and implement capital improvements and to provide budget guidance. The Connecticut Open is aligned with major Connecticut corporations and institutions including UTC, Yale and Aetna as well as national and international corporations such as American Express, Coke and Emirates Airline.

The tournament saw numerous changes during its first year of operations under CRDA ownership. This transitional year included an in-depth review of contact policies, restructuring the ticketing and marketing agent agreement, and an increased focus on concessions and food truck revenues. Capital improvements to the stadium also continued. Due to these efforts, tournament attendance increased by three percent to over 47,000 visitors while food and beverage produced net revenue of over \$30,000. The 2014 tournament had gross revenues of \$5 million with a net operating profit of nearly \$400,000, which was reserved for operational expenses toward future tournament years.

### **NEWINGTON, CT. NATIONAL WELDING SITE:**

Early in 2014, CRDA entered into an agreement with the Town of Newington to oversee the environmental clean-up of a major industrial complex acquired by the town in a foreclosure. CRDA manages Brownfield funds granted by the State DECD to the Town for purposes of preparing the site for a transit oriented development opportunity as it is located directly on the CTfastrak line.

During 2014-15, the former National Welding Site was remediated and demolished by CRDA. Some final remediation is pending EPA sign off. The municipality is amending its high density zoning regulations prior to approving the selection of a development program for the site.



(Before)



(After)

## LEGISLATIVE REPORT

The 2014-2015 Annual Report for Capital Region Development Authority, (CRDA) formerly the Capital City Economic Development Authority (CCEDA), details the activities and project status of the Authority as required by the current legislation.

### ➤ BONDS ISSUED DURING THE 2015 FISCAL YEAR AND THE ISSUES FACE VALUE AND NET PROCEEDS

During the previous fiscal year, the Authority did not issue any revenue bonds. However, in fiscal year 2014, the State of Connecticut Bond Commission through the Special Revenue Bond Fund established \$60,000,000 for the purpose of providing grants or loans to encourage residential housing development, as provided in Section 32-617g of the Connecticut General Statutes. In fiscal year 2015, the State of Connecticut Bond Commission through the Special Revenue Bond Fund established \$30,000,000 to provide for the acquisition of property in Hartford to provide for development and redevelopment opportunities, as provided in Section 32-602 of the Connecticut General Statutes.

<b>Special Revenue Bond Fund</b>				
Year Authorized	Total Authorized	Total Allocated FY 2015	Total Allocated as of 6/30/15	Total Unallocated as of 6/30/15
2014	\$60,000,000	\$7,627,650	\$49,342,627	\$10,657,373
2015	\$30,000,000	\$16,000,000	\$16,000,000	\$14,000,000

The history of the CRDA (formerly Capital City) Project bond authorizations as defined in Section 32-600 of the Connecticut General Statutes is presented in the following chart:

<b>TOTAL BONDING AUTHORIZATIONS FOR CAPITAL CITY PROJECT</b>						
Project	FY 98	FY 99	FY 00	FY 01	FY 03	Total
Convention Center	\$ 3,000,000	\$187,000,000				\$190,000,000
Downtown Higher Ed.		\$30,000,000				\$ 30,000,000
Civic Center	\$15,000,000					\$ 15,000,000
Riverfront	\$ 3,000,000	\$12,000,000		\$ 4,880,000		\$ 19,880,000 <sup>A</sup>
Downtown Housing	\$ 3,000,000		\$14,000,000	\$14,000,000	\$4,000,000	\$ 35,000,000
Demolition/Rehabilitation	\$ 2,000,000	\$ 7,000,000	\$ 8,000,000	\$ 5,000,000	\$3,000,000	\$ 25,000,000
Parking	\$ 5,000,000	\$ 5,000,000	\$ 2,000,000			\$ 12,000,000 <sup>B</sup>
<b>Totals</b>	<b>\$31,000,000</b>	<b>\$241,000,000</b>	<b>\$24,000,000</b>	<b>\$23,880,000</b>	<b>\$7,000,000</b>	<b>\$326,880,000</b>

**Note A:** \$5.12 million cancelled by PA10-44, Section 37 effective July 1, 2010.

**Note B:** \$3.0 million cancelled by PA10-44, Section 38 effective July 1, 2010

In addition to the General Obligation Bonds, the Authority is authorized to issue its bonds, notes and other obligations in amounts sufficient to complete the Convention Center Project. The following table provides a summary of the State Bond Commission authorizations which the Authority has recommended relating to the Capital City Projects. The amount of \$12,000,000 remains available and committed for the residential component of the Front Street District development.

<b>TOTAL BONDING RECOMMENDATIONS FOR CAPITAL CITY PROJECTS</b>			
	<b>Total Authorized</b>	<b>Total Allocated FY 2013-14</b>	<b>Total Allocated as of 6/30/14</b>
Convention Center(GO Bonds)	\$190,000,000	\$ -	\$190,000,000
CCEDA Revenue Bonds/Loan	\$122,500,000	\$ -	\$122,500,000
Downtown Higher Ed Ctr.	\$ 30,000,000	\$ -	\$ 30,000,000
Civic Center	\$ 15,000,000	\$ -	\$ 15,000,000
Riverfront	\$ 19,880,000 <sup>C</sup>	\$ -	\$ 19,880,000
Downtown Housing	\$ 35,000,000	\$ -	\$ 35,000,000
Demolition/Rehabilitation	\$ 25,000,000	\$ -	\$ 25,000,000
Parking	\$ 12,000,000 <sup>D</sup>	\$ -	\$ 12,000,000
<b>Totals</b>	<b>\$449,380,000</b>	<b>\$-</b>	<b>\$449,380,000</b>

**Note C:** PA10-44, Section 37 cancelled \$5.12 million balance effective July 1, 2010.

**Note D:** PA10-44, Section 38 cancelled \$3.0 million balance effective July 1, 2010.

➤ **OUTSIDE INDIVIDUALS AND FIRMS, INCLUDING PRINCIPAL AND OTHER MAJOR STOCKHOLDERS, RECEIVING IN EXCESS OF \$5,000 AS PAYMENT FOR SERVICES**

**CAPITAL REGION DEVELOPMENT AUTHORITY VENDOR LISTING**

The following is a list of all outside individuals and firms that received more than \$5,000 as payment for services during the July 1, 2014 through June 30, 2015 fiscal year. These payments occurred in the ordinary course of operations.

<b>CRDA VENDOR NAME</b>					
179 Allyn St. LLC	Admiral Moving and Storage	Ann St. Property, LLC	Bank of America	Bushnell Management Services, LLC	Central Sealing Co. Inc.
CNG	Control Systems, Inc.	Desman Associates	Dime Oil, LLC	Eversource	Emcor Services of New England Mechanical



Environmental Partners	F.A. Hesketh & Associates, Inc.	Faithful Gould Inc.	Global Spectrum, Inc.	Guardian	Haley & Aldrich
Infinity Hall Hartford, LLC	Intacct Corporation	IT Direct, LLC	JCJ Architecture, P.C.	Kohler Ronan, LLC	Laz Parking Management LTD, LLC
Lupachino & Salvatore, Inc.	Mahoney Sabol & Co. LLP	Milone & Macbroom, Inc.	Morganti Group Inc.	Nalco Company	Peabody Unlimited, LLC – escrow agent
People's United Insurance Agency	Pinnacle Advisory Group	Robinson & Cole, LLP	SCI Architects, P.C.	Shipman & Goodwin	Siemens Industry, Inc.
SourceOne	Standard Demolition Services, Inc.	Stewart Title Guaranty Company – escrow agent	Tecton Architects, P.C.	Terracon Consultants, Inc.	The Hartford
The Metropolitan District	The Tennis Foundation of Connecticut	Trane	UIC Energy, LLC	Updike Kelly & Spellacy, P.C. – escrow agent	Verizon Wireless
Waterford Venue Services – Facility Management	Waterford Venue Services – Catering & Concessions				

## **CONNECTICUT CONVENTION CENTER VENDOR LISTING**

The following vendors have a direct contract with the Authority and received more than \$5,000 in payments for services. Funds were disbursed from various **development accounts** established to cover costs for the Convention Center and the Adriaen's Landing Projects. The funds were authorized to the Authority through the State Department of Economic and Community Development and the Office of Policy and Management.

<b>VENDOR NAME</b>				
F.A. Hesketh & Associates	Nutmeg Planners	SignPro, Inc.		

In addition to the required information specified in Section 32-605 of the General Statutes, included are vendors doing business with Convention Center operators who received over \$5,000 in payment for services. The Authority maintains that these subcontractors are not "state contractors" and provide services specific to the Convention Center as directed by Convention Center operations. The Convention Center Management Agreement, which was the result of a bidding process, stipulates that the Convention Center has full autonomy in deciding what services to outsource and the selection of respective service providers. While the Authority funds a portion of the Convention Center operating budget and has the right of approval for the overall Convention Center budget, the Authority does not determine the amount of, or make direct payments to the subcontractors and is not a party to the subcontractors.

<b>CTCC VENDOR NAME</b>					
Action Industries	AD Hoc Design	ADP LLC	Adtech Systems	Albert Uster Imports, Inc.	American Medical Response CT
Ameripride Services	A-Tech	Aztec	Beecher Carlson/Master Trust	Bemers	Bobcat of Connecticut, Inc.
Boston Gourmet Chefs, Inc.	Brescome Barton, Inc.	Bright Business Media, LLC	Britons U.S. Axminster	Business Training Experts	Cambridge Packing Company
C&C Janitorial Supplies	CIGNA Corporation	Cintas Fire Protection	City Fish Market	City of Hartford Fire & Police	CLR CT Labor Resources
Cognet Communications, Inc.	Colonial Supplemental Insurance	Comcast	Connecticut Natural Gas Corporation	Construction & General Laborers	Control Systems, Inc.
Corporate Payment Systems	Crystal Rock, LLC	CT Department of Revenue Service	CT Hardwood & Painting LLC	CT Science Center	CT Web Factory, LLC
CVENT, Inc.	CWPM	Dell Marketing, LP	Demers Exposition Services, Inc.	Digital Printing Systems	Dugmore & Duncan Group
EarthLink Business	Eastern Bag & Paper Co.	Eaton Corporation	Ecochoice Termite and Pest Control	Ecolab Equipment Care	Edge Protection Solutions
Electrical Wholesalers, Inc.	Environmental Systems Corporation	Eversource	Facilities and Destinations	Factory Express, Inc.	Fire Dog Creative, Inc.
Fresh Point	GE Capital	Gems	Giovanni's	Glidden Professional Paint Center	Gordon Food Service, Inc.
Grainger	Hartford CPL CO-OP, Inc.	Hartford Distributors	Hartford Downtown Marriott	Horizon Hospitality Association	Image Media
Independent Outdoor	John Annino	John Watts Associates	Johnson Garden, Inc.	Jordan Paige	K&D Machine Service, LLC
LAZ Parking, DBA	LAZ Parking Management, LTD	Lex Products Corporation	Lileo Enterprises, LLC	Lummus Webber Co.	Lutron Services, Co.

M.G.Backflow Testing	Mayberry Material Handling	Merriott Int'l Design	Metropolitan District	MJ Daly	Morse Watchmans, Inc.
Multiview, Inc.	Nationwide Security Corp.	NEPW	New England Mechanical	Newmarket International	Northland Industrial Truck Co.
Nurse Finders	Office Max, Inc.	Offshore Construction, Inc.	Omar Coffee Company	One time	Oracle America, Inc.
Otis Elevator Company	Outfront Media	Paradise Artists, Inc.	Pasquariello Electric Corp.	Pepsi-Cola	PFG Springfield
Plumfire Mechanical, LLC	PPG Architectural Finishes	Rider Productions	RMG Enterprise Solutions, Inc.	RMG Networks	Rogo Distributors
Russo Lawn & Landscape, Inc.	Schindler Elevator Corporation	Scranton Motors, Inc.	Securitas Security Services	Sid Wainer & Son	Siegel Egg Co., Inc.
Soda Service & Alpine	Stageright Corporation	Stanley Wiesen Inc.	Suburban Stationers	Sunshine Laundry	SYSCO Food Services of Connecticut
Tee's & More on the Lake	Tennant Sales & Service Co.	The Lincoln National Life Insurance	Three-Way Communications	Thurston Foods, Inc.	Titan Mechanical Contractors
Touch quest	Travelers	Tri-State LED	Tri-State Window Cleaning, Inc.	United Healthcare Insurance Co.	Verizon Wireless
W.B. Mason Company, Inc.	Waterford Hotel Group	Waterford Venue Services	Welch Communications	West Electric LLC	Wind River Environment, LLC

## **XL CENTER VENDOR LISTING**

Vendors doing business with the XL Center operators and who received over \$5,000 in payment for services during the fiscal year are listed as follows:

<b>XL CENTER VENDOR NAME</b>					
A-OK Turf Equipment Inc.	All State Landscape Services	American Airpower Museum	Automated Building Systems Inc.	BCC Funding VII, LLC	Brothers oil Company
Bushnell Management Services	Bypass Mobile LLC	Carbonhouse	Comcast	Connecticut Natural Gas Corp.	Constellation Newenergy Inc.
D&D Tile Co., Inc.	Department of Revenue Services	EA Quinn Landscape Contracting	Eagle Fence 7 Guardrail	East Hartford Fire Department	East Hartford Police Dept.

EBP Supply Solutions	Eversource	GE Capital	Green Line Group	GZA Geoenvironmental Inc.	Horizon Services Corporation
IN2GRO Technologies LLC	IT Direct, LLC	Jackson Lewis PC	Jan C. McCollum d/b/a Signs	JC Whitlam Manufacturing Co.	Laz Parking LTD, LLC
Live Nation	Mahoney Sabol & Co., LLP	Manchester Police Dept.	Marcus Communications, LLC	McPhee Electric Ltd.	MDC
MJ Daly, LLC	New England Golf Cars, Inc.	OnSite Services, Inc.	Otis Elevator Company	Ovations	Physio-Control, Inc.
PowerStation LLC	Premier Cleaners	Renos Auto Body & Repair Inc.	Russo Lawn & Landscaping, Inc.	Safehold Special Risk Inc.	Simplexgrinnell LP
State of Connecticut	Synatek	The Eagle Leasing Company	UConn Health Center	United Rentals (North America)	United Site Services Northeast
US Soccer Federation	USA Security Services Corp.	Verizon Business	Voice New England	Willis of Pennsylvania Inc.	Windsor Sanitation, Inc.

**THE AUTHORITY'S CONTRIBUTION:** The Authority issued \$110,000,000 in revenue bonds and fully drew down \$12,500,000 of the Travelers Loan. These funds were used to complete the Convention Center Project as defined in Section 32-600 of the General Statutes: The "Convention Center Project" means the development, design, construction, finishing, furnishing and equipping of the Convention Center facilities and related site acquisition and the site preparation. The following vendors were paid in excess of \$5,000 from the revenue bonds construction proceeds and from the Travelers Loan:

VENDOR NAME				
Nutmeg Planners	Connecticut Tank Removal	Shipman & Goodwin	F.A. Hesketh & Associates	

Listed below identifies certain other expenses associated with the Authority's revenue bonds. These expenses include the liquidity facility fees, remarketing fees, rating agency fees, and trustee fees. The following list reflects vendors paid in excess of \$5,000 for such expenses:

VENDOR NAME				
Bank of America	Finn Dixon	Lamont Financial	Merrill Lynch, Pierce, Fenner & Smith, Inc.	Standard & Poor's

## ➤ THE ANNUAL FINANCIAL REPORT PREPARED IN ACCORDANCE WITH GAAP FOR GOVERNMENTAL ENTERPRISES

See Exhibit A attached hereto.

### CUMULATIVE VALUE OF ALL BONDS AND THE AMOUNT OF THE STATE'S CONTINGENT LIABILITY

On July 21, 2004, the Authority issued \$15.030 million of Series A and \$57.470 million of Series B Parking and Energy Fee Revenue Bonds to pay a portion of the costs of construction of the Convention Center Project. The face value totaled \$72.5 million and the net proceeds of these bonds were \$72,481,056. In addition, on August 4, 2005, the Authority issued \$15 million of Series C Parking and Energy Fee Revenue Bonds for the construction project. On December 16, 2008, the Authority issued \$22.5 million of Series D Parking and Energy Fee Revenue Bonds as convention center completion bonds. These Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State or of any such political subdivision other than the Authority, and shall not constitute bonds or notes issued or guaranteed by the State with the meaning of section 3-21 of the Connecticut General Statutes, but shall be payable solely from the Trust Estate. Neither the State of Connecticut nor any political subdivision thereof other than the Authority shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

### STATE CONTRACT ASSISTANCE

As authorized by the Act, the Authority and the State, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, entered into a Contract for Financial Assistance, pursuant to which the State will be obligated to pay to the Trustee on each principal and interest payment date an amount equal to debt service on the 2004 Series A Bonds, the 2004 Series B Bonds, the 2005 Series C Bonds and the 2008 Series D Bonds.

As more fully described in the Official Statement, the obligation of the State to make such payments does not require further appropriation to CRDA and constitutes a full faith and credit obligation of the State. Such amounts, and the Authority's rights under the Contract, have been pledged by the Authority to the Trustee to secure payment of the 2004 Series A Bonds, the 2004 Series B Bonds and any other additional series of Bonds secured by such contract.

The Contract provides that the maximum amount payable pursuant to the Contract is currently limited to \$9.0 million in any calendar year. The Authority has agreed with the State in the Contract and covenanted in the Indenture to enter into no obligation which would cause this limit to be exceeded.

### ➤ AFFIRMATIVE ACTION POLICY STATEMENT

The Authority recognizes the purpose and need for a strong Affirmative Action Program to overcome the effects of past practices, policies or barriers to equal employment opportunity. The Authority is committed to achieving the full and fair participation of women, Blacks, Hispanics and any other protected groups found to be underutilized in the workforce or affected by policies or practices having an adverse impact. The Authority will, to the best of its ability, follow a policy of equal employment opportunity throughout its employment process including, but not limited to, recruitment, hiring, training, upgrading and promotions, benefits, compensation, discipline, layoffs and terminations. In addition, the Authority pledges that all the services and programs provided will be done in a fair and impartial manner.

The Authority will enforce this plan through the application of Connecticut General Statutes, section 46a-60(a) (1) and the federal constitutional provisions, laws, regulations, guidelines and executive orders mandating Affirmative Action for equal opportunity.

## **CRDA Board of Directors**

Pursuant to Public Act 13-234, the Commissioner of the Department of Housing was added to the Authority's Board of Directors as an ex officio member. The Authority's fourteen (14) member Board includes the mayors of Hartford and East Hartford with the Secretary of the Office of Policy & Management and the Commissioners of Housing, Transportation, and Economic & Community Development as ex-officio members of the Board. The balance of the Board consists of two appointees of the Mayor of Hartford (a city employee and a city resident), one from the legislative majority leadership, one from the legislative minority leadership, and four gubernatorial appointments. The Authority's Board of Directors is as follows as of June 30, 2015:

<b>NAME</b>	<b>RACE/ETHNICITY</b>	<b>GENDER</b>	<b>BOARD POSITION</b>
Suzanne Hopgood	White	Female	Chairman/Governor Appointee *
Andy Bessette	White	Male	Vice Chairman/Governor Appointee *
OPM Secretary Benjamin Barnes	White	Male	Treasurer/Ex-Officio *
Hartford Mayor Pedro Segarra	Hispanic	Male	Secretary/Legislated *
DOH Commissioner Evonne Klein	White	Female	Member/Ex-Officio
DOT Commissioner James Redeker	White	Male	Member/Ex-Officio
DECD Commissioner Catherine Smith	White	Female	Member/Ex-Officio
East Hartford Mayor Marcia Leclerc	White	Female	Member/Legislated
Thomas Deller	White	Male	Member/Hartford Mayor Appointee
Floyd Green	Black	Male	Member/Hartford Mayor Appointee
David Jorgensen	White	Male	Member/Governor Appointee
Michael Matteo	White	Male	Member/Legislative Minority Appointee
Pamela Trotman Reid	Black	Female	Member/Governor Appointee
Vacant			Member/Legislative Majority Appointee

\* Executive Committee member

## **CRDA Staff**

As of June 30, 2015, the Authority has a staff of ten full-time and one half-time employees. They are as follows:

<b>NAME</b>	<b>RACE</b>	<b>GENDER</b>	<b>OCCUPATION</b>
Michael W. Freimuth	White	Male	Executive Director
Anthony L. Lazzaro Jr.	White	Male	Deputy Director, General Counsel
Joseph Geremia	White	Male	Chief Financial Officer
Dorine F. Channing	White	Female	Assistant Controller
Kimberly S. Cooke	White	Female	Part-time Accounting Assistant
Jennifer Gaffey	White	Female	Office Manager
Kimberly Hart	White	Female	Venue Director
Erica Levis	White	Female	Construction Program Assistant
Terryl Mitchell Smith	Black	Female	Director of Marketing and Public Relations
Robert Saint	White	Male	Director of Construction Services
Lauren Vaz	Black	Female	Senior Accounting Analyst

## **Hartford Jobs Funnel Program**

Another stated purpose in C.G.S. Section 32-602 is to create new jobs and stimulate substantial surrounding economic development and corresponding increased tax revenues to the state. To help achieve these objectives, the Jobs Funnel Program was created to help individuals in Hartford avail themselves of career opportunities generated by CRDA and other development projects.

The Jobs Funnel Program (formerly known as the Hartford Jobs Funnel and/or Hartford Construction Jobs Initiative) provides a wide array of services that include outreach/recruitment, assessment, pre-employment preparation, case management, job placement and retention services for residents of Hartford who are interested in preparing to enter the construction field.

The Jobs Funnel Program is a public/private effort overseen by the Jobs Funnel Steering Committee and under the administration of Capital Workforce Partners (North Central Region Workforce Investment Board). Services to participants are delivered in partnership with various community based organizations, minority contractors and labor trade organizations. The program is funded by: The State of CT Office for Workforce Competitiveness, Hartford Foundation for Public Giving, Capital Workforce Partners and Laborers Education and Training Fund. Integral to the success of the program are the in-kind services provided by CT Light & Power, CT Department of Labor and members of the Greater Hartford-New Britain Building Trades Council. The following represents the various entities currently encompassing Adriaen's Landing and their respective staff makeup<sup>1</sup> :

### **Connecticut Convention Center**

Total employees =	301
Total Hartford residents =	85 (28%)
Total Minority (men) =	104 (34%)
Total women employees =	140 (47%)
Total Minority (women) =	47 (16%)

### **Convention Center Parking Facilities (LAZ Parking)**

Total employees =	54
Total Hartford residents =	34 (63%)
Total Minority (males) =	29 (54%)
Total women employees =	17 (31%)
Total Minority (women) =	15 (28%)

### **Hartford Marriott Downtown**

Total employees =	234
Total Hartford residents =	52 (22%)
Total Minority (males) =	62 (26%)
Total women employees =	121 (52%)
Total Minority (women) =	55 (24%)

### **Connecticut Science Center**

Total employees =	97
Total Hartford residents =	9 (9%)
Total Minority (males) =	5 (5%)
Total women employees =	60 (62%)
Total Minority (women) =	20 (21%)

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<sup>1</sup> Entities are as follows: Connecticut Convention Center; Convention Center Parking Facilities (LAZ Parking); the Hartford Marriott Downtown; and the Connecticut Science Center



**CAPITAL REGION DEVELOPMENT AUTHORITY  
(A Component Unit of the State of Connecticut)**

**FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT AUDITORS**

**EXHIBIT A**

**JUNE 30, 2015 AND 2014**

CAPITAL REGION DEVELOPMENT AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Capital Region Development Authority  
Hartford, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the Capital Region Development Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility 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; this includes 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Region Development Authority, as of June 30, 2015 and 2014, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages EA-3 through EA-13 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The information on page 3 through 32 of the Authority's Annual Report is presented for purposes of additional analysis and is 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 do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
September 25, 2015

## CAPITAL REGION DEVELOPMENT AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2015 and 2014

Management's Discussion and Analysis ("MD&A") of the financial performance and activities of the Capital Region Development Authority (the "Authority" or "CRDA") is intended to provide an introduction to the financial statements of the Authority as of and for the fiscal years ended June 30, 2015 and June 30, 2014. Following the MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a quasi-public agency established in 1998 by the Connecticut General Assembly to direct state-supported development projects in Hartford, Connecticut. In 2012, the General Assembly renamed the Authority (it had formerly been called the Capital City Economic Development Authority) and expanded its powers to serve as a regional planning authority. The Authority is funded by appropriations from the State of Connecticut (the "State") and its financial statements are included as a component unit in the State's Comprehensive Annual Financial Report.

The Authority's financial statements use proprietary fund reporting and report its financial position, changes in financial position and cash flows in three financial statements: (1) the Balance Sheet, (2) the Statement of Revenues, Expenses and Changes in Net Position, and (3) the Statement of Cash Flows.

The Balance Sheet presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities. Net position represents the difference between the sum of total assets with the sum of total liabilities. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the year.

#### 2015 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by \$221.903 million at June 30, 2015. The net position of the Authority totaled \$6.392 million unrestricted, \$36.240 million restricted, and \$179.270 million net investment in capital assets. The net position of the Authority is approximately 28% greater than the previous year.
- The loss from operations for the year ended June 30, 2015 was \$3,901,078. Of this amount, \$395,824 relates to costs associated with the Connecticut Tennis Center as well as maintenance and development costs for the construction of the Front Street District.
- The Convention Center's 2015 net operating loss of \$2,838,032 was \$289,566 or 9% less than the prior year. The variance was the result of strong food & beverage revenues primarily in the corporate meeting market.
- CRDA parking facilities reported net income of \$3,462,003. This was the result of an increase in transient revenue from the Front Street garages as well as an increase in monthly parkers within the Science Center garage.
- The XL Center's 2015 net operating loss was \$1,030,796 excluding depreciation of \$503,567. The net operating loss was the result of decreased concert and ticket convenience fee revenues as well as decreased food & beverage revenues and food & beverage net returns. The facility was also impacted by reduced first quarter availability due to the timing of the \$35 million renovation and reconstruction capital projects.

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2015 and 2014

**2014 FINANCIAL HIGHLIGHTS**

- Total assets exceeded total liabilities by \$173.369 million at June 30, 2014. The net position of the Authority totaled \$4.160 million unrestricted, \$25.886 million restricted, and \$143.323 million net investment in capital assets. The net position of the Authority is approximately 13% greater than the previous year.
- The loss from operations for the year ended June 30, 2014 was \$5,675,159. Of this amount, \$811,717 relates to maintenance and development costs for the construction of the Front Street District including land remediation, tenant fit-out, consulting fees and reimbursements, and project audit review.
- The Convention Center's 2014 net operating loss of \$3,127,598 was \$134,660 or 4% less than the prior year. The variance was the result of a strong corporate meeting market which produced an 8% increase in attendance.
- CRDA parking facilities reported net income of \$3,334,739. This was the result of an increase in transient revenue from the Science Center and Front Street garages offset with decreases in monthly rate revenue due to the reduction in two contracts and the closure of the Front Street outside lot.
- The XL Center's 2014 net operating loss was \$3,821,081. The net operating loss was the result of the building going through a management transition that led to one-time expenses and a diminished marketing window early in the year. The building was also impacted by a reduction in naming rights due to the change in athletic leagues.

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)

June 30, 2015 and 2014

The following table summarizes the condensed Balance Sheets as of June 30, 2015 and 2014

	<u>2015</u>		<u>2014</u>		<u>Increase/(decrease)</u>
					<u>2015 v 2014</u>
<b>ASSETS:</b>					
Current assets	\$	22,642,007	\$	19,761,262	\$ 2,880,745
Noncurrent assets:					
Restricted cash and cash equivalents		4,895,419		5,089,603	(194,184)
Loans receivable-housing		26,947,483		20,473,793	6,473,690
Other assets		237,743		59,442	178,301
Capital assets, net		310,699,368		276,043,349	34,656,019
Total assets	\$	365,422,020	\$	321,427,449	\$ 43,994,571
<b>LIABILITIES:</b>					
Current liabilities	\$	16,082,908	\$	18,814,753	\$ (2,731,845)
Non-current liabilities		127,436,306		129,243,605	(1,807,299)
Total liabilities	\$	143,519,214	\$	148,058,358	\$ (4,539,144)
<b>NET POSITION:</b>					
Net investment in capital assets	\$	179,269,948	\$	143,323,308	\$ 35,946,640
Restricted		36,240,449		25,885,758	10,354,691
Unrestricted		6,392,409		4,160,025	2,232,384
Total net position	\$	221,902,806	\$	173,369,091	\$ 48,533,715
Total liabilities and net position	\$	365,422,020	\$	321,427,449	\$ 43,994,571

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) *(Continued)*

June 30, 2015 and 2014

**2015 BALANCE SHEET ANALYSIS**

- Total assets as of June 30, 2015 increased by \$43.995 million or 14% compared to the same period in 2014.
- Current assets, principally the current portion of housing loans receivable, increased by \$2.880 million or 15% related to one loan which matures in November 2015.
- Non-current assets increased by \$41.114 million or 14% as the result of an increase in capital assets primarily due to renovations at the XL Center and the purchase of the Church Street garage, as well as the increase in housing loans receivable due to three additional loan closings.
- Total liabilities decreased by \$4.539 million when compared to the prior year. This decrease was due to timing related to the facility building improvements at the XL Center and Convention Center as well as the State office relocation projects. Also affecting the change was the reduction in bonds and loans payable partially offset with an increase in the obligation to the State for contract assistance.

**2014 BALANCE SHEET ANALYSIS**

- Total assets as of June 30, 2014 increased by \$33.326 million or 12% compared to the same period in 2013. Restricted non-current cash levels decreased \$813,056 compared to the prior year due to increased construction related to the Front Street District.
- Current assets, principally cash and cash equivalents, increased by \$12.979 million or 191%, from timing of the use of capital funds for facility building improvements and operating funds for the convention center and the XL Center.
- Non-current assets increased by \$20.347 million or 7% as a result of an increase in construction in progress less the charge for depreciation expense on capital assets, as well as the inclusion of housing loans receivable.
- Total liabilities increased by \$11.495 million when compared to the prior year. This increase was primarily due to the inclusion of the XL Center activity and timing related to the facility building improvements and State office relocation projects. Also affecting the change was the reduction in bonds and loans payable partially offset with an increase in the obligation to the State for contract assistance.



CAPITAL REGION DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)

June 30, 2015 and 2014

The following table summarizes the changes in net position for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>	<u>Increase/Decrease</u> <u>2015 v 2014</u>
Operating revenues:			
Grants-State of Connecticut			
Operational	\$ 2,106,070	\$ 1,377,645	\$ 728,425
Development district, subsidy & other	6,258,300	7,842,500	(1,584,200)
Restricted	734,123	446,877	287,246
On-behalf payments	-	725,555	(725,555)
Combined Facilities	37,096,913	35,183,266	1,913,647
Other operating revenue	426,111	184,830	241,281
Total operating revenues	<u>\$ 46,621,517</u>	<u>\$ 45,760,673</u>	<u>\$ 860,844</u>
Operating expenses:			
Personnel and general	\$ 1,615,815	\$ 1,265,275	\$ 350,540
Pension expense	562,250	750,086	(187,836)
Combined Facilities	37,898,616	39,617,074	(1,718,458)
Depreciation and amortization expense	10,445,914	9,803,397	642,517
Total operating expenses	<u>\$ 50,522,595</u>	<u>\$ 51,435,832</u>	<u>\$ (913,237)</u>
Income (loss) from operations	(3,901,078)	(5,675,159)	1,774,081
Non-operating revenue (expense):			
Interest income	328,059	105,916	222,143
Interest expense	(2,176,274)	(4,546,012)	2,369,738
Non-operating (expense), net	<u>\$ (1,848,215)</u>	<u>\$ (4,440,096)</u>	<u>\$ 2,591,881</u>
Loss before transfers in - State of CT	(5,749,293)	(10,115,255)	4,365,962
Capital contributions - State of Connecticut	43,472,867	7,745,544	35,727,323
Capital contributions - Other	536,450	1,750,000	(1,213,550)
Transfer – State of Connecticut Housing Loan Program	10,273,691	20,473,793	(10,200,102)
Change in net position	<u>\$ 48,533,715</u>	<u>\$ 19,854,082</u>	<u>\$ 28,679,633</u>
Net position, beginning of year	<u>\$ 173,369,091</u>	<u>\$ 153,515,009</u>	<u>\$ 19,854,082</u>
Net position, end of year	<u>221,902,806</u>	<u>173,369,091</u>	<u>48,533,715</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) *(Continued)*

June 30, 2015 and 2014

**2015 OPERATING ACTIVITY HIGHLIGHTS**

- Operational grant revenue, primarily derived from appropriations from the State of Connecticut in the amount of \$8.4 million, provided funding for the operations of the Authority (\$2,106,070), the Convention Center Project (\$4,758,300), which included the operations of the Convention Center, and the Front Street District maintenance and marketing costs, and the XL Center (\$1,100,000). Total appropriations from the State also included CRDA's support of the CT Tennis Center in the amount of \$400,000 during fiscal year 2015.
- The Authority implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. \$60,000,000 in appropriations from the State of Connecticut was authorized in fiscal year 2014 under this Act. As of June 30, 2015, the Authority closed a total of seven housing loan projects providing a commitment for \$42,682,650 in loans. \$30,747,484 of these commitments have been disbursed since the program's authorization and recognized as transfers in from the State of Connecticut.
- Revenues from Combined Facilities increased by \$1.9 million in fiscal year 2015 when compared to fiscal year 2014, primarily driven by an increase in Convention Center food & beverage revenue offset by decreased concert revenues at the XL Center over the prior year. The following net operating results by facility were derived in fiscal year 2015: Convention Center \$(2,838,032), Parking \$3,462,003, Central utility plant \$521,151, XL Center \$(1,030,796), and the Church Street garage 38,000.
- Of the Convention Center's operating revenues in fiscal year 2015, \$215,500 of the \$11.7 million was due to subsidies granted to events. This in turn generated \$2.073 million in revenue to the building in additional business (rent, food & beverage, and ancillary revenue) otherwise not available plus \$2.0 million in State taxes (Sales tax, income tax, and bed tax) to the economic region.
- The Authority saw a decrease in expenses associated with development costs (\$270,901), as well as a decrease in bond administration (\$148,279) and interest expense (\$2,369,737) due to savings from the bond swap agreement termination.

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) *(Continued)*

June 30, 2015 and 2014

**2014 OPERATING ACTIVITY HIGHLIGHTS**

- Operational grant revenue, primarily derived from appropriations from the State of Connecticut in the amount of \$9.2 million, provided funding for the operations of the Authority (\$1,377,645), the Convention Center Project (\$4,842,500), which included the operations of the Convention Center, and the Front Street District maintenance and marketing costs, and the XL Center (\$3,000,000). Total appropriations from the State also included CRDA's support of the CT Tennis Center in the amount of \$400,000 during fiscal year 2014.
- The Authority developed and implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. \$60,000,000 in appropriations from the State of Connecticut was authorized under this Act. As of June 30, 2014, the Authority closed four housing loan projects providing a commitment for \$30,050,000 in loans. The Authority disbursed \$20,473,793 in loans during fiscal year 2014 and recognized a transfer in of this amount from the State of Connecticut.
- Revenues from Combined Facilities increased by \$17.1 million in fiscal year 2014 when compared to fiscal year 2013, primarily driven by the inclusion of the XL Center's activities (\$16.6 million) and an increased utilization of the Convention Center building over the prior year. After the consideration of the increase in expenses associated with these facilities of \$16.2 million, \$20.5 million from the operations at the XL Center offset with a decrease in development costs, the following net operating results by facility were derived in fiscal year 2014: Convention Center \$(3,127,598), Parking \$3,334,739, Central utility plant \$522,802 and the XL Center \$(3,821,081).
- In November 2013, the Subsidy program at the Convention Center went under Board review. At that time, the program's history and current operating procedures were reviewed with the Board. Of the Convention Center's operating revenues in fiscal year 2014, \$243,780 of the \$10.6 million was due to subsidies granted to events. This in turn generated \$1.975 million in revenue to the building in additional business (rent, food & beverage, and ancillary revenue) otherwise not available plus \$1.7 million in State taxes (Sales tax, income tax, and bed tax) to the economic region.

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)

June 30, 2015 and 2014

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority's investment in capital assets as of June 30, 2015 and 2014 totaled \$310,699,368 and \$276,043,349, respectively (net of accumulated depreciation). This investment in capital assets includes general operating equipment, building and leasehold improvements, building equipment and furnishings, and construction in progress. The Authority's investment in capital assets at June 30, 2015 increased by \$34,656,019, and resulted from the capitalization of assets (\$46.8 million) which included the purchase of the Church Street parking garage (\$14.6 million) and the renovations at the XL Center (\$32.0 million), offset by a reduction from the depreciation of the capital assets (-\$10.4 million).

Major construction projects and improvements occurred during fiscal year 2015 at the Convention Center and the XL Center. Of the \$35 million that the Authority was authorized in appropriations from the State of Connecticut in fiscal year 2014 for the purpose of alterations, renovations and improvements at the XL Center, a total of \$31.8 million has been expended. A total of \$1.1 million was expended during fiscal year 2015 for the purpose of alterations, renovations and improvements at the Connecticut Convention Center. In addition, building improvements were made to and equipment was purchased for the Central Utility Plant and parking garages, each utilizing their respective capital reserve fund.

**Capital Assets, Net of Accumulated Depreciation**

**As of June 30, 2015, 2014 and 2013**

	2015	2014	2013
Intangible assets	\$ 600,000	\$ 600,000	\$ -
Construction in progress	2,871,954	8,825,582	1,400
General operating equipment	81,003	121,467	96,489
Buildings, equipment and furnishings	307,146,411	266,496,300	275,318,668
<b>Total</b>	<b>\$ 310,699,368</b>	<b>\$ 276,043,349</b>	<b>\$ 275,416,557</b>

Additional information on the Authority's capital assets can be found in Note 5 beginning on page EA-25 of this report.

**Loans Receivable - Housing**

As a result of the Connecticut General Assembly passing Public Act #189, 2012, as amended, the Authority developed and implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. These construction loans earn interest at rates ranging from 0.5% to 3.5%. The Authority earns a loan closing fee upon issuance of the loans. As of June 30, 2015 and 2014, the Authority closed a total of seven and four housing loan projects, respectively providing a commitment for \$35,682,650 and \$30,050,000 in loans. \$30,747,484 and \$20,473,793 of these commitments had been disbursed, respectively, at the end of the fiscal years 2015 and 2014 and is being carried by the Authority at its principal balance outstanding.

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)

June 30, 2015 and 2014

**Long Term Debt**

**Bonds Payable**

The Authority has issued \$110 million of Parking and Energy Fee Revenue Bonds to pay a portion of the costs of construction of the Convention Center Project. The revenue bonds are payable from the parking and energy revenues from facilities associated with the Convention Center. The Authority and the State, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, entered into a Contract for Financial Assistance, pursuant to which the State is obligated to pay to the Trustee on each principal and interest payment date an amount equal to debt service on the 2004 Series A, the 2004 Series B Bonds, the 2005 Series C Bonds, and the 2008 Series D Bonds. The obligation of the State to make such payments does not require further appropriation and constitutes a full faith and credit obligation of the State. The Contract currently provides that the maximum amount payable pursuant to the Contract is limited to \$9.0 million in any calendar year. The Authority has agreed with the State in the Contract and covenanted in the Indenture to enter into no obligation which would cause this limit to be exceeded. For the fiscal year ended June 30, 2015 and 2014, the Authority received contract assistance in the amount of \$1,835,268 and \$4,204,447, respectively.

Scheduled debt repayments of \$2,955,000 and \$2,835,000 (principal) reduced the bonded debt outstanding of the Authority to \$89,015,000 and \$91,970,000, respectively, at the end of the fiscal years 2015 and 2014.

The Authority's 2004 Series A revenue bonds are rated AA, A2, and AA- by Standard & Poor's Corporation, Moody's Investor Service, and Fitch Ratings, respectively. The Authority's 2004 Series B, and 2008 Series D revenue bonds are rated AA and AA- by Standard & Poor's Corporation and Fitch Ratings, respectively.

Additional information on the Authority's bonded debt can be found in Note 8 beginning on page EA-28 of this report.

**Loans Payable**

At the end of fiscal years 2015 and 2014, the Authority had a loan payable to The Travelers Indemnity Company of \$9,279,152 and \$9,800,588, respectively. The loan payable decreased by \$521,436 and \$496,057 at June 30, 2015 and 2014, respectively, due to principal repayments made during the two fiscal years.

During fiscal year 2014, the Authority commenced operations of the XL Center that led to one-time expenses in the amount of \$1,351,363. These expenses were funded by the management company and are expected to be repaid by the Authority prior to June 30, 2016. The balance outstanding totaled \$350,000 as of June 30, 2015.

Additional information on the Authority's loans payable can be found in Note 8 on page EA-33 of this report.

The following table is a three year comparison of bonded and other long term debt:

**Long Term Debt**

**As of June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Due to State of Connecticut:			
- contract assistance	\$ 33,108,853	\$ 31,273,584	\$ 27,069,137
Bonds payable, net	88,691,415	91,645,869	94,480,324
Loans payable	9,629,152	10,475,322	10,296,645
Total	<u>\$ 131,429,420</u>	<u>\$ 133,394,775</u>	<u>\$ 131,846,106</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) *(Continued)*

June 30, 2015 and 2014

**CURRENTLY KNOWN FACTS**

**ENTERTAINMENT/RETAIL/RESIDENTIAL/DEVELOPMENT PROJECT**

Construction of the first phase of the Front Street project was completed in the summer of 2010. There is approximately 65,000 square feet of entertainment and commercial space in Phase I supported by an adjacent 232 space garage owned by the Authority and operated by LAZ Parking. To date, several restaurants have opened at Front Street including The Capital Grille, Spotlight Theatre and Bistro, Ted's Montana Grill, Infinity Music Hall & Bistro, and Nix's Seafood.

Design plans for Phase II of the development include market-rate rental housing, restaurants and retail shops. The Front Street development is an important link between Adriaen's Landing and downtown Hartford. The Front Street District was designed with the goal of attracting not only patrons of the other properties in Adriaen's Landings, such as convention attendees and hotel guests, but also area residents and regional visitors to the area.

**TRAVELERS LOAN**

During fiscal year 2005, the Authority entered into a Construction and Term Loan agreement with The Travelers Indemnity Company (Travelers) to provide up to \$12.5 million in funding for a parking garage located adjacent to the Travelers office building known as the Front Street North garage. No advancements had been made under this agreement because the Authority had constructed the garage using other funds. During fiscal year 2008, the Authority entered into an Amended and Restated Term Loan Agreement with Travelers and the full \$12.5 million was advanced. Repayment of this loan is secured by a first call on parking revenues payable by Travelers to the Authority under its parking agreement.

**CONNECTICUT SCIENCE CENTER GARAGE**

The Connecticut Science Center garage is located directly under the building and is owned and operated by the Authority. It contains 468 parking spaces. The garage opened concurrently with the Connecticut Science Center in May 2009. The Authority was authorized by the State Bond Commission to issue an additional \$22.5 million of its Parking and Energy Fee Revenue Bonds for the permanent financing of this garage and components of the central utility plant. These bonds were issued during fiscal year 2009. The Authority's currently outstanding revenue bonds are backed by a state contract assistance agreement that was amended to include these additional bonds. The amended agreement increased the limit of assistance to \$9 million (up from \$6.75 million) in any calendar year.

**UNIVERSITY OF CONNECTICUT GREATER HARTFORD CAMPUS**

Construction of the University of Connecticut's Greater Hartford Campus followed the formal groundbreaking on May 18, 2015. UCONN is incorporating the iconic Hartford Times Building within the Front Street District into its urban campus. Classes are slated to begin in the fall of 2017 with 2,300 commuter students expected to attend the downtown branch where 250 faculty members and staff will be based. The new campus will also include up to 18,000 square feet of entertainment/commercial space owned and leased by the HB Nitkin Group.

CAPITAL REGION DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) *(Continued)*

June 30, 2015 and 2014

**CURRENTLY KNOWN FACTS** *(Continued)*

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Connecticut citizens and taxpayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations that it receives. If you have questions about this report or need additional financial information, contact the Capital Region Development Authority at 100 Columbus Boulevard Suite 500, Hartford, CT 06103-2819 or visit our website [www.crdact.net](http://www.crdact.net).

## CAPITAL REGION DEVELOPMENT AUTHORITY

## Balance Sheets

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
Current assets:		
Unrestricted cash and cash equivalents	\$ 11,158,531	\$ 12,866,735
Restricted cash and cash equivalents	6,114,128	5,462,082
Accounts receivable, net	1,123,607	973,509
Loans receivable: housing-current	3,800,000	-
Other current assets	445,741	458,936
Total current assets	<u>\$ 22,642,007</u>	<u>\$ 19,761,262</u>
Non-current assets:		
Restricted cash and cash equivalents	\$ 4,895,419	\$ 5,089,603
Loans receivable-housing	26,947,483	20,473,793
Other assets	237,743	59,442
Capital assets not being depreciated:		
Construction in progress	2,871,954	8,825,582
Intangible asset, net	600,000	600,000
Capital assets being depreciated:		
General Operations, net	81,003	121,467
Combined Facilities, net	261,262,921	266,496,300
XL Center, net	31,300,818	-
Church Street Garage, net	14,582,672	-
Total non-current assets	<u>\$ 342,780,013</u>	<u>\$ 301,666,187</u>
Total assets	<u>\$ 365,422,020</u>	<u>\$ 321,427,449</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,019,423	\$ 14,473,619
Accrued interest payable	70,371	189,964
Current portion of bonds payable	3,095,000	2,955,000
Current portion of loan payable	898,114	1,196,170
Total current liabilities	<u>\$ 16,082,908</u>	<u>\$ 18,814,753</u>
Non-current liabilities:		
Due to State of Connecticut-contract assistance	\$ 33,108,853	\$ 31,273,584
Bonds payable, net	85,596,415	88,690,869
Loan payable	8,731,038	9,279,152
Total non-current liabilities	<u>\$ 127,436,306</u>	<u>\$ 129,243,605</u>
Total liabilities	<u>\$ 143,519,214</u>	<u>\$ 148,058,358</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	\$ 179,269,948	\$ 143,323,308
Restricted	36,149,872	25,885,758
Unrestricted	6,482,986	4,160,025
Total net position	<u>\$ 221,902,806</u>	<u>\$ 173,369,091</u>
Total liabilities and net position	<u>\$ 365,422,020</u>	<u>\$ 321,427,449</u>

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



CAPITAL REGION DEVELOPMENT AUTHORITY  
Statements of Revenues, Expenses, and Changes in Net Position  
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Grants - State of Connecticut/Other:		
Operational	\$ 2,106,070	\$ 1,377,645
Development district, subsidy and other	6,258,300	7,842,500
Restricted	734,123	446,877
On-behalf payments	-	725,555
Combined Facilities:		
Convention Center	11,735,535	10,631,742
Parking	6,918,300	6,574,064
Central utility plant	1,295,191	1,328,822
XL Center	17,109,887	16,648,638
Church Street Garage	38,000	-
Other income	426,111	184,830
Total operating revenues	\$ 46,621,517	\$ 45,760,673
Operating expenses:		
Authority operations:		
Personnel	\$ 1,209,190	\$ 854,998
General and administrative	406,625	410,277
Pension expense	562,250	750,086
Combined Facilities:		
Convention Center	14,573,567	13,759,340
Parking	3,456,297	3,239,325
Central utility plant	774,040	806,020
XL Center	18,140,682	20,469,719
Church Street Garage	-	-
Front Street	175,532	144,992
Bond administration	382,674	530,953
Development costs	395,824	666,725
Depreciation and amortization	10,445,914	9,803,397
Total operating expenses	\$ 50,522,595	\$ 51,435,832
Loss from operations	(3,901,078)	(5,675,159)
Non-operating revenue/(expense):		
Interest income	328,059	105,916
Interest expense	(2,176,274)	(4,546,012)
Non-operating expense, net	\$ (1,848,215)	\$ (4,440,096)
Loss before capital contributions and transfers	(5,749,293)	(10,115,255)
Capital contributions – State of Connecticut	43,472,867	7,745,544
Capital contributions – Other	536,450	1,750,000
Transfer – State of Connecticut Housing Loan Program	10,273,691	20,473,793
Change in net position	\$ 48,533,715	\$ 19,854,082
Net position, beginning of year	173,369,091	153,515,009
Net position, end of year	\$ 221,902,806	\$ 173,369,091

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

CAPITAL REGION DEVELOPMENT AUTHORITY

Statements of Cash Flows

For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from:		
Grants	\$ 9,098,493	\$ 9,667,022
Customers	37,372,926	38,090,222
Payments to:		
Employees	(1,739,532)	(805,517)
Contractors	(395,824)	(666,725)
Suppliers	(40,482,992)	(37,285,509)
Housing developers	(10,273,691)	(20,473,793)
Net cash used in operating activities	<u>\$ (6,420,620)</u>	<u>\$ (11,474,300)</u>
Cash flows from investing activities:		
Interest income	\$ 149,758	\$ 33,596
Purchases of capital assets	(45,101,934)	(8,254,561)
Net cash used in investing activities	<u>\$ (44,952,176)</u>	<u>\$ (8,220,965)</u>
Cash flows from non-capital and related financing activities:		
Transfer in – State of Connecticut Housing Loan Program	\$ 12,296,520	\$ 22,786,130
Net cash provided by non-capital and related financing activities	<u>\$ 12,296,520</u>	<u>\$ 22,786,130</u>
Cash flows from capital and related financing activities:		
Advances from State of Connecticut-contract assistance	\$ 1,835,268	\$ 4,204,447
Capital contributions – State of Connecticut	41,550,162	9,584,589
Capital contributions – Other	536,450	1,750,000
Principal received on loans	-	1,351,363
Principal paid on bonds and loans	(3,800,624)	(4,007,686)
Interest paid on bonds and loans	(2,295,322)	(4,538,315)
Net cash provided by financing activities	<u>\$ 37,825,934</u>	<u>\$ 8,344,398</u>
Net increase/(decrease) in cash and cash equivalents	\$ (1,250,342)	\$ 11,435,263
Cash and cash equivalents, beginning of year	23,418,420	11,983,157
Cash and cash equivalents, end of year	<u>\$ 22,168,078</u>	<u>\$ 23,418,420</u>
Cash and cash equivalents, end of year:		
Unrestricted cash and cash equivalents	\$ 11,158,531	\$ 12,866,735
Restricted cash and cash equivalents (current)	6,114,128	5,462,082
Restricted cash and cash equivalents (non-current)	4,895,419	5,089,603
	<u>\$ 22,168,078</u>	<u>\$ 23,418,420</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Loss from operations	\$ (3,901,078)	\$ (5,675,159)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	10,445,914	9,803,398
(Increase)/decrease in operating assets:		
Accounts receivable	(49,974)	(455,106)
Other assets	23,391	(262,540)
Loans receivable – Housing	(10,273,691)	(20,473,793)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(2,665,182)	5,588,900
Net cash used in operating activities	<u>\$ (6,420,620)</u>	<u>\$ (11,474,300)</u>
Non-cash operating activity:		
On-behalf pension payments	\$ -	\$ 515,902
On behalf healthcare and taxes	-	209,653
Contributed services	-	402,892
Capital assets recorded through an increase in accounts payable and accrued expense or an increase in fair value of equipment/improvements	-	2,175,629
Cash recorded through an increase in accounts payable and accrued Expense	-	4,150,836
Non-cash capital and related financing activities:		
Change in fair value of interest rate swap	\$ -	\$ (1,976,338)

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

# CAPITAL REGION DEVELOPMENT AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### Note 1 – Organization

The Capital Region Development Authority (the “Authority”) was established in 1998 under Title 32, Chapter 600 of the General Statutes of the State of Connecticut (the “Act”), as amended, and was created as a body politic and instrumentality of the State of Connecticut (the “State”). For purposes of financial reporting, the Authority is a component unit of the State of Connecticut and the Authority’s financial statements are included in the State’s Comprehensive Annual Financial Report. In 2012, the General Assembly renamed the Authority (the Capital Region Development Authority had formerly been called the Capital City Economic Development Authority) and expanded its powers to serve as a regional planning authority. The powers of the Authority are vested in its thirteen member Board of Directors appointed pursuant to C.G.S. § 32-601.

The purpose of the Authority shall be: (1) to stimulate new investment within the capital region and provide support for multicultural destinations and the creation of a vibrant multidimensional downtown; (2) to work with the Department of Economic and Community Development to attract through a coordinated sales and marketing effort with the capital region’s major sports, convention and exhibition venues large conventions, trade shows, exhibitions, conferences, consumer shows and events; (3) to encourage residential housing development; (4) to operate, maintain and market the convention center; (5) to stimulate family-oriented tourism, art, culture, history, education and entertainment through cooperation and coordination with city and regional organizations; (6) to manage facilities through contractual agreement or other legal instrument; (7) to stimulate economic development in the capital region; (8) upon request from the legislative body of a city or town within the capital region, to work with such city or town to assist in the development and redevelopment efforts to stimulate the economy of the region and increase tourism; (9) upon request of the Secretary of the Office of Policy and Management, may enter into an agreement for funding to facilitate the relocation of state offices within the capital city economic development district; (10) in addition to the authority set forth in subdivision (9) of C.G.S. § 32-600, as amended by the Act, to develop and redevelop property within the town and city of Hartford; and (11) to market and develop the capital city economic development district as a multicultural destination and create a vibrant, multidimensional downtown.

The Authority is to coordinate the use of all state and municipal planning and financial resources that are or can be made available for any Capital City Project, as defined in the Act, including any resources available from any quasi-public agency. While the Authority is charged with the oversight of the development of the Capital City Projects, as defined in C.G.S. § 32-600, the Authority’s obligation is limited to recommending that applications for funding be approved by the agency of cognizance. The Authority has entered into Memoranda of Understanding with appropriate fiduciary agents to manage these projects.

Under the Act, "Capital City Project" means any or all of the following: (A) a convention center project; (B) a downtown higher education center; (C) the renovation and rejuvenation of the civic center and coliseum complex; (D) the development of the infrastructure and improvements to the riverfront; (E) (i) the creation of up to three thousand downtown housing units through rehabilitation and new construction, and (ii) the demolition or redevelopment of vacant buildings; (F) the addition to downtown parking capacity; (G) development and redevelopment; and (H) the promotion of and attraction to in-state professional and amateur sports and sporting events in consultation with the Sports Advisory Board established under C.G.S. § 10-425. All capital city projects shall be located or constructed and operated in the capital city economic development district, as defined in the Act, provided any project undertaken pursuant to subparagraph (G) of this paragraph may be located anywhere in the town and city of Hartford, and any project undertaken pursuant to subparagraph (D) or (E) (ii) of this paragraph may be located anywhere in the city of Hartford or town of East Hartford, and any project undertaken pursuant to subparagraph (H) of this subdivision may be located anywhere in the state.

Specific conditions are imposed by the enabling legislation, including submission of reports to the Legislature and their acceptance of ongoing progress, in order for certain Capital City Projects to continue to proceed.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

#### Note 1 – Organization *(Continued)*

C.G.S. § 32-666 allows the Authority and the Secretary of the State of Connecticut Office of Policy and Management (“OPM”) to jointly designate land on the Adriaen's Landing site in Hartford as a “private development district.” As a result of such designation, the Authority is conferred the power to negotiate an agreement with a private developer or an owner or lessee of any building or improvement in the district for payments in lieu of real property taxes (“PILOT”) to the Authority.

The Authority is authorized to issue bonds, notes and other obligations. Bonds, notes or other obligations of the Authority shall not be deemed to constitute a debt of the State or any other political subdivision thereof other than the Authority.

#### Note 2 – Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The Authority’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Authority is considered to be a proprietary fund type. Proprietary funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

The Authority’s financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the operations of the Convention Center Project and the XL Center. The principal operating revenues of the Authority are State of Connecticut grants, revenues generated from the Connecticut Convention Center, revenues generated from the CRDA’s parking facilities, and revenues generated from the XL Center. Operating expenses include salaries and benefits, utilities, marketing and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position – The net position of the Authority are presented in the following three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds and loans that are attributable to the acquisition, construction, or improvement of those assets and further reduced by amounts due to the State of Connecticut for contract assistance payments.
- Restricted consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted represents those which do not meet the definition of the two preceding categories.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2015 and 2014

Note 2 – Significant Accounting Policies (*Continued*)

New Pronouncements Implemented During the Year Ended June 30, 2015 - Effective July 1, 2014, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The adoption of these statements did not have a material effect on the Authority's financial statements.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including the State of Connecticut Short-Term Investment Fund) with an original maturity of three months or less to be cash equivalents.

Restricted Assets – Unexpended proceeds from the sale of revenue bonds and cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties are classified as restricted assets in the accompanying balance sheets.

Bond Original Issue Premium or Discount – Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method. Revenue bonds payable are reported net of the original issue bond premium or discount, as appropriate.

Loans Receivable - Housing – Housing loans are carried at their principal balance net of allowance for losses. Interest on loans is accrued and credited to operations based on the principal amount outstanding. These housing loans earn interest at rates ranging from 0.5% to 3.5% and mature at various dates ranging from November 2015 to October 2055. The Authority's interest in the housing properties is held as collateral for these loans.

Capital Assets – Capital assets, which include general operating equipment, buildings and improvements, building equipment and furnishings, and construction in progress are defined by the Authority as assets with an initial individual cost of more than \$2,500 and an estimated useful life exceeding one year. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 2 – Significant Accounting Policies (Continued)

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
General operating equipment	3 – 10
Buildings and improvements	19 – 39
Building equipment and furnishings	3 – 10

Inventory – Inventory is stated at the lower of cost (first-in, first-out method) or market. Inventory consists of various food and beverage items used in the operation of the Convention Center.

Accounts Receivable – Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. This estimate is based on history and current information regarding the credit worthiness of the debtors. The Authority does not require collateral or other forms of security from its customers. As of June 30, 2015 and 2014, the Authority had no provision for bad debts.

Other Assets – Other Assets include inventory, prepaid expenses, and other receivables.

Revenue recognition

*Grants and capital contributions* – Operational grant revenue, primarily derived from an appropriation from the State of Connecticut provides funding for the operations of the Authority, and the Convention Center Project, including the operations of the Convention Center, district maintenance, and marketing costs, and is recorded when the appropriation is made by the legislature. An appropriation in the amount of \$1,100,000 from the State of Connecticut provided funding for the operations of the XL Center during fiscal year 2015. Contributions of capital assets by the State are reported as capital contributions at the same net book value as previously reported by the State as of the date of the transfer.

*Convention Center* – Convention Center revenues are generated principally from on-site facilities managed by a third party. The Convention Center recognizes revenue, including conference rental income and food and beverage income, from events daily as services are provided.

*Parking* – Parking revenues are generated principally from on-site facilities managed by a third party. Hourly parking fees are payable prior to exiting the parking garages, and the revenue is recognized at the time of receipt. Both individuals and private businesses may enter into monthly contracts, and related monthly fees are billed to the customer on the 15th of the month prior to the month to which the fees relate. Revenue on monthly contracts is recognized in the month the parking garages are used by the customer.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

#### Note 2 – Significant Accounting Policies *(Continued)*

*Central Utility Plant* – The Authority recognizes revenue from billings to the Connecticut Convention Center, the adjacent Marriott Hotel and the adjacent Connecticut Science Center for each entities' share of the use and maintenance of the Central Utility Plant upon invoicing. Revenues associated with billings made to the Connecticut Convention Center have been eliminated in the accompanying statements of revenue, expenses and changes in net position for the years ended June 30, 2015 and 2014.

*XL Center* – XL Center revenues are generated principally from on-site facilities managed by a third party. The XL Center recognizes revenue, including arena rental income and food and beverage income, from events as services are provided.

*Use of Estimates* – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

#### Note 3 – Funding

Since its inception, the Authority has received a line item appropriation for annual operating funding from the State of Connecticut. The Authority's appropriation for operational use for fiscal year 2015 increased to \$2,106,070 from \$1,377,645 in fiscal year 2014. Any unused funds are carried forward to be utilized in subsequent years.

In addition to annual operational funding, the Authority receives additional appropriations for Capital City Projects, including the XL Center, through state agencies (the Department of Economic and Community Development and the Office of Policy and Management), in accordance with the enabling legislation. During the fiscal years ended June 30, 2015 and 2014, the Authority was appropriated \$4,758,300 and \$4,842,500, respectively, to be expended for the Convention Center Project and \$1,100,000 and \$3,000,000, respectively, for the XL Center. The Authority was also appropriated \$400,000 in fiscal years 2015 and 2014 to be expended for the Connecticut Tennis Center. The Authority also entered into a Memorandum of Understanding with the Office of Policy and Management, Department of Administrative Services and Department of Construction Services beginning in fiscal year 2013 to facilitate the relocation of certain state offices within the CRDA district for a project fee. For fiscal years 2015 and 2014, the Authority received project fees in the amounts of \$734,123 and \$446,877, respectively.

From time to time, the Authority receives funding from other sources. In fiscal year 2011, the Authority received a \$5,000,000 restricted use gift from The Walt Disney Company and ESPN to use for eligible costs (as defined in the Pledge Agreement), associated with the construction and tenant fit-out of the Front Street District. As of June 30, 2015, the remaining balance from this gift is \$633,360 and is included in restricted cash and cash equivalents, in the accompanying balance sheet.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements (*Continued*)

June 30, 2015 and 2014

#### Note 3 – Funding (*Continued*)

The overall development plan for the Adriaen's Landing Project contemplates total budgeted capital expenditures of \$522,149,115, exclusive of the Connecticut Science Center (formerly known as the Connecticut Center for Science and Exploration), contingency reserves and capitalized interest. The principal funding sources consist of \$263,800,000 of general obligation bonds of the State, general fund appropriations of \$113,642,835 and \$113,973,942 in net proceeds from revenue bonds of the Authority and loans. The Authority and OPM have entered into a memorandum of understanding pursuant to which acts as the Authority's agent for entering into certain contracts. OPM manages the Adriaen's Landing project budget and the various funds needed to honor these contracts.

The Convention Center Project was turned over by the State to the Authority to operate in June 2005 at the time it commenced operations. A portion of the revenues of the Authority, consisting of parking revenues and energy charges for the central utility plant, which services the Connecticut Convention Center, the adjacent hotel, and the Connecticut Science Center, are pledged for the payment of the Authority's Parking and Energy Fee Revenue Bonds (*See Note 8*). Other revenues of the Authority from operation of the Connecticut Convention Center, and its other resources, are available to fund the expenses of operating the Connecticut Convention Center.

As a result of Public Act #189, 2012, as amended, the Authority developed and implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. \$60,000,000 in appropriations from the State of Connecticut is authorized under this Act. As of June 30, 2015 and 2014, the Authority closed a total of seven and four housing loan projects, respectively providing a commitment for \$35,682,650 and \$30,050,000 in loans. The Authority disbursed \$30,747,484 and \$20,473,793 in loans, respectively, by the end of the fiscal years 2015 and 2014 and recognized transfers in of these amounts from the State of Connecticut.

As a result of Public Act #239, 2013, the Authority was authorized \$39,122,000 in appropriations from the State of Connecticut for the purpose of alterations, renovations and improvements at the Connecticut Convention Center, XL Center, and Rentschler Field in the amounts of \$1,315,000, \$35,000,000, and \$2,807,000, respectively. Of these appropriations, the Authority has made total disbursements in the amounts of \$1,234,749, \$31,945,974, and \$2,807,000, respectively.

As a result of Public Act #239, 2013, as amended, the Authority was authorized \$2,895,000 in appropriations from the State of Connecticut for the purpose of alterations, renovations and improvements at the Connecticut Convention Center and Rentschler Field in the amounts of \$2,495,000 and \$400,000, respectively. Of these appropriations, the Authority has made total disbursements in the amounts of \$360,391 and \$111,166, respectively.



CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 4 – Cash Deposits and Investments

Cash and cash equivalents:

Cash and cash equivalents consist of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014*</u>
Unrestricted:		
Cash deposits	\$ 9,049,332	\$ 10,910,523
Cash equivalents:		
Short Term Investment Fund	<u>2,109,199</u>	<u>1,956,212</u>
	<u>11,158,531</u>	<u>12,866,735</u>
Restricted:		
Cash deposits	9,217,990	8,652,112
Cash equivalents:		
Short Term Investment Fund	<u>1,791,557</u>	<u>1,899,573</u>
	<u>11,009,547</u>	<u>10,551,685</u>
	<u>\$ 22,168,078</u>	<u>\$ 23,418,420</u>

*Cash deposits – custodial credit risk:*

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015 and 2014, the Authority's bank balance of cash deposits totaled \$18,822,220 and \$20,387,831, respectively. Of those balances, the following represents the amounts exposed to custodial credit risk:

	<u>2015</u>	<u>2014*</u>
Uninsured but collateralized with securities held in the Authority's name **	\$ 3,916,828	\$ 4,099,345
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	<u>14,155,392</u>	<u>15,538,486</u>
Total	<u>\$ 18,072,220</u>	<u>\$ 19,637,831</u>

\* Certain reclassifications have been made to the prior year amounts to conform to current year presentation.

\*\* A pledge agreement was executed between the Authority and one of its banks, which requires that the Authority's deposit accounts in that financial institution be secured by granting to the Authority a perfected security interest. Therefore, the Authority's deposits in this particular institution are collateralized by a pledge of securities that enjoy the full faith and credit of the United States Government.

All of the Authority's deposits were in qualified public institutions as defined by Connecticut General Statutes, which state that any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2015 and 2014

Note 4 – Cash Deposits and Investments (*Continued*)

Cash and cash equivalents (*Continued*):

Investments in the Short-Term Investment Fund (“STIF”) as of June 30, 2015 and 2014 are included in cash and cash equivalents in the accompanying balance sheets. For purposes of disclosure under GASB Statement No. 40, such amounts in STIF are considered investments and are included in the investment disclosures that follow.

Investments

*Interest rate risk*

As of June 30, 2015 and 2014, the Authority’s investments consisted of \$3,900,756 and \$3,855,785, respectively, in the Short Term Investment Fund (“STIF”). STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly, and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The balance in the pool is reported at net asset value, which is representative of the Authority’s pool shares. With respect to interest rate risk, the Authority’s investment policy follows Connecticut General Statutes.

As of June 30, 2015 and 2014, STIF had a weighted average maturity of less than 60 days, and as such the investment in STIF is considered to have a maturity of less than one year as of June 30, 2015 and 2014.

*Credit risk*

Connecticut General Statutes permit the Authority to invest any funds not needed for immediate use or disbursement in obligations issued or guaranteed by the United States of America or the State of Connecticut, including the Short Term Investment Fund and in other obligations which are legal investments for savings banks in this State and in time deposits or certificates of deposit or other similar banking arrangements secured in such manner as the Authority determines. With respect to credit risk, the Authority’s investment policy follows Connecticut General Statutes.

As of June 30, 2015 and 2014, the Short Term Investment Fund had an AAAM rating from Standard & Poor’s.

*Custodial credit risk*

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not invest in securities that are held by counterparties and as such, no custodial credit risk disclosures are required.

*Concentrations of credit risk*

With respect to concentrations of credit risk, the Authority’s investment policy follows Connecticut General Statutes. As of June 30, 2015 and 2014, the Authority was 100% invested in STIF, which is rated in the highest rating category by Standard & Poor’s and provides daily liquidity.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 5 – Capital Assets:

In accordance with an agreement executed with the State of Connecticut, the land and air rights on which the Connecticut Convention Center, parking garages and other related structures are built upon are leased to the Authority for \$1 per year for a period of 99 years. As part of this agreement, ownership of these structures transfers to the Authority upon substantial completion.

Construction in progress in fiscal year 2015 consisted of building and leasehold improvements at the Convention Center, the XL Center, and the Church Street Garage. In fiscal year 2014, the Authority purchased a U.S. Tennis Association/Women's Tennis Association tournament sanction. The cost of the sanction is presented as an intangible asset with an indefinite life.

A summary of capital assets as of June 30, 2015 is as follows:

	2015			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible assets	\$ 600,000	\$ -	\$ -	\$ 600,000
Construction in progress	<u>8,825,582</u>	<u>5,554,936</u>	<u>11,508,564</u>	<u>2,871,954</u>
Capital assets being depreciated:				
General operations:				
General operating equipment	\$ 367,957	\$ 4,278	\$ -	\$ 372,235
Less: accumulated depreciation	<u>246,490</u>	<u>44,742</u>	<u>-</u>	<u>291,232</u>
General operations, net	<u>\$ 121,467</u>	<u>\$ 40,464</u>	<u>\$ -</u>	<u>\$ 81,003</u>
Combined facilities:				
Buildings and improvements	\$ 337,754,963	\$ 49,200,292	\$ 1,643,717	\$ 385,311,538
Equipment and furnishings	<u>7,977,094</u>	<u>3,494,709</u>	<u>-</u>	<u>11,471,803</u>
Total Combined facilities	<u>345,732,057</u>	<u>52,695,001</u>	<u>1,643,717</u>	<u>396,783,341</u>
Less: accumulated depreciation	<u>79,235,757</u>	<u>10,401,173</u>	<u>-</u>	<u>89,636,930</u>
Combined facilities, net	<u>\$ 266,496,300</u>	<u>\$ 42,293,828</u>	<u>\$ 1,643,717</u>	<u>\$ 307,146,411</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 5 – Capital Assets (Continued)

A summary of capital assets as of June 30, 2014 is as follows:

	2014			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible assets	\$ -	\$ 600,000	\$ -	\$ 600,000
Construction in progress	1,400	8,824,182	-	8,825,582
Capital assets being depreciated:				
General operations:				
General operating equipment	\$ 308,628	\$ 59,329	\$ -	\$ 367,957
Less: accumulated depreciation	212,139	34,351	-	246,490
General operations, net	\$ 96,489	\$ 24,978	\$ -	\$ 121,467
Combined facilities:				
Buildings and improvements	\$ 337,596,164	\$ 158,799	\$ -	\$ 337,754,963
Equipment and furnishings	7,189,214	787,880	-	7,977,094
Total Combined facilities	344,785,378	946,679	-	345,732,057
Less: accumulated depreciation	69,466,710	9,769,047	-	79,235,757
Combined facilities, net	\$ 275,318,668	\$ (8,822,368)	\$ -	\$ 266,496,300

Note 6 – Contingent Assets

During the year ended June 30, 2003, the Authority recommended that the State Bond Commission authorize the State to issue \$6,000,000 of bonds in conjunction with a residential apartment unit development in downtown Hartford known as Trumbull on the Park, LLC (“TOTP”). Bonds were issued and a Memorandum of Understanding (“MOU”) dated February 27, 2003 was entered into between the Authority and the Connecticut Housing Finance Authority (“CHFA”) whereby \$6,000,000 of funding known as the Authority Housing Funds were used by CHFA to acquire the Class B Membership Interest in TOTP. The TOTP Class B Membership Interest provides for certain distributions from cash flow or capital proceeds, if any, available after prior payment of operating expenses, first mortgage indebtedness and certain agreed priority returns to other investors, including CHFA. The MOU provides that CHFA will have management control of TOTP, but requires the Authority’s written consent for certain major actions. The MOU also provides that if at any time the Authority is granted the legal authority to hold the Class B Membership Interest in its own name, that CHFA will transfer the Class B Membership Interest to the Authority. There have been no Class B Distributions from TOTP. On March 28, 2014, CHFA, with the Authority’s consent, sold its membership interest in TOTP to an unrelated third party for the sales price of \$1. The sales terms required the purchaser to assume the \$22 million HUD-insured mortgage encumbering the entity at the time of sale.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements (*Continued*)

June 30, 2015 and 2014

#### Note 6 – Contingent Assets (*Continued*)

During the year ended June 30, 2004, the Authority recommended that the State Bond Commission authorize the State to issue \$30,500,000 of bonds in conjunction with a housing, retail and parking project to be located on the L-shaped, 4-acre parcel of land adjoining the Veterans' Memorial Coliseum in downtown Hartford known as Hartford 21. Bonds were issued and a Memorandum of Understanding ("MOU") dated June 30, 2004 was entered into between the Authority and the Connecticut Development Authority ("CDA"), currently known as Connecticut Innovations ("CI"), whereby \$13,000,000 of funding known as the Authority's Housing Funds and \$2,500,000 of funding known as the Authority Parking Funds were used by CDA to acquire a Class C2 membership interest in Northland Two Pillars, LLC, ("NTP"); and \$15,000,000 of funding known as the Authority Civic Center Funds will be used for a Class D Equity interest in NTP. The NTP Class C and D Membership Interests provide for certain distributions from cash flow or capital proceeds, if any, subject to any restrictions in the construction loan agreement, and certain agreed priority returns to other investors, including CDA. The MOU also provides that if at any time the Authority is granted the legal authority to hold these membership interests in its own name, that CDA will transfer these interests to the Authority. If the Authority is not legally authorized to receive and use the distributions, CDA and the Authority shall jointly identify one or more projects or programs supporting the Hartford Civic Center, housing or parking in downtown Hartford, and CDA shall use or apply the distributions in support of those projects. At this time there have not been any Class C or Class D Distributions from NTP. Residential occupancy is currently at 91%.

During the year ended June 30, 2005, the Authority recommended that the State Bond Commission authorize the State to issue \$4,680,000 of bonds in conjunction with a mixed use apartment, retail, student/corporate housing and parking project in downtown Hartford known as Temple Street. Bonds were issued and a Memorandum of Understanding dated May 18, 2005 was entered into between the Authority and the Connecticut Housing Finance Authority (CHFA), whereby \$4,000,000 of funding known as the Authority Housing Funds and \$680,000 of funding known as the Authority Parking Funds has been advanced by CHFA in the form of a construction to permanent second mortgage loan from CHFA to 18 Temple Street LLC (Temple). The loan bears interest at a rate of 0.0% during construction and thereafter at .10%, for a term of 40 years, with interest payable currently and principal payable in full at stated maturity or upon earlier acceleration of the payment of principal, subject and subordinate to a first mortgage in favor of CHFA in a principal amount of \$43,448,000. On December 8, 2006, the Authority board approved a resolution that \$750,000 of additional Authority Parking Funds be authorized by C.G.S § 32-616(b)5. On May 3, 2007, the second mortgage loan was amended to increase the amount of the Authority Parking Funds to \$1,430,000 in order to increase the number of affordable parking spaces in the Temple Street parking garage from 40 to 80. The MOU provides that any interest payments made by Temple and collected by CHFA under the Second Mortgage are to be held by CHFA and remitted to the Authority at intervals agreed to by the parties. As for principal payments, CHFA will advise the Authority of CHFA's receipt of any second mortgage principal payments known as "distributions." If the Authority is legally authorized to receive and use such distributions, then CHFA will pay over to the Authority these distributions. If the Authority is not legally authorized to receive and use the distributions, then CHFA and the Authority shall jointly identify one or more projects or programs supporting or benefiting housing in downtown Hartford, and CHFA shall use or apply the distributions in support of those projects. There has been no distributions from Temple under the Second Mortgage. Accumulative interest pertaining to the property has been received from CHFA totaling \$27,354 through June 30, 2015. This project reached substantial completion on May 24, 2007. The apartment component of Temple Street, known as the Lofts, is currently 100% occupied, and the townhouse component (student housing) is currently 97% occupied.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

#### Note 7 – Advances from State of Connecticut

The Authority's obligations are not debt of the State of Connecticut, and the State is not liable thereon. The Act provides that the State, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, and with the approval of the State Bond Commission, may enter into a contract with the Authority providing that the State shall pay contract assistance to the Authority pursuant to the provisions of C.G.S § 32-608. Such contract assistance is to be reimbursed by the Authority from parking and energy fee revenues, and is limited to an amount equal to the annual debt service on the outstanding amount of bonds to be issued pursuant to C.G.S § 32-607 to finance the costs of the Convention Center project, as defined in subdivision (3) of C.G.S § 32-600. The Authority and the State have entered into a Contract for Financial Assistance (the "Contract"), pursuant to which the State is obligated to pay an amount equal to debt service on the Authority's outstanding Bonds. Such amounts, and the Authority's rights under the Contract, have been pledged by the Authority to secure payment for bonds covered by the Contract. The Contract currently provides that the maximum amount payable pursuant to the Contract is limited to \$9.0 million in any calendar year. The Authority has agreed with the State in the Contract and covenanted in the Indenture to enter into no obligation which would cause this limit to be exceeded.

For the fiscal years 2015 and 2014 respectively, amounts available from parking and energy fee revenues to reimburse the State for contract assistance payments were \$1,835,268 and \$4,204,446 less than the amount required to fully reimburse the State (*See Note 8*). It is anticipated that for the fiscal year 2016, a shortfall of approximately \$1.8 million will occur. The Authority remains obligated to repay these amounts that currently total \$33,108,852 without interest, from parking and energy fee revenues as and if amounts are available.

#### Note 8 – Long Term Debt

##### Bonds Payable

The Act authorizes the Authority to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Authority will be necessary to provide sufficient funds for carrying out its purposes. As of June 30, 2015 the Authority was authorized to issue bonds and other obligations up to \$122,500,000 and, as of that date, has issued four series of its Parking and Energy Fee Revenue Bonds in the original aggregate principal amount of \$110,000,000 and a loan agreement with the Travelers Indemnity Company of \$12,500,000. Proceeds from the bonds provided financing for the construction of the Adriaen's Landing Project.

The revenue bonds are secured by a pledge of parking and energy fee revenues (except for parking revenues from the Travelers parking agreement which are pledged for the Travelers loan), as well as certain other funds on deposit with the trustee, and are due in various installments through 2034. These revenues are available first to pay expenses of the parking facilities and the central utility plant, then for deposits towards debt service, for deposits to an operating expense reserve and a surplus fund, reimbursement to the State for any payments under the Contract not already reimbursed, any reserve established for renewal and replacement and, thereafter, are available for use by the Authority, including the funding of the Connecticut Convention Center. Pursuant to the Contract, in each year following completion of the Convention Center Project, the Authority is required to establish fees and charges such that the pledged revenues, after payment of operating expenses, are equal to 1.20 times debt service. At this time, the Convention Center Project is not considered completed. So long as payments required to be made pursuant to the Contract for Financial Assistance are being made, a failure to meet this requirement is not an event of default with respect to any series of bonds secured by such Contract for Financial Assistance.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

Changes in bonds payable (in 000's) were as follows for the year ended June 30, 2015:

Issue	Balance, July 1, 2014	Increases	Decreases	Balance, June 30, 2015
2004 Series A, fixed rate bonds \$15,030,000 due from June 2006 to June 2016 (interest rates ranging from 2.5% - 5.0%)	\$ 3,480	\$ -	\$ 1,705	\$ 1,775
2004 Series B, variable rate bonds \$57,470,000 due from June 2017 to June 2034 (interest rates ranging from 1% - 2.5% as of June 30, 2014)	57,470	-	-	57,470
2005 Series C, fixed rate bonds \$15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	11,030	-	700	10,330
2008 Series D fixed rate bonds \$22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-7.0%)	19,990	-	550	19,440
Subtotal	91,970	-	2,955	89,015
Bond premium, 2004 Series A	34	-	17	17
Bond discount, 2009 Series D	(358)	-	(18)	(340)
Bonds payable	\$ 91,646	\$ -	\$ 2,954	\$ 88,692

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 8 – Long Term Debt (Continued)

Bonds Payable (Continued)

Changes in bonds payable (in 000's) were as follows for the year ended June 30, 2014:

Issue	Balance, July 1, 2013	Increases	Decreases	Balance, June 30, 2014
2004 Series A, fixed rate bonds \$15,030,000 due from June 2006 to June 2016 (interest rates ranging from 2.5% - 5.0%)	\$ 5,080	\$ -	\$ 1,600	\$ 3,480
2004 Series B, variable rate bonds \$57,470,000 due from June 2017 to June 2034 (interest rates ranging from 1% - 2.5% as of June 30, 2014)	57,470	-	-	57,470
2005 Series C, fixed rate bonds \$15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	11,740	-	710	11,030
2008 Series D fixed rate bonds \$22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-7.0%)	20,515	-	525	19,990
Subtotal	94,805	-	2,835	91,970
Bond premium, 2004 Series A	51	-	17	34
Bond discount, 2009 Series D	(376)	-	(18)	(358)
Bonds payable	\$ 94,480	\$ -	\$ 2,834	\$ 91,646



CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 8 – Long Term Debt (Continued)

Bonds Payable (Continued)

The following tables provide a summary of debt service requirements for the next five years and in five-year increments thereafter (in 000's). The interest calculations are based on variable rates in effect on June 30, 2015, and may not be indicative of the actual interest expense pertaining to variable rate bonds that will be incurred. As rates vary, variable rate bond interest payments will vary.

Year ending June 30:	Fixed Rate Bonds		Variable Rate Bonds		Total
	Principal	Interest	Principal	Interest	
2016	3,095	1,644	\$ -	46	46
2017	1,295	1,505	1,940	46	1,986
2018	1,330	1,444	2,040	44	2,084
2019	1,375	1,381	2,140	43	2,183
2020	1,425	1,312	2,245	41	2,286
2021-2025	8,190	5,417	12,705	175	12,880
2026-2030	9,240	3,073	16,750	121	16,871
2031-2034	5,595	834	19,650	40	19,690
	<u>\$ 31,545</u>	<u>\$ 16,610</u>	<u>\$ 57,470</u>	<u>\$ 556</u>	<u>\$ 58,026</u>

Year ending June 30:	Total Debt Service		
	Principal	Interest	Total
2016	3,095	1,690	4,785
2017	3,235	1,551	4,786
2018	3,370	1,488	4,858
2019	3,515	1,424	4,939
2020	3,670	1,353	5,023
2021-2025	20,895	5,592	26,487
2026-2030	25,990	3,194	29,184
2031-2034	25,245	874	26,119
	<u>\$ 89,015</u>	<u>\$ 17,166</u>	<u>\$ 106,181</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

*Variable Rate Demand Bonds*

These two agreements relate to the 2004 Series B bonds (variable rate Parking and Energy Fee Revenue Bonds of \$57,470,000 due from June 2017 to June 2034). The remarketing agreement is between the Authority and Merrill Lynch. The standby bond purchase agreement is among the Authority, U.S. Bank National Association (as trustee and tender agent) and Bank of America National Association.

The bonds are subject to purchase based upon certain conditions contained in the bond indenture agreement on the demand of the holder at a price equal to par plus accrued interest. The Authority's remarketing agent is Merrill Lynch. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

Under a liquidity agreement dated March 1, 2009, as amended June 24, 2011 and August 8, 2014, with Bank of America National Association (the "Bank"), the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. This liquidity agreement is in place through August 28, 2015, subject to being extended, and advances carry a variable interest rate equal to the highest of the prime rate, federal funds rate plus .5%, or .6% per annum (*See Note 16*).

The Authority is required to pay to the Bank an annual fee for the liquidity agreement equal to .80% per annum through July 1, 2011 and .73% per annum, thereafter, of the unused available commitment, with the rate subject to change based upon the rating category assigned to the long-term, unenhanced general obligation bonds of the State of Connecticut. Liquidity fees amounted to \$292,278 and \$451,229 in fiscal years 2015 and 2014, respectively. The Authority may be subject to other fees in certain instances based upon meeting conditions outlined in the liquidity agreement. In addition, the remarketing agent receives an annual fee equal to .07% of the average aggregate principal amount of the bonds outstanding for the immediately preceding 3 month period. Remarketing fees were \$40,229 in fiscal years 2015 and 2014.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 8 – Long Term Debt (Continued):

Loans Payable

During the year ended June 30, 2005, the Authority entered into a Construction and Term Loan agreement with the Travelers Indemnity Company (“Travelers”) to provide up to \$12.5 million in funding for a parking garage. No advances were made under this agreement because the Authority had constructed the garage using other funds. During the year ended June 30, 2008, the Authority entered into an Amended and Restated Term Loan Agreement with Travelers, at which time the entire \$12.5 million was advanced. This loan is secured by a first call on parking revenues generated by the separate parking contract the Authority has with Travelers and bears interest at a rate of 5.0% per annum.

During fiscal year 2014, the Authority commenced operation of the XL Center that led to one-time expenses in the amount of \$1,351,363. These expenses were funded by the management company and are payable by the Authority at interest rates ranging from 4.0% - 5.0% per annum. The amount payable is due on demand and is expected to be repaid by the Authority prior to June 30, 2016.

Changes in the loans payable (in 000's) were as follows for the year ended June 30, 2015:

	Balance, July 1, 2014	Increases	Decreases	Balance, June 30, 2015
Traveler’s Loan Payable	\$ 9,801	\$ -	\$ 522	\$ 9,279
XL Center Loan Payable	675	-	325	350
	<u>\$ 10,476</u>	<u>\$ -</u>	<u>\$ 847</u>	<u>\$ 9,629</u>

Changes in the loans payable (in 000's) were as follows for the year ended June 30, 2014:

	Balance, July 1, 2013	Increases	Decreases	Balance, June 30, 2014
Traveler’s Loan Payable	\$ 10,297	\$ -	\$ 496	\$ 9,801
XL Center Loan Payable	-	1,351	676	675
	<u>\$ 10,297</u>	<u>\$ 1,351</u>	<u>\$ 1,172</u>	<u>\$ 10,476</u>

The following table provides a summary of debt service requirements on the loans payable for the next five years and in five-year increments thereafter (in 000's).

Year ending June 30:	Principal	Interest
2016	\$ 898	\$ 461
2017	576	423
2018	606	394
2019	637	363
2020	669	330
2021-2025	3,896	1,102
2026-2028	2,347	155
	<u>\$ 9,629</u>	<u>\$ 3,228</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2015 and 2014

Note 9 – Pension Plans

Defined Benefit Pension Plan

Employees of the Authority participate in the Connecticut State Employees' Retirement System (“SERS”), which is administered by the State Employees' Retirement Commission. The annual required contribution is contributed directly by the State on behalf of the Authority, and therefore, the Authority is not required to and does not make contributions on its own, and does not record a liability for pension costs. Actuarial valuations are performed on the SERS as a whole and do not provide separate information for employees of the Authority. Information about the funding status and progress, annual required contributions and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report. Information regarding the plan as it relates to the Authority and its proportionate share as it relates to GASB Statement No. 68, Accounting and Financial reports for pensions – an amendment of GASB Statement 27 is as follows.

*Plan Description* - SERS is a single-employer defined benefit public employee retirement system (“PERS”) established in 1939 and governed by C.G.S. § 5-152 to 5-192. Employees are covered under one of five tiers: Tier I requires an employee contribution of either 2%, 4% or 5% of salary, depending on the plan; Tier II is a non-contributory plan for all members except those designated as hazardous duty; Tier II hazardous duty members contribute 4% of salary. Tier IIA requires an employee contribution of 2% of salary for non-hazardous duty members and 5% for designated hazardous duty members. Members who joined the retirement system on or before July 1, 1984 are generally enrolled in Tier I. Members who joined the retirement system on or after July 2, 1984 are enrolled in Tier II. Employees first hired on or after July 1, 1997 are members of Tier IIA. Employees rehired on or after July 1, 1997 are also members of Tier IIA unless the application of SERS service bridging provisions mandates their return to membership in either Tier I or Tier II. The State Employee Bargaining Agent Coalition (SEBAC) 2011 provides for two new retirement plans for State employees first hired on and after July 1, 2011, Tier III employees which requires a contribution of 2% of salary for non-hazardous duty members and 5% for designated hazardous duty members. For unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan which requires employees to contribute 3% higher than the contribution required for the applicable Tier II/IIA/III. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost.

*Benefit Provisions:* Tier I members may retire with a normal benefit at age 65 with at least 10 years of credited service, at age 55 with at least 25 years of credited service, or at age 70 with at least 5 years of credited service. Normal retirement benefits for Tier I, Plan B members who have not reached their full retirement age under the Social Security Act or received a Social Security disability award are calculated based on a formula equal to 2% times their credited service times the average of their three highest years' earnings; upon their attainment of full retirement age under the Social Security Act or receipt of a Social Security disability award, if earlier, normal benefits for Tier I, Plan B members are calculated based on a formula equal to 1% times their years of credited service times \$4,800 plus 2% times their credited service times the average of their three highest years' earnings greater than \$4,800. Tier I, Plan C members' normal retirement benefits are calculated based on a formula equal to 2% times their credited service times the average of their three highest years' earnings. Tier I members may retire at age 55 with a reduced benefit with at least 10 years of actual State service but less than 25 years of credited service or at age 60 with 10 years but less than 25 years of a combination of certain types of credited service; the reduced benefit is calculated using the same formula but with a reduced percentage determined using the member's age and years of service.

Tier II and Tier IIA members may retire with a normal benefit at age 62 with at least 5 years of actual state service or at least 10 years of vesting service; Tier II and Tier IIA members may also retire with a normal benefit at age 60 with 25 years of service. Normal retirement benefits for Tier II and Tier IIA members are calculated based upon a formula equal to 1 and 1/3 % times the average of their three highest years' earnings plus 1/2 of 1 % of the average of their three highest years' earnings in excess of the salary breakpoint for the year in which they are retiring times their credited service up to a maximum of 35 years plus 1 and 5/8% times the average of their three highest years' earnings times their credited service over 35 years. Tier II and Tier

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 9 – Pension Plans (Continued)

IIA members may retire with a reduced benefit at age 55 with at least 10 years of vesting service; the reduced benefit is calculated using the same formula reduced by 1/4 of 1% for each month the member retires prior to attaining age 60 with at least 25 years of vesting service or age 62 with at least 10 but less than 25 years of vesting service. Tier I members are vested if they have at least 10 years of service and have been continuously employed with the State for the last 5 years, without a severance of a year or more. Tier II and Tier IIA members are vested if they have at least 5 years of actual State service or 10 years of vesting service. Tier I, Tier II and Tier IIA hazardous duty members may retire at any age with at least 20 years of hazardous duty service and receive benefits calculated based on a formula equal to 50% of the average of their three highest years' earnings plus 2% times any service over 20 years times the average of their three highest years' earnings. Most Tier I, Plan B hazardous duty members' benefits are reduced upon attainment of full retirement age under the Social Security Act or receipt of a Social Security disability award, if earlier, based on two different formulas with consideration of service rendered prior to July 1, 1988 only. All three Tiers provide for death and disability benefits provided certain conditions are met.

Tier III Hazardous duty members may retire with 25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service and receive 2.5% of final average earnings (FAE) times years of service up to 20 years plus 2% for each year of service in excess of 20. All other Tier III and the Hybrid Plan members may retire at the earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service. Normal retirement benefits are based on FAE based on a formula equal to 1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years. FAE is defined as the average salary of the five highest paid years of service, provided that one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.

*Contributions:* Contributions made by the State on behalf of the Authority were determined on a pay period basis through the Authority's use of the State's system for payroll processing and reporting. Payroll for employees of the Authority for the years ended June 30, 2015 and 2014 was \$1,209,190 and \$854,998 respectively.

The Authority has recorded total on behalf payments of \$562,250 and \$725,555 made by the State of Connecticut as grant revenue and Authority operations expense in the accompanying Statements of Revenue, Expenses and Change in Net Position for the years ended June 30, 2015 and 2014, respectively.

As of June 30, 2014, the latest measurement date for which plan information is currently available, the Authority's proportionate share is as follows:

Total SERS Contributions	Contribution Rate	Covered Payroll	Authority Contributions	Authority Proportionate Share
\$ 1,268,890,000	37.82%	\$ 854,998	\$ 323,360	0.025%

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 9 – Pension Plans (Continued)

The components of the net pension liability of the Authority based on the Authority’s proportionate share of 0.025% as of June 30, 2014, the latest measurement date for which plan information is currently available is as follows:

Total pension liability	\$	6,748,870
Plan fiduciary net position		<u>2,668,410</u>
Net pension liability	\$	<u>4,080,460</u>

Plan fiduciary net position as a percentage of the total pension liability was 39.54% as of June 30, 2014.

*Deferred Outflows/Inflows of Resources:* Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and such amounts will not be recognized as an inflow of resources until that time. The State of Connecticut recognizes deferred inflows of resources in its government-wide statement of net position for deferred amounts on pension benefits resulting from changes in the components of the SERS’s net pension liability. This amount is deferred and amortized as a component of pension expense. The Authority’s share of deferred inflow of resources for the net difference between projected and actual investment earnings on the plan’s investments and related pension expense total \$145,731 and \$323,584, respectively, as of June 30, 2014. The deferred inflow is expected to be amortized over the next four years on a straight-line basis in the amount of \$36,433.

*Discount rate:* The discount rate used to measure the total pension liability of the SERS Plan was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the State contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the SERS Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the Authority’s proportionate share of the Plan, calculated using the discount rate of 8.00% as well as what the Authority’s proportionate share of the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability			
As of June 30, 2014	\$ 4,867,669	\$ 4,080,460	\$ 3,418,428

Defined Contribution Pension Plan

During fiscal year 2008, the Authority adopted the State of Connecticut’s defined contribution 457 (b) Plan, which allows its employees to participate in the State of Connecticut’s deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority holds no fiduciary responsibility for the plan. Such authority rests with the State Comptroller’s office.

# CAPITAL REGION DEVELOPMENT AUTHORITY

## Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

### Note 10 – Commitments and Contingencies

#### Lease agreements

The Authority has been charged with the construction and operation of the Connecticut Convention Center facilities, which includes the related parking garages and a central heating and cooling plant. On May 31, 2005, the Connecticut Convention Center reached substantial completion. In accordance with the Airspace Lease between the State of Connecticut and the Authority dated as of September 16, 2003, the Authority took possession of the Connecticut Convention Center. The term of the lease is for 99 years and one day, requires a lease payment of \$1 per year, and provides that the Authority own and operate the Connecticut Convention Center and the related garages and associated improvements. The Connecticut Convention Center facilities are a component of Adriaen's Landing in downtown Hartford.

On November 3, 2008, the Authority and the State of Connecticut entered into a site lease for Tract 1 with the HBN Front Street District, Inc. The term of the lease is for 96 years and the required lease payment is \$1 per year. On June 12, 2009, the Authority and the State of Connecticut entered into a lease for the State Attraction Parcel with the Connecticut Science Center, Inc. The term of the lease is for 95 years, terminates on August 31, 2104 and requires a lease payment of \$1 per year.

Effective July 1, 2013 the Authority signed a lease agreement with the City of Hartford for a ten year period with two five year extensions. The lease requires annual rent of \$3,000,000 for the first two lease years and \$2,600,000 thereafter, subject to the XL Center's legally available funds. For fiscal years 2015 and 2014, the Authority recognized \$0 and \$2,035,000 respectively, of rent expense due to a shortfall in legally available funds. Payment of the remainder of the rent for the first two lease years in the amount of \$3,965,000 is not deemed probable by the Authority prior to the termination of the lease. The Authority will review this determination yearly and will recognize any additional rent expense in the period in which payment of such rent is deemed probable.

#### Management and other agreements

As part of the operation and marketing of the Connecticut Convention Center, the XL Center, parking, and other managed facilities, the Authority has entered into the following agreements with third parties:

- Facilities management agreement for the Connecticut Convention Center, including a portion of sales and marketing - The management agreement's term is for a period of five years expiring on June 30, 2015, cancelable by the Authority after the completion of the third year. On February 17, 2015, the agreement has been extended through June 30, 2016. Fees paid for fiscal years ended June 30, 2015 and 2014 were \$196,175 and \$193,928 respectively.
- Catering and concessions agreement for the Connecticut Convention Center - The management agreement's term is for a period of five years expiring on June 30, 2015, cancelable by the Authority after the completion of the third year. On February 17, 2015, the agreement has been extended through June 30, 2016. Catering and concession fees paid for the fiscal years ended June 30, 2015 and 2014 were \$117,504 and \$116,159, respectively.
- Central Utility Plant ("CUP") operations and maintenance agreement - The agreement's term expires on September 30, 2019, cancelable by the Authority after the completion of the third year. Fees paid under this agreement totaled \$423,890 and \$403,744 for the fiscal years ended June 30, 2015 and 2014, respectively. In addition, the Authority has entered into an energy services agreement for the purpose of sharing costs with the adjacent Marriott Hartford Downtown hotel which is not owned by the Authority. During the fiscal year ended 2009, the energy services agreement was amended to include the sharing of costs with the Connecticut Science Center as it is using heating and cooling services generated from the Central Utility Plant.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

#### Note 10 – Commitments and Contingencies *(Continued)*

##### Management and other agreements *(Continued)*

- Facilities management agreement for the XL Center - The management agreement's term expires on June 30, 2023, cancelable by the Authority for default or special termination events as defined by the agreement. Fees paid for fiscal years ended June 30, 2015 and 2014 were \$366,840 and \$360,000 respectively. In addition, pursuant to the management agreement, the management company and its catering and concessions and ticketing provider, was required to make certain contributions toward capital improvements. Capital contributions made totaled \$1,000,000, \$536,450 and \$750,000, respectively and has been included in capital contributions-other in the amounts of \$536,450 and \$1,750,000 as of June 30, 2015 and 2014, respectively. The agreement further provides, that in the event of termination, any unamortized portion of the capital contributions made will be returned to the management company.
- Parking management agreement for all the Authority's owned parking at Adriaen's Landing - The management agreement's term expires on December 31, 2019, cancelable by the Authority after the completion of the third year. Fees paid for management of the Parking Facilities totaled \$79,707 and \$81,954 for the years ended June 30, 2015 and 2014, respectively.
- Parking management agreement for the Church Street Parking Garage - On June 23, 2015, the Authority acquired the Church Street parking garage. The management agreement's term expires on June 30, 2016, cancelable by the Authority for default or special termination events as defined by the agreement. No fees have been paid under this agreement as of June 30, 2015.

Effective July 1, 2010 the Authority took over responsibility for sales and sales administration for the Convention Center from the Greater Hartford Convention and Visitors Bureau. This responsibility includes ensuring that all conditions of the Authority's charter are met and that the Convention Center's assets are fully utilized. As such, from time to time the Authority or its designee will enter into non-binding arrangements with potential customers for current and future period events whereby certain inducements or subsidies may be offered in cases that meet acceptable levels of area participation, profitability and attendance for the purpose of scheduling and holding selected future dates. These proposed inducements or subsidies are intended to assist potential customers in defraying costs or to be competitive with other city's offers for the express intent of entering into a sales contract to provide convention services. Currently, the Authority has provided such non-binding arrangements to potential customers, and subject to final contracts stipulating acceptable area participation and attendance, has proposed inducements or subsidies not yet committed of approximately \$766,580 for fiscal years 2016 through 2021. The Authority records these subsidies as a reduction to revenues once contracts are executed in the year the services are provided. In fiscal years 2015 and 2014, \$215,500 and \$336,031, respectively, was paid and expensed under these subsidies. These subsidies generated approximate tax revenue for the State of \$2.0 million and \$1.7 million, respectively for the same period of time.

##### Related party transactions

The Authority is a political subdivision of the State of Connecticut for which the formation of the Authority, and its purpose, projects and activities undertaken as a regional authority has been enabled by legislation. As the powers of the Authority are vested in its fourteen member Board of Directors as appointed pursuant to C.G.S. §32-601, appointed board members from time to time may have a relationship with parties involved in the Authority's activities. Significant agreements and activities executed by the Authority as well as any assistance provided to the Authority have been disclosed throughout these notes to the financial statements. The Authority has evaluated related party transactions and has determined that transactions with related parties would not result in a material adverse impact to the Authority as these related party transactions have occurred to uphold the Authority's mission.



CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2015 and 2014

Note 11 – Development Costs

During the years ended June 30, 2015 and 2014, the Authority was obligated to fund the payment of certain development-related costs associated with projects that, when completed, will not be designated assets of the Authority. These costs included land remediation, tenant fit-out, project management fees and expense reimbursement, and audit review fees related to the development of the Front Street District as well as the pass-through of grant revenue to the Tennis Foundation of Connecticut. Such costs totaled \$395,824 and \$666,725 for the years ended June 30, 2015 and 2014, respectively, and are reported as development costs in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Note 12 – Risk Management

The Authority is subject to normal risks associated with its operations including property damage, personal injury, and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses that exceeded insurance coverage over the last three years.

Note 13 – Segment Information

The Authority has issued various revenue bonds to provide financing for the construction of the Convention Center Project (See Note 8). The revenue bonds are secured by a pledge of parking and energy fee revenues (except for parking revenues from the Travelers parking agreement which are pledged for the Travelers loan), as well as certain other funds on deposit with the trustee. Financial segment information as required by the Authority's continuing disclosure requirements is presented below for the years ended June 30, 2015 and 2014, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position		
	2015	2014
Pledged revenues:		
Parking:		
Bond pledge	\$ 5,918,676	\$ 5,574,440
Traveler's loan pledge	999,624	999,624
Total Parking	<u>6,918,300</u>	<u>6,574,064</u>
Energy	2,886,873	2,914,412
Other	4,436	4,777
Total pledged revenues	<u>9,809,609</u>	<u>9,493,253</u>
Operating expenses:		
Parking	3,456,297	3,239,325
Energy	1,600,270	1,610,942
Other	382,674	530,953
Total operating expenses	<u>5,439,241</u>	<u>5,381,220</u>
Net revenue over expenses	4,370,368	4,112,033
Available for the Traveler's loan repayment	999,624	999,624
Available for debt service	<u>\$ 3,370,744</u>	<u>\$ 3,112,409</u>

The above table has been prepared using the accrual basis of accounting and is not intended to reflect actual cash flow position.

## CAPITAL REGION DEVELOPMENT AUTHORITY

### Notes to Financial Statements (*Continued*)

June 30, 2015 and 2014

#### Note 14 – Litigation:

As of June 30, 2015, the Authority may be involved in certain legal proceedings from time to time and could be subject to lawsuits or legal claims in the ordinary course of business. Historically, any such litigation has not resulted in any judgments that would materially affect its financial position individually or in aggregate.

#### Note 15 – Recent Accounting Pronouncements

##### Pronouncements Issued But Not Effective

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for a) determining a fair value measurement for financial reporting purposes and b) applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2015. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of GASB Statement No. 68. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 are effective for the Authority's reporting period beginning July 1, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for the Authority's reporting period beginning July 1, 2015. The requirements of this statement for pension plans that are within the scope of GASB Statement No. 67, or for pensions that are within the scope of GASB Statement No. 68, are effective for the Authority's reporting period beginning July 1, 2015. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2016. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2017. The Authority does not expect this statement to have a material effect on its financial statements.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements *(Continued)*

June 30, 2015 and 2014

Note 15 – Recent Accounting Pronouncements *(Continued)*

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement establishes the hierarchy of GAAP for state and local governments and supersedes GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and amends GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2015. The Authority does not expect this statement to have a material effect on its financial statements.

Note 16 – Subsequent Events

On July 10, 2015, the Authority extended its variable rate demand bonds agreement with U.S. Bank National Association and Bank of America, N.A. to August 27, 2018. The Authority is required to pay to the Bank an annual fee for the liquidity agreement equal to .45% per annum of the unused available commitment through August 26, 2016 and .56% per annum thereafter.

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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the  
Capital Region Development Authority  
Hartford, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Capital Region Development Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
September 25, 2015