

C • R • D • A

Capital Region

Development Authority

2017 – 2018 Annual Report

CAPITAL REGION DEVELOPMENT AUTHORITY 2017 - 2018 ANNUAL REPORT

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C•R•D•A
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Development Authority*

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September 20, 2018

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

Upon setting out on its sixth year, the CRDA Board of Directors and staff convened a strategic board retreat to assess the agency's housing initiatives and the role of the various entertainment venues it manages, including the XL Center in the overall revitalization of the Hartford downtown. From this discussion, the past year has seen several new housing projects launched within two blocks of the XL Center core and a continuation of the effort to upgrade the arena itself including increased security, safety and operational improvements.

Housing projects near the XL Center on Asylum, Allyn, Pearl and High Street complement earlier CRDA projects in the area that have begun to knit the transit station to the XL Center and Bushnell Park, activating idle real estate and adding residents to the central business district. Within these initiatives is a demonstration project to expand the ownership option in the downtown. For the first five years of CRDA's investment in housing, it focused on providing the gap financing necessary to bring the various rental proposals to fruition. The agency is now looking to focus on in-fill new construction, new homeownership models and linking the downtown to the neighborhoods including planned investment in the Bushnell South area as well as the 'Downtown North' properties.

In the pages that follow you will find the Agency's activities and financial report. Highlights include an expanded regional role in East Hartford, Wethersfield and Newington; new Hartford based projects in the neighborhoods, the Promise Zone and along the industrial area of the agricultural regional market; new venue developments including the effort to revitalize Dillon Stadium while nurturing the Tennis Foundation of Connecticut in New Haven; and the continuation of the effort in Adriaen's Landing with Phase IV new housing construction on Arch Street. The year also saw the opening of the new state offices in the downtown at 450 Columbus that was managed by CRDA; an expansion of parking and construction of new street work at Rentschler Field; and perhaps most notably, the opening of the new UCONN Hartford Campus on Front Street.



Suzanne Hopgood
Chair, Capital Region Development Authority

Capital Region Development Authority

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2017 - 2018 Fiscal Year Report

**Pursuant to Connecticut General Statutes
§32-605**

AN ANALYSIS OF THE AUTHORITY'S SUCCESS IN ACHIEVING PURPOSES AND PLANNED ACTIVITIES

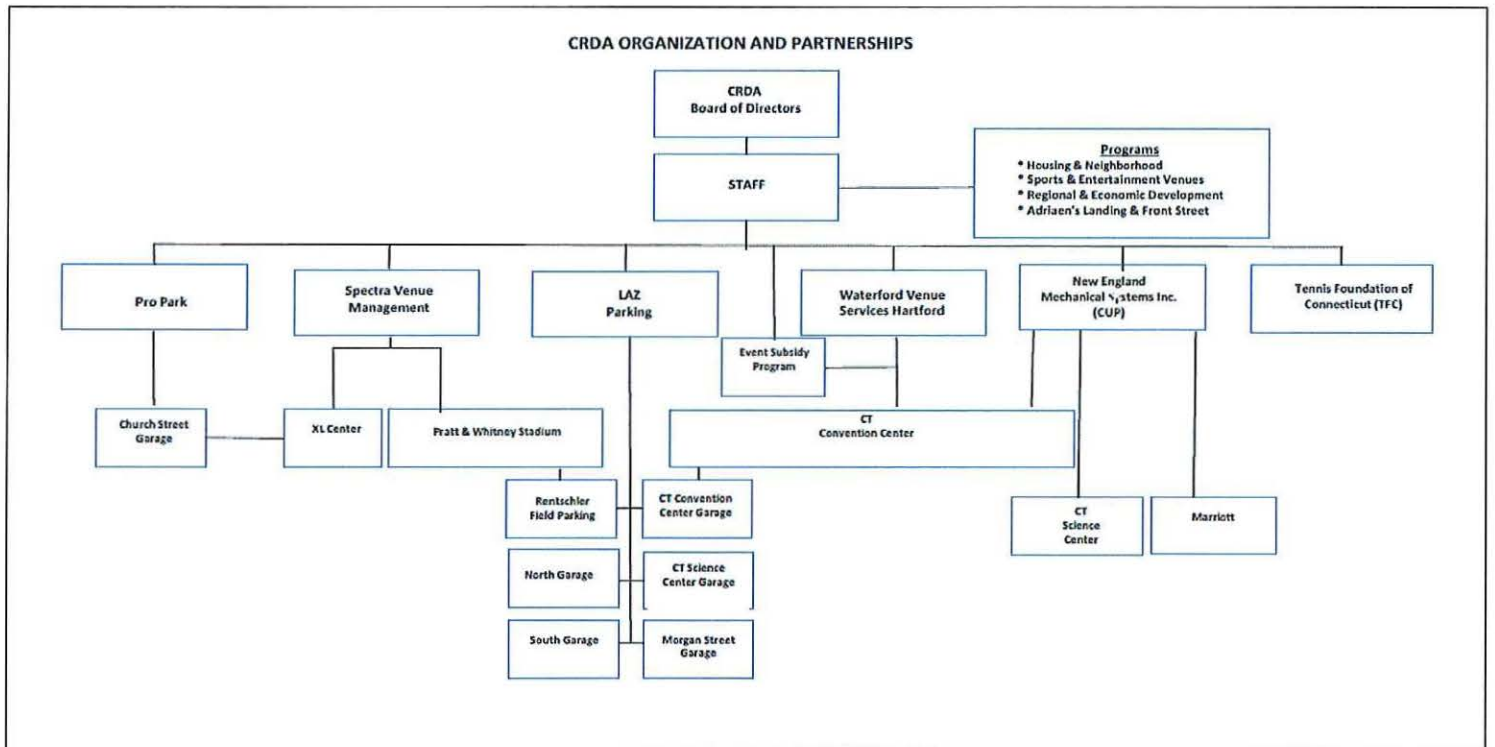
CAPITAL REGION ★ DEVELOPMENT AUTHORITY



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 operate, maintain, and effectively market the project. The overall goal for CRDA 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.



As of June 30, 2018

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 Front Street 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 thirteenth year of operation, the CTCC has attracted more than 3.9 million guests and generated nearly \$95 million in revenues.



Between its operating revenues and state subsidies paid for through taxes generated by the building, it finished slightly ahead of budget expectations of \$3.8 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 \$3.8 million, requiring the state appropriation subsidy.

In fiscal year 2018, two new convention venues were ramping up and preparing to open, Mohegan Sun Expo Center and MGM Springfield, creating an even greater competitive market place in which to operate. However, more citywide conventions were hosted during the fiscal year contributing to an overall increase of 4,000 room nights being utilized in the market versus the prior year. The total number of days for which the center was utilization remained flat to the prior year resulting in the below state tax generation.

	FY 2016	FY 2017	FY 2018
State of Connecticut Tax Generation	Actuals	Actuals	Actuals
Sales & Use Tax	\$2,040,437	\$1,726,385	\$2,030,015
Income Tax	1,640,730	1,298,283	1,118,584
Other Tax	870,328	592,920	237,670
Room Occupancy Tax	564,314	439,442	566,237
Total State of Connecticut Tax Generation	\$5,115,809	\$4,057,030	\$3,952,506

Throughout the year, capital projects were completed, funded by both the building's reserve and specific bonding provided by the General Assembly. These projects consisted of additions or improvements to the following areas: public/emergency exterior pathways, building facade, security and life safety systems, interior and exterior lighting, exhibit hall aircraft doors, and building maintenance equipment.

During the fiscal year 2018, 161 events were held attracting 363,000 visitors.

	FY 2016	FY 2017	FY 2018
<u>Operating Revenues</u>	Actuals	Actuals	Actuals
Building Rental	\$2,152,185	\$2,325,348	\$2,383,796
Food & Beverage (net)	668,236	1,138,555	1,152,272
Other	310,586	120,912	119,744
Total Operating Revenues	\$3,802,012	\$4,208,864	\$3,655,812
<u>Attendance</u>			
Conventions/Tradeshows	65,790	74,050	82,444
Consumer Shows	128,829	154,301	146,851
Banquets/Receptions	20,477	22,572	17,776
Other Events	73,276	75,128	82,359
Meetings	33,952	41,612	33,849
Total Attendance	322,324	367,663	363,279



Pratt & Whitney Stadium at Rentschler Field

Constructed between 2001 and 2003 and hosting its first UConn game in August 2003, management of the Pratt & Whitney 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.



Pratt & Whitney Stadium 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 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, approximately 170,000 attendees enjoyed Rentschler Field including the grounds surrounding the stadium. Of this group, 84,000 were attending for UConn events.

An additional ten acres of land were incorporated into the overall Rentschler Field property and construction of this land into approximately 850 parking spaces has been completed. 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.

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. A detailed breakdown of the Rentschler operating and capital plans are submitted each June to the General Assembly as per CGS 32-657 (a).

XL Center

The XL Center, owned by the City of Hartford and managed by CRDA in accordance with an operating agreement as a state facility, is at a critical cross road. Repairs and some modernization work were completed in 2014-16 and designed to extend the life of the building, to reduce some operating expenses and to increase revenues. The capital funds were also used to replace some of the critical systems that were at risk of failure. During 2017-18, the replacement of the stressed and original forty-year old ice floor was completed. Over 60 events a year rely on the ice sheet.

Without substantial reconstruction of the building, as recommended by the CRDA Board with its adoption of a transformation budget, the arena will continue to struggle and demand continued operating subsidies and capital investments. An effort to merely keep it open and muddle along will not improve its fundamental business challenge nor allow it to compete with ever more advanced arenas in the greater region and begs the building's long-term viability. The suggested transformation would allow for a phased construction over a period of years, minimizing disruption in the event schedule. 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 hockey program.



At the completion of fiscal year 2018, the XL Center had negative net operating income of \$2.9 million, \$800,000 below budget expectations of a \$2.1 million operating loss, attributed to seven cancelled/unsuccessful events and the addition of a state event admissions tax half way through the fiscal year. During the 2017-18 year, the building required an operating subsidy from the State of Connecticut in the amount of \$600,000 that passed through the CRDA appropriation as well as \$950,000 from net earnings of the adjoining CRDA Church Street Garage and \$400,000 from CRDA operating reserves.



In spite of these challenges, the XL Center has long been the region's leader in entertainment, hosting three UConn sports, the AHL and a variety of family events. During 2017-18, 116 events were held attracting 554,000 people to the city's downtown. These events in turn add value to local retail, hotel, restaurant and parking enterprises. As 2018 closed, CRDA solicited proposals to purchase and/or propose a public/private investment strategy to renew the arena. At the close of fiscal year 2017-18, these were in review with an expected recommendation to be made in late 2018.

During 2018, the board also approved the adjoining "Trumbull Block" for acquisition and incorporation into the XL Center complex including the atrium area. Such assembly addresses a variety of operational needs including new security requirements, additional restrooms, the desire to upgrade escalators and elevators, and eliminate a variety of code and ADA issues.

Tennis Foundation of Connecticut

THE CONNECTICUT OPEN:

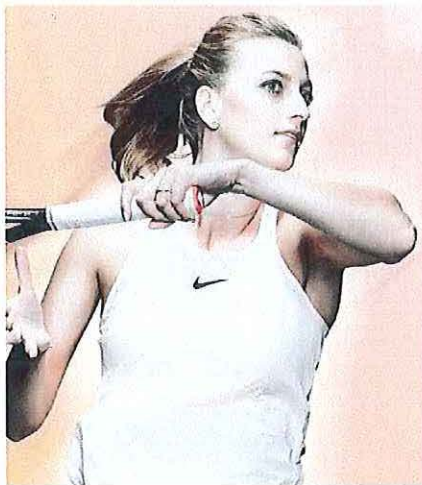


In the summer of 2013, the Sanction to hold a United States Tennis Association event as part of the Women's Professional Tour WTA Premier Event was in jeopardy of being transferred out of New Haven, compromising the New Haven Open's economic impact, nearly eleven years of operations and eliminating the 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 consistent with its statutory mandate to promote sports and entertainment statewide 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.

Renamed the CT Open, the event owned by CRDA in fiscal year 2018 and managed by the TFC, is subject to an annual review by the CRDA Board. Along with the DECD Commissioner and the Secretary of OPM, CRDA has been a member of the TFC executive committee and has worked with the TFC staff 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 Yale and Aetna as well as national and international corporations such as American Express, Coke, and Frontier Communications.

The Connecticut Open is the culminating event of the US Open Series, a five-week summer tennis season that links seven North American hard-court tournaments to the final Grand Slam of the year, the US Open. The US Open Series offers centralized coverage across all ESPN platforms with coverage including twenty of the top thirty-one players in the world. The event is the second best attended WTA-only event in the U.S offering the State of Connecticut substantial market exposure.



For the fiscal year ending September 30, 2017, the TFC had revenue from operations of \$6.3 million with expenses in the amount of \$5.8 million. In addition, \$1.2 million was invested in the stadium's infrastructure. Tournament attendance was over 50,000 visitors for the second year.

Off the court, the TFC supports numerous charitable causes. These causes include breast cancer research through the Smilow Cancer Hospital at Yale New Haven, the Connecticut Food Bank, and Soles4Souls in their fight against global poverty.

During 2018, an agreement was reached to transfer the tournament license from CRDA to the TFC. In doing so, the TFC could unlock the value of the license as collateral to secure operating working capital agreements. The transfer also triggered increased USTA and WTA support, both monetary as well as technical to the tournament operation. This agreement eliminated CRDA from TFC operations effective July 2018.

Connecticut Science Center



The Connecticut Science Center served over 300,000 people in 2017 in both on-site and outbound educational experiences, supporting school-based science learning and serving as a major tourist and family destination for Connecticut. Supporting student science achievement and earning exemplary visitor satisfaction scores, the Science Center has served over 3 million people since opening in 2009, routinely including visitors from every Connecticut city and town. Led by attendees from Western Massachusetts, approximately 15% of the Science Center's audience brings out-of-state revenues to Connecticut as it contributes to the state and the capital region as a tourism destination.

The Science Center is a leading resource for Connecticut educators seeking preparation for the Next Generation Science Standards, which were adopted by the State in 2015. The Science Center has also launched an ambitious program of new science exhibits and learning labs to augment its science, technology, engineering and math (STEM) services to families and schools. All of these activities are integral to the Science Center's effort to advance a science and technology-ready workforce for the future, and visitors will see an increased emphasis on STEM-related, Connecticut-based jobs in the coming years.

The Science Center derives about 95% of its operating revenues from earned revenues paid for by its services and from philanthropy, and the remaining 5% from the State of Connecticut, which created the Center starting in 2001. The State has continued to support certain capital improvements, in partnership with private donors who have also contributed funds for special projects and initiatives, over and above annual operating support.

The Connecticut Science Center operates as a 501c3 non-profit entity. Its financial results are not included within the Financial Statements of CRDA.

Front Street District

With its major tenants of Spotlight Theatre, Infinity Music Hall and Bistro, Capital Grille, Ted's Montana Grill, and Bear's Smokehouse BBQ, the Front Street entertainment district saw some minor tenant changes during the past year. The occupancy of the retail/entertainment buildings is at 86%.

The Front Street Apartments with 121 housing units and completed in 2014 enjoys a 96% occupancy rate and Phase IV, the construction of 53 market rate housing units and additional retail square footage on Arch Street was launched.



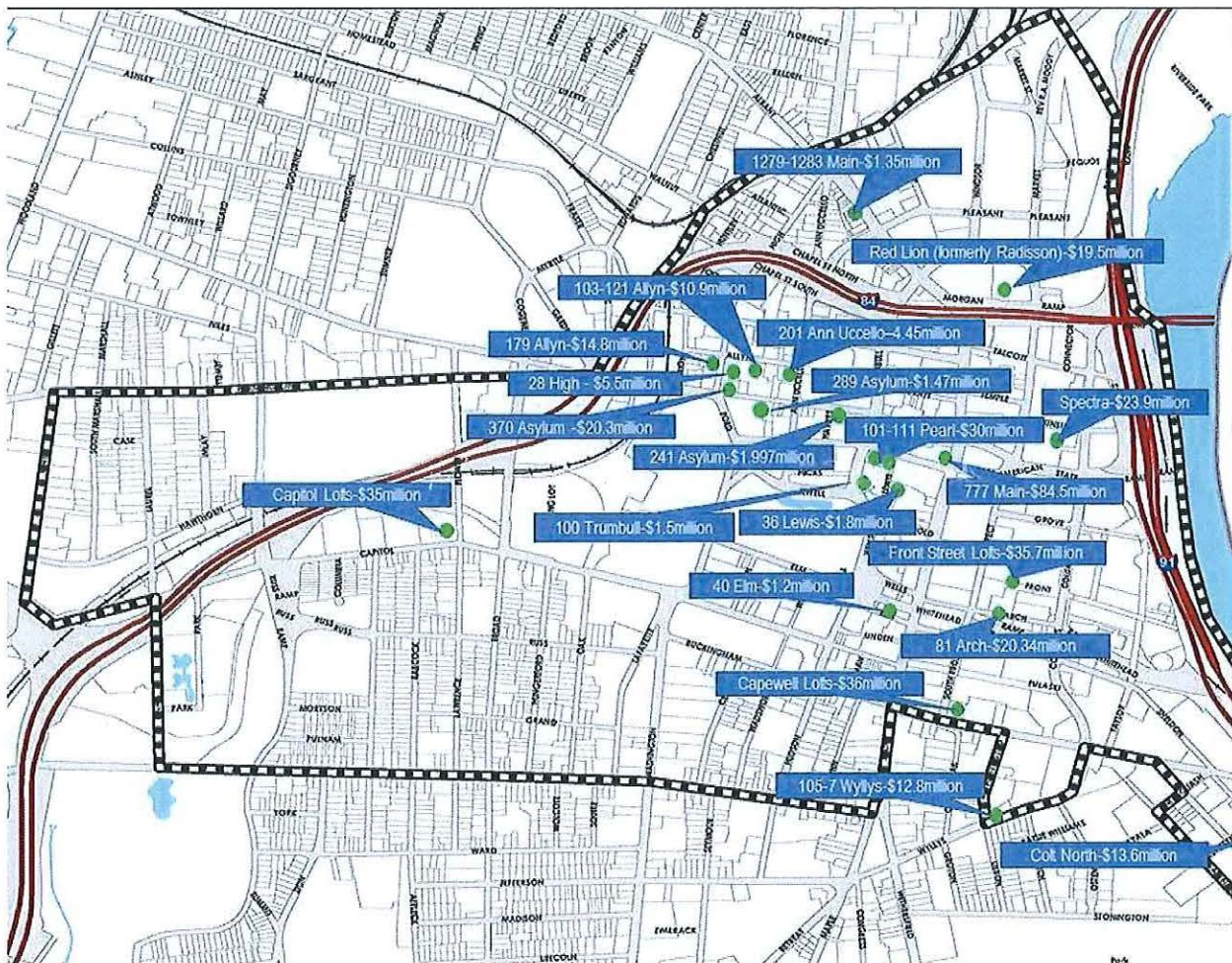
Complementing Front Street, the UConn campus opened for classes during 2017/18. The campus in turn led to the establishment of a bookstore and coffee shop within the retail space of the Loft Apartment building.



Housing –Downtown

CRDA continued to make progress in fiscal year 2018 towards its statutory goal of 3,000 new housing units in the downtown Hartford development district. 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 \$60,000 per unit and drives projects that are 80% market and 20% affordable in their rents.

The projects continued to out-perform their initial pro formas and underwriting projections. Construction is underway at another five projects and financial closings are progressing for additional projects. Over 1,500 units have been built, are in construction, or have been approved pending financial closing.

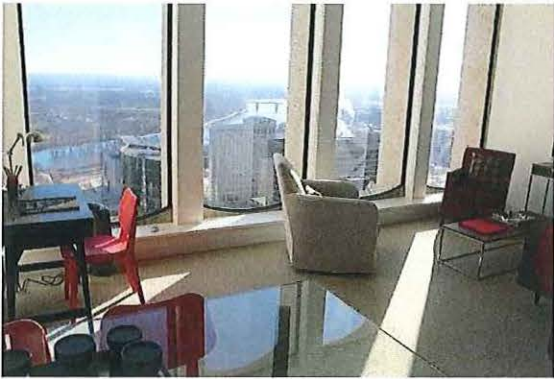




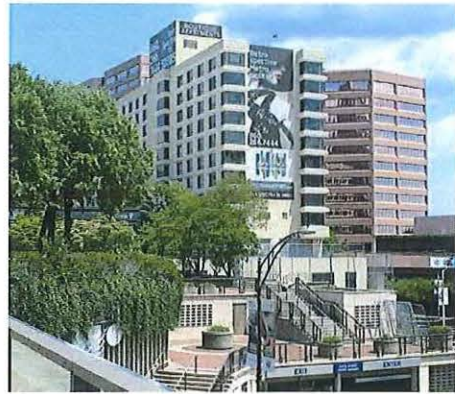
201 Ann Street



179 Allyn Street



777 Main Street



Spectra Apartments



390 Capitol Ave



36 Lewis Street



40 Elm Street



Capewell Lofts

CRDA Housing Approved

Project	# Units	TDC	TDC/Unit	CRDA Amt.	CRDA \$/Unit	Mkt/Aff Split	Structure	CRDA Bd. Approval	Bond Commission	Closed	Target Occupancy	Occupancy ¹
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	93%
201 Ann/Grand	26	\$4.45M	\$202K	\$3.8M/\$750K	\$28.8K	100	initial constr. note \$3.8M ² convert to 2nd mortgage at \$750,000	3/21/2013 4/25/2013	6/21/2013	10/29/2013	Renting	88%
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	92%
Sonesta/Spectra	190	\$23.9M	\$123K	\$2.05M	\$10.6K	85/15	Bridge HTC ³	6/4/2013	6/21/2013	12/5/2013	Renting	96%
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	Renting	95%
390 Capitol	112	\$35.3M	\$290K	\$7M	\$62.5K	80/20	2 loans, .5%, 20 yr.	6/19/2014	3/17/2015	9/22/2015	Renting	95%
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	Renting	67%
38-42 Elm	6	\$1.24M	\$206K	\$349,350 ⁴	\$61.5K	100	loan 3% 30 yr.	6/19/2014 2/18/2016 5/21/2015 6/16/2016	7/25/2014	2/25/2015	Renting	100%
1279-83 Main	10	\$1.35M	\$135K ⁵	\$265K ⁶	\$26.5K	100	loan 3% 25 yr.	6/18/2015 2/18/2016 11/30/2017	7/28/2015	9/9/2016	Fall 2018	
370 Asylum	60	\$20.3M	\$335K	\$4M	\$66K	70/30	loan <3%, 20 yr.	6/18/2015 2/18/2016	3/24/2016	9/29/2017	11/15/2018	
Radisson	96	\$19.5M	* ²	\$6.5M	\$67.7K	100	hotel conv. const. note	10/15/2015	12/11/2015	3/31/2016	2018	
81 Arch	53	\$20.34M	\$300K	\$5.6M	\$103.7K	100	30 yr. 1% loan	10/20/2016	11/15/2016	11/7/2017	5/29/2019	
101 Pearl	157	\$26.4M	\$184K	\$9.24M	\$58.8K	100	construction/perm loan 3% 30 yr.	12/8/2016	5/12/2017	11/8/2017	Apr-19	
111 Pearl	101	\$21.55M	\$208K	\$6.06M	\$59.47K	100	construction/perm loan 3% 30 yr.	12/8/2016	5/12/2017	11/3/2017	Jan-19	
103 Allyn	66	\$18.46M	\$279.6K	\$6M	\$90.1K	100	construction/perm loan 3% 10 yr.	12/8/2016	2/1/2017		2020	
105-7 Wyllys	18	\$4.2M	\$233K	\$1.6M	\$88.8K	100	construction/perm loan 1-3% 30 yr.	5/18/2017	11/29/2017		2020	
Colt Armory	48	\$13.6M	\$283K	\$2.88M	\$60K	100	construction/perm loan 3% 20 yr.	5/18/2017	11/29/2017	7/3/2018	2020	
28 High	28	\$5.5M	\$196.4K	\$1.9M	\$67.8K	80/20	loan 3% 30 yr.	2/2/2018	2/16/2018		2020	
100 Trumbull	16	\$1.5M	\$93.7K	\$960K	\$60K	100	loan 3% 20 yr.	9/21/2017	2/16/2018	4/12/2018	2018/19	
Summary	1413 ⁵	\$346.9M	\$240K avg.	\$87.66M	\$61.5K median \$60K avg.	88/12	1235 mkt./179 affordable					

¹ deposits and leases
² \$75K/unit est. residential + 188 hotel rooms
³ notes repaid
⁴ \$16K from Housing Cap. Fund
⁵ 1546 w/ Front St. & Recap deals (Hartford)
⁶ \$140K from Housing Capital Fund

CRDA Housing Approved - Varied Funding Sources

Project	# Units	TDC	TDC/Unit	CRDA Amt.	CRDA \$/Unit	Mkt/Aff Split	Structure	CRDA Bd. Approval	Bond Commission	Closed	Target Occupancy	Occupancy
Front Street	121	\$35.7M	\$310K	\$12M	\$99.1K	100	DECD grant	N/A	12/12/2007	12/17/2013	Renting	97%
Silas Deane	120	\$27M	\$225K	\$5M	\$41.6K	100	Urban Act	N/A	9/30/2016	5/24/2018	2020	
289 Asylum	8	\$1.474M	\$184K	\$450K	\$56K	100	Replenished Capital Funds Condo deal	12/8/2016 03/22/2018	N/A	6/13/2018	11/30/2018	
241 Asylum	4	\$1.99M	\$150K	\$200K	\$50K	100	construction note 5 yr., Capital Funds	12/8/2016	N/A	5/3/2018	Renting	100%
Summary	253	\$66.1M	\$149.3K	\$17.65M	\$65K avg.	100						



370 Asylum Avenue



81 Arch Street



1283 Main Street



Colt North



101 Pearl Street



111 Pearl Street

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.

Hartford Housing Pipeline by Unit						
Project	# Units	Split Mkt/Aff	Unit Configuration			
			Studio	1 BR	2 BR	3 BR
777 Main	285	226/59	65	198	22	0
201 Ann	26	26	0	26	0	0
179 Allyn	63	50/13	0	63	0	0
Front Street	121	121	36	75	10	0
Sonesta (5 Const.)	190	158/32	54	123	13	0
Capewell	72	57/15	16	34	20	2
390 Capital (HOS)	112	89/23	0	71	41	0
38-42 Elm	6	6	2	2	2	0
36 Lewis	6	6	0	4	2	0
370 Asylum	60	42/18	37	18	5	0
1283 Main	10	10	0	10	0	0
Radisson	96	96	0	88	8	0
81 Arch	53	53	20	13	20	0
101 Pearl	157	157	121	35	1	0
111 Pearl	101	101	77	18	6	0
103-21 Allyn	66	53/13	39	24	3	0
105-7 Wyllys	18	18	0	0	0	18
241 Asylum	4	4	0	0	4	0
289 Asylum	8	8	0	0	8	0
Colt North	48	48	12	20	16	0
100 Trumbull	16	16	16	0	0	0
28 High	28	22/6	10	10	8	0
Totals	1546	1367/179	505	832	189	20

CRDA is also responsible for the continued monitoring of initiatives launched by its predecessor agency, CCEDA, which helped underwrite the developments at Hartford 21 and the Lofts at Main and Temple. These 340 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 6/30/18, the units were as follows:

PROJECT NAME:	<u>Available</u>	<u>%Leased</u>
Hartford 21	262 units	97%
Main & Temple (Sage Allen)	78 units	94%



Hartford 21 Apartments



Main & Temple Apartments

Multi-family rental housing leads the nation's real estate market. This has been true in Connecticut and reflects the CRDA's activity to date. Over the next few years, it is CRDA's intention to allow the downtown market to absorb the inventory and to stabilize. While downtown conversion projects will continue, albeit at a slower pace, the Authority will increasingly focus on new housing types including to fill new construction (Bushnell South and DONO areas), new homeownership projects (both condo and fee simple), and will increase its activity in the city's neighborhoods.

Parking

CRDA manages in excess of 17,000 parking spaces. 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 principal as well as interest on its outstanding revenue bonds. The four garages located within the Front Street District (CTCC, North and South Garages at Front Street, and the Science Center Garage) produced \$7.5 million in revenue and covered \$3.8 million in operating expenses and \$3.7 million in debt service during the fiscal year.

The largest single CRDA location for parking is the 10,150 spaces at *Rentschler Field*, now that an additional 10 acres of land acquired in 2016 contributes a new 850 spaces.

The state acquired the 2,300 space *Morgan Street Garage* in fiscal year 2014, and contracted with CRDA to manage its operations. The garage currently serves the employees relocated to the State Office Building complex at 450 Columbus Boulevard as well as the Capital Community College. The garage also serves as an emergency parking location during City street parking closures, i.e. snowstorms.

The *Church Street Garage* continues to serve the downtown community including the Hilton Hotel and various corporate and residential users. Since its purchase by CRDA in May of 2015, the facility is managed more closely with the operations at the XL Center to complement the civic center's shows and sporting events. Major replacement of the buildings elevator system were completed as were lighting, signage, and structural repair capital improvements.

With the exception of the Church Street Garage which is operated by ProPark America, the remainder of the parking inventory is managed by Laz Parking per a competitive bid process that occurred in fiscal year 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	10,150
Church Street	1,299
Total	17,445

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 provides chilled water for their walk-in refrigerators.



Chilled Water System



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 \$1.6 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: extensive maintenance and re-insulation of the chillers (condenser and absorber), cooling tower fan, and installation of inductive absorbers.

Regional Initiatives

CRDA's regional role as envisioned by its statutory authorization, is to assist upon their request, the seven communities abutting Hartford, with housing, community and economic development initiatives. CRDA in effect, acts on behalf of the municipality to carry out a specific project. CRDA is not a planning nor regulatory agency and acts within the specific scope approved by the respective community's legislative body. In this way, CRDA's legal, financial, real estate and construction staff become an extension of the municipalities' development administrative capacity for a fee that is built into the project to cover CRDA's costs while avoiding the need for additional full time staff and overhead at the municipal level. The seven communities include: West Hartford, East Hartford, Newington, Wethersfield, South Windsor, Windsor and Bloomfield.

Newington CT - National Welding Site

Early in 2014, CRDA entered into an agreement with the Town to demolish and remediate the town owned former National Welding Site. This work was completed by CRDA in 2016 and the agency then assisted the town to issue a Request for Expressions of Interest to develop the site which abuts the CTfastrak system. As of close of the fiscal year 2017-2018, the town was negotiating to build a new hotel at the site to meet the demand from the nearby medical and corporate offices as well as from Central Connecticut State University.

Wethersfield, CT - Silas Deane Residential/Retail

Funds totaling \$5 million to the Town of Wethersfield to assist the redevelopment of a vacant and deteriorating commercial/industrial site on its Silas Deane commercial corridor were awarded through CRDA by the State in September 2016. A residential building with 120 market rate units with retail space was approved by the Town's land use commission for the site. Contracts for services between the Town and CRDA and between CRDA and the developer were completed in 2018. Initial site work has begun.



East Hartford, CT - Rentschler Field Road System / Silver Lane Redevelopment / Riverfront Drainage

East Hartford Boulevard North: The State Bond Commission approved \$7 million to extend the existing East Hartford Boulevard North/South to provide access to future development and better access to the Stadium at Rentschler Field parking areas. Work was completed in fiscal year 2017-2018.

Access Road and Utility Infrastructure: The State Bond Commission approved \$12 million towards the creation of an access road to a pending commercial redevelopment of a part of the Rentschler Field site. These funds were reprogrammed to be used within the Silver Lane redevelopment corridor. CRDA will enter into agreements directly with the town.

The General Assembly specifically authorized \$10 million in each fiscal year 2016-2017 and 2017-2018 to CRDA to be invested in the Town of East Hartford. Several projects have begun, including: the installation of a new storm water drainage system in and around the Goodwin College area to facilitate that area's redevelopment and initial planning and design funds were awarded for a new garage facility in the Founders Plaza area, freeing up real estate for new development and additional public parking along the riverfront.



Citywide/Neighborhood Programs

Similar in philosophy to the regional initiatives, CRDA was authorized to carry out projects beyond its statutory district within the City of Hartford, upon the recommendation of a project by the City to CRDA for consideration. In this way, once the City has determined the need/merits of a particular project, CRDA assists in underwriting and managing the initiative. Again, CRDA is not a planner or regulatory agent, rather its serves to supplement the City's staff capacity.

In the State's fiscal years' 2016 and 2017 budgets, funds were authorized to CRDA for the purposes of citywide/neighborhood oriented projects outside the core downtown area. Eligible projects must be consistent with the City's development plan and target economic development, housing and infrastructure. One half of the funds in fiscal year 2016 were to be targeted to the City's Promise Zone area. During the 2016 General Assembly Session, a \$2.5 million set aside of these funds to hire at risk individuals was also created.

Since 2016, seven projects were authorized by the CRDA board upon referral from the City.

Bowles Park/Willow Creek Housing

CRDA awarded \$5 million to complement State DECD brownfield funds to remediate and demolish the 410 unit public housing complex known as Bowles Park. Now that the site has been cleared, a new mixed income housing development is proceeding per separate agreements between the Hartford Housing Authority, the City of Hartford, the State of Connecticut DOH and private investors.



Brackett Knoll Housing

The long delayed second phase of the Brackett Knoll Housing project advanced with the CRDA award of \$1.55 million to the effort to construct the new road and assist in the site work for a 14 unit subdivision that will create 28 new units, one-half owner occupied that will be subsequently developed using federal housing funds and private mortgages. The total project budget is \$3.7 million in the Promise Zone.

Swift Factory

Also located in the Promise Zone, the long deteriorating and vacant Swift factory is being redeveloped into a food and health related economic development enterprise by Community Solutions. CRDA funds totaling \$4.3 million were awarded to complete the capital stack of \$32 million necessary to undertake the federal, private, state and city initiative.

Albany Avenue Fiber Optic

While major street work is underway along CT Route 44/Albany Avenue, CRDA neighborhood funds are being used to install and upgrade fiber optic connections in the neighborhood. This project is being managed by the Connecticut Department of Transportation.

Heritage Homes

Within the Asylum Hill area, CRDA has committed funds to renovate and newly construct single family homes for ownership.

690-714 Albany Avenue

A project pending at the end of the fiscal year was a \$2.23 million equity investment in the acquisition and renovation of a notoriously blighted and problematic building on Albany Avenue.

Dillon Stadium

The most noted and the single largest project to utilize the Neighborhood funds is the restoration of the Dillon Stadium facility for community use as well as to meet the home field needs of a new USL soccer franchise.



Repositioning State Assets

CRDA has been tasked with repositioning two major State real estate holdings in Hartford: (1) the properties that were formerly used for parking by state employees assigned to the State Office Building on Washington Avenue and Elm Street and (2) the Regional Agricultural Market on Reserve Road.

Bushnell South

With the renovation of the State Office Building and a new garage, former state parking lots are now available for redevelopment. Accompanying the parking lots is property, undergoing demolition as of the fiscal year end, freed up by the removal of the obsolete State Health Lab building.

Together, along with various private parcels, the area known as Bushnell South will be redeveloped into a mixed use neighborhood scheduled to provide new housing ownership and rental opportunities, and will provide a transitional link from the state complexes along Bushnell Park to the neighborhoods just south of downtown. This project will take greater shape during fiscal year 2018-2019 as demolition, property transfers, and design/planning work proceed.



Regional Agricultural Market

As a real estate development entity, CRDA was tasked by the General Assembly with the challenge to redevelop the current agricultural market owned by the State and managed by the Department of Agriculture through the Connecticut Market Authority (CMA). It is expected that the market with its sixty plus year old buildings will be renewed.

Associated with this effort will be another project to assist one major tenant at the Regional Market to expand into property owned by the Materials Innovation and Recycling Authority (MIRA), another quasi-State authority with real estate in close proximity to the Regional Market. A long-term lease between CRDA and MIRA will allow the company to privately construct a 100,000 square foot refrigerated warehouse distribution facility providing jobs, taxes and lease revenue to the City of Hartford.



LEGISLATIVE REPORT

The 2017-2018 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 2018 FISCAL YEAR AND THE ISSUES FACE VALUE AND NET PROCEEDS**

During the previous fiscal year, the Authority did not issue any revenue bonds. However, CRDA was authorized the following funding by the State of Connecticut Bond Commission through the Special Revenue Bond Fund. In fiscal year 2014, \$60,000,000 was established 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, \$30,000,000 was established 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. In fiscal year's 2016 and 2017, \$50,000,000 per year was established to provide for the purposes and uses provided in Section 32-602 of the Connecticut General Statutes, provided not more than \$20,000,000 be made available in Hartford outside the CRDA's district, of which \$10,000,000 be made available for projects in the federally designated Promise Zone. In fiscal year 2018, \$50,000,000 was established to provide for the purposes and uses provided in Section 32-602 of the Connecticut General Statutes, provided that \$10,000,000 be made available as a grant-in-aid to East Hartford for the purposes of general economic development activities.

Special Revenue Bond Fund				
Year Authorized	Total Authorized	Total Allocated FY 2018	Total Allocated as of 6/30/18	Total Unallocated as of 6/30/18
2014	\$60,000,000	\$ 0	\$58,942,627	\$ 1,057,373
2015	\$30,000,000	\$ 0	\$26,750,000	\$ 3,250,000
2016	\$50,000,000	\$ 5,505,000	\$31,340,000	\$18,660,000
2017	\$50,000,000	\$16,360,000	\$16,360,000	\$33,640,000
2018	\$50,000,000	\$ 500,000	\$ 500,000	\$49,500,000

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:

TOTAL BONDING AUTHORIZATIONS FOR CAPITAL CITY PROJECT						
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 ^A
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 ^B
Totals	\$31,000,000	\$241,000,000	\$24,000,000	\$23,880,000	\$7,000,000	\$326,880,000

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.

TOTAL BONDING RECOMMENDATIONS FOR CAPITAL CITY PROJECTS			
	Total Authorized	Total Allocated FY 2017-18	Total Allocated as of 6/30/18
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 ^C	\$ -	\$ 19,880,000
Downtown Housing	\$ 35,000,000	\$ -	\$ 35,000,000
Demolition/Rehabilitation	\$ 25,000,000	\$ -	\$ 25,000,000
Parking	\$ 12,000,000 ^D	\$ -	\$ 12,000,000
Totals	\$449,380,000	\$-	\$449,380,000

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, 2017 through June 30, 2018 fiscal year. These payments occurred in the ordinary course of operations.

CRDA VENDOR LISTING					
50 Morgan Street, LLC	Accurate Commercial Door & Hardware Services, LLC	Bank of America	Borden-Wethersfield, LLC	Capitol Equipment & Marine	Cast Iron Associates, LLC
CATIC National Commercial Services IOTA	Cintas Fire Protection	CohnReznick, LLP	Connecticut Natural Gas Corporation	Constellation New Energy, Inc.	Cranmore Fitzgerald & Meaney, LLC (Escrow Agent)

CRDA VENDOR LISTING

Cushman & Wakefield	Desman Associates	Eversource	F.A. Hesketh & Associates, Inc.	Fidelity National Title Insurance Company (Escrow Agent)	Forbes Asphalt Maintenance, Inc.
Frank Capasso & Sons, Inc.	Hartford Housing Authority (Escrow Agent)	HBN Front Street, LLC	IT Direct, LLC	Interscape Commercial Environments	JCJ Architecture, PC
Laz Parking Management, LTD	Laurentano Sign Group	LED Lighting Enterprises, LLC	Mahoney Sabol & Co., LLP	McPhee Electric, LTD	Milone & Macbroom, Inc.
Milton C. Beebe & Sons, Inc.	Morganti Group, Inc.	Nalco Company	New England Mechanical	Nutmeg Planners, LLC	OFI
People's United Insurance Agency	Propark, Inc.	Red Thread Spaces, LLC	Robinson & Cole, LLP	Sage Intacct, Inc.	SCI Architects, PC
Shipman & Goodwin, LLP	Siemens Industry, Inc.	SimplexGrinnell	SourceOne	Spectra Food Services	Spectra 111, LLC
Spectra by Comcast Spectacor	Sterling Elevator Consultants, LLC	Stewart Title Guaranty Company (Escrow Agent)	Suisman Urban Design, Inc.	SWI Glass & Metal	Teachers Corner, LLC
Tecton Architects, PC	Tennis Foundation of Connecticut	The Hartford	The Lincoln National Life Insurance Co.	The Metropolitan District	Three-Way Communications, Inc.
The Westmount Group, LLC	Trane	Valley Communications Systems, Inc.	Verizon Wireless	Waterford Venue Services Hartford, LLC	Wellspeak Dugas & Kane, LLC
West Electric, LLC	William B. Meyer, Inc.				

During the July 1, 2017 through June 30, 2018 fiscal year, no vendors had a direct contract with the Authority and received more than \$5,000 in payments for services with funds 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.

CONNECTICUT CONVENTION CENTER VENDOR LISTING

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 during the fiscal year. 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.

CTCC VENDOR LISTING					
Abby Tent & Party Rentals	AD Hoc Design	Allan S. Goodman, Inc.	American Furniture Rentals	American Medical Response CT	Aron Security
Aztec Technologies, LLC	B-G Mechanical Services, Inc.	Beecher Carlson/ Master Trust	Bobcat of CT	Boston Gourmet Chefs, Inc.	Brescome Barton, Inc.
Cambridge Packing Company, Inc.	C&C Janitorial Supplies, Inc.	Central Mechanical Services, Inc.	Ceridian HCM, Inc.	CIGNA Corporation	Cintas Fire Protection
City Fish Market	City of Hartford Fire & Police	Cliffhangers, Inc.	CLR CT Labor Resources	Coca-Cola Refreshments	Cogent Communications, Inc.
CohnReznick, LLP	Comcast	Connecticut Convention & Sports Bureau	Connecticut Natural Gas Corporation	Connecticut Radio, Inc.	Constellation New Energy
Construction & General Laborers Local Union No. 230	Control Systems, Inc.	Corporate Payment Systems	CT Dept. of Revenue Services	CT Distributors, Inc.	CT Science Center
Cummins Sales and Service	Curtis Lollar	CVENT, Inc.	CWPM	Daktronics	Dell Marketing, LP
Demers Exposition Services, Inc.	Dichello Distributors	Digital Printing Systems	Dyco Industries, Inc.	Eastern Bag & Paper Co.	Ecolab
Electrical Wholesalers, Inc.	Elm City Capital, LLC	Environmental Systems Corporation	Envision Design, LLC	Eversource	Facilities and Destinations
Falvey Linen & Uniform of CT	Farmington Insurance	Fast Signs	Fidelity Security Life Insurance Company	Flow Tech, Inc.	Freshpoint

CTCC VENDOR LISTING

Frontier Communications	Giovanni's	Gordon Food Service, Inc.	Grainger	Hartford Distributors, Inc.	Hartford Downtown Marriott
Harvard Pilgrim Healthcare, Inc.	HD Supply Facilities Maintenance, LTD	Hedges and Hedges, LTD	Integrated Technical Systems, Inc.	John Annino	Jordan Paige
K&S Distributors, Inc.	LAZ Parking DBA Maintenance System	LAZ Parking Management, LTD	L. E. Whitford Company, Inc.	LED Lighting Enterprise, LLC	Lileo Enterprises, LLC
Lummus Webber Co., Inc.	Lutron Services Co., Inc.	M. G. Backflow Testing	Maybury Material Handling	MJ Daly, LLC	Motor Head Mic's
New England Mechanical	Northeast Electrical	Npower Construction	Nurse Finders	Office Depot	Offshore Construction, Inc.
Omar Coffee Company	One Time	Oracle America, Inc.	Otis Elevator Company	Pasquariello Electric Corporation	Peak Event Services
Pepsi – Cola	PFG Springfield	PPG Architectural Finishes	R & B Ceramic Tile, Inc.	Rental Solutions & Events	Rexel of America, LLC
Rogo Distributors	Russo Lawn & Landscape, Inc.	Scales Industrial Technologies	Schindler Elevator Corporation	Securitas Security Services	Sid Wainer & Son
Siegel, O'Connor, O'Donnell & Beck, PC	Simplex-Grinnell	Smart Care Equipment Solutions	Spotless Software, LLC	Stageright Corporation	Stew Leonard's
Suburban Stationers	Sullivan Heiser	Sunshine Laundry	SYSCO Food Services of Connecticut	Tee's & More on the Lake	Tennant Sales & Service Company
The Lincoln National Life Insurance Co.	The Metropolitan District	Three-Way Communications, Inc.	Thurston Foods, Inc.	Travelers	Tri-State Facade Services, Inc
Verizon Wireless	W.B. Mason Company, Inc.	Waterford Hotel Group	Waterford Venue Services Hartford, LLC	We Do Lines	Welch Communications
Wells Fargo	West Electric, LLC	Yosi Kosher Catering, LLC			

CHURCH STREET GARAGE VENDOR LISTING

Included below are vendors doing business with the Church Street Garage (CHSG) operators and who received more than \$5,000 in payments for services during the fiscal year.

CHURCH STREET GARAGE VENDOR LISTING					
Advance Plumbing	CleanCo	Eversource	G4S Secure Solutions	Gustavo Preston Company	Schindler Elevator Corporation
SimplexGrinnell	W.B. Mason Company, Inc.	Wescor Parking Controls			

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:

XL CENTER VENDOR LISTING					
ADP, Inc.	Advance Security Integration	AEG Live, LLC	Aero All Gas Co.	AFSCME Council 4, Local 1716	Agera Energy
Alexander Global Promotions	All Waste, Inc.	American Medical Response	American Express	Athletica Sport Systems	AT&T Mobility
Automated Logic Construction	Awakening Events, Inc.	The Bell/Simons Companies	BOMBA 104.1 WMRQ-FM2	Braman	BWM Global, Inc.
Carbonhouse	Carrier Corporation	CCM Hockey US, Inc.	CEIA	City of Hartford	CohnReznick, LLP
Comcast & Other Affiliated Businesses	CT Dept. of Revenue Services	Contemporary Services Corporation	Crest Mechanical Services, Inc.	Dalene Flooring	Damon Slechta
Destroyer Promotional Products	Dimeo Construction Company	Dubois Chemicals	Ducci Electrical Contractors	Dunbar Armored, Inc.	Eastern Water Solutions

XL CENTER VENDOR LISTING

Eversource	Feld Entertainment, Inc.	Frontier	Garri Promotions, Inc.	Geiger Engineers	GO Graphix
Grainger	Hartford Wolf Pack Community	Home Depot Credit Services	H.O. Penn Machinery Company	HZ Electric Supply	IATSE Local 84
IATSE National Benefit Funds	iHeartMedia, Inc.-Hartford	IMG College, LLC	iPROMOTEu	Johnson Controls	LAZ Parking, LTD
Les Vetements SP Apparel, Inc	Live Nation Worldwide, Inc.	L & L Equipment, Inc.	Madison Square Garden, LP	Mats, Inc.	MetroHartford Alliance, Inc.
Metropolitan Interactive, LTD	Minuteman Press of Hartford	Northland Trumbull Block, LLC	Ovations Food Services, LP	Paciolan, Inc.	Perfectemp, Inc.
Pitney Bowes Global Financial	Powerstation, LLC	Purchase Power	Reebok CCM Hockey US, Inc.	Ricoh USA, Inc.	Robert Crawford
Safehold Special Risk, Inc.	Schindler Elevator Corporation	Success Promotions	Supertech, Inc.	Telserv, LLC	The Hartford Courant Company
The Hartford Steam Company	The Metropolitan District	Uline	Unifirst Corporation	United Rentals (North America)	University of Connecticut
US Bank Equipment Finance	Verizon Wireless	Viamedia, Inc.	Victor Advertising Service, LLC	WAM Entertainment, Inc.	W.B. Mason Co., Inc.
WFSB Digital	WTIC-FM	WTIC-TV	WWIT-TV	WWE Entertainment, Inc.	WZMX-FM
Full Power Radio, Inc.	XO Communications	ZGS Hartford, 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. No vendors were paid in excess of \$5,000 from the revenue bonds construction proceeds and from the Travelers Loan during the fiscal year.

Certain other expenses were incurred with the Authority's revenue bonds. These expenses include 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 during the fiscal year:

VENDOR LISTING

Bank of America	Merrill Lynch, Pierce, Fenner & Smith, Inc.	Standard & Poor's			
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➤ **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

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. 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 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, 2018:

NAME	RACE/ETHNICITY	GENDER	BOARD POSITION
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 Luke Bronin	White	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
David Robinson	White	Male	Member/Legislative Majority Appointee
Michael Matteo	White	Male	Member/Legislative Minority Appointee
David Jorgensen	White	Male	Member/Governor Appointee
Joanne Berger-Sweeney	Black	Female	Member/Governor Appointee
Kiley Gosselin	White	Female	Member/Hartford Mayor Appointee
Glendowlyn Thames	Black	Female	Member/Hartford Mayor Appointee

* Executive Committee member

CRDA Staff

As of June 30, 2018, the Authority has a staff of ten full-time and one half-time employees. They are as follows:

NAME	RACE	GENDER	OCCUPATION
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 makeup¹ :

Connecticut Convention Center

Total employees =	256
Total Hartford residents =	84 (33%)
Total Minority (men) =	83 (32%)
Total women employees =	128 (50%)
Total Minority (women) =	45 (18%)

Convention Center Parking Facilities (LAZ Parking)

Total employees =	56
Total Hartford residents =	34 (61%)
Total Minority (males) =	30 (54%)
Total women employees =	23 (41%)
Total Minority (women) =	19 (34%)

Hartford Marriott Downtown

Total employees =	221
Total Hartford residents =	74 (33%)
Total Minority (males) =	66 (30%)
Total women employees =	123 (56%)
Total Minority (women) =	74 (33%)

Connecticut Science Center

Total employees =	104
Total Hartford residents =	13 (13%)
Total Minority (males) =	5 (5%)
Total women employees =	64 (62%)
Total Minority (women) =	17 (16%)

¹ 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, 2018 AND 2017

CAPITAL REGION DEVELOPMENT AUTHORITY

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June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
Capital Region Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities 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, 2018, 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 audit. We conducted our audit 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 audit 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 business-type activities of the Capital Region Development Authority, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Capital Region Development Authority as of June 30, 2017 were audited by other auditors whose report dated September 25, 2017, expressed an unmodified opinion on those statements.

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 pages 3 through 38 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, 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 solely 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 the effectiveness of the Authority's 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.



Hartford, Connecticut
September 24, 2018

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2018 and 2017

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, 2018 and 2017. 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.

2018 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by \$223.444 million at June 30, 2018. The net position of the Authority totaled \$6.727 million unrestricted, \$55.637 million restricted, and \$161.080 million net investment in capital assets.
- The loss from operations for the year ended June 30, 2018 is \$9,333,677. Of this amount, \$250,000 relates to costs associated with the Connecticut Tennis Center.
- The Convention Center's 2018 net operating loss was \$3,089,552. Fiscal year 2018 experienced a higher percentage of food and beverage revenue as compared to the prior year due to the variety of events held in 2018. However, this event-mix contributed to increased salaries as well as an overall increase in building utilities.
- CRDA parking facilities reported net income of \$3,653,072. This is the result of an increase in overall transient parking revenue due to the continued development of the Front Street District as well as parking revenue derived from Convention Center consumer shows and hotel overnight guests.
- The XL Center's 2018 net operating loss was \$2,851,893 excluding depreciation of \$1,777,116. The net operating loss was primarily the result of cancelled concerts and their associated revenues as well as the new event admissions tax enacted during the fiscal year.

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2018 and 2017

2017 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by \$222.566 million at June 30, 2017. The net position of the Authority totaled \$7.646 million unrestricted, \$47.597 million restricted, and \$167.323 million net investment in capital assets.
- The loss from operations for the year ended June 30, 2017 is \$7,738,194. Of this amount, \$300,000 relates to costs associated with the Connecticut Tennis Center.
- The Convention Center's 2017 net operating loss of \$2,787,040 is \$509,531 or 15% favorable to the prior year. The decreased loss is attributed to hosting events that occur every other year. In addition, fiscal year 2017 experienced a higher percentage of food and beverage revenue as compared to the prior year due to the variety of events held in 2017.
- CRDA parking facilities reported net income of \$3,708,401. This is the result of an increase in overall transient parking revenue due to the continued development of the Front Street District as well as parking revenue derived from the Front Street Lofts housing complex which were fully operational in 2017.
- The XL Center's 2017 net operating loss was \$1,653,666 excluding depreciation of \$1,451,430. The net operating loss was primarily the result of decreased concerts and their associated revenues as well as lost food and beverage revenues generally earned during those events.

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

The following table summarizes the condensed Balance Sheets as of June 30, 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS:			
Current assets	\$35,230,527	\$31,083,309	\$28,272,909
Noncurrent assets:			
Restricted cash and cash equivalents	5,246,552	4,776,279	5,120,140
Loans receivable-housing	44,325,059	37,278,852	35,512,360
Other assets	591,397	413,258	301,090
Capital assets, net	287,807,537	294,776,767	303,754,935
Total assets	\$373,201,072	\$368,328,465	\$372,961,434
LIABILITIES:			
Current liabilities	\$27,180,713	\$22,284,995	\$24,508,425
Non-current liabilities	122,576,005	123,477,774	125,219,052
Total liabilities	\$149,756,718	\$145,762,769	\$149,727,477
NET POSITION:			
Net investment in capital assets	\$161,079,913	\$167,323,359	\$174,524,727
Restricted	55,636,885	47,596,900	40,901,083
Unrestricted	6,727,556	7,645,437	7,808,147
Total net position	\$223,444,354	\$222,565,696	\$223,233,957
Total liabilities and net position	\$373,201,072	\$368,328,465	\$372,961,434

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

2018 BALANCE SHEET ANALYSIS

- Total assets as of June 30, 2018 increased by \$4.873 million or 1% compared to the same period in 2017.
- Current assets increased by \$4.147 million or 13% primarily due to timing differences within the housing loan portfolio draw schedules.
- Non-current assets increased by \$725,389 or .2% as the result of the increase in housing loans receivable offset with greater capital asset depreciation than capital asset additions.
- Total liabilities increased by \$3.994 million when compared to the prior year. This increase was due to timing related to the combined facilities. 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.

2017 BALANCE SHEET ANALYSIS

- Total assets as of June 30, 2017 decreased by \$4.633 million or 1% compared to the same period in 2016.
- Current assets increased by \$2.810 million or 10% primarily due to one housing loan scheduled to mature in March 2018 offset with timing differences within the Accounts Receivable of the DAS construction project.
- Non-current assets decreased by \$7.443 million or 2% as the result of capital asset depreciation significantly greater than capital asset additions.
- Total liabilities decreased by \$3.965 million when compared to the prior year. This decrease was due to timing related to the State office relocation project. 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, 2018 and 2017

The following table summarizes the changes in net position for the fiscal years ended June 30, 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues:			
Grants-State of Connecticut			
Operational	\$1,503,321	\$1,640,821	\$1,715,991
Development district, subsidy and other	4,758,300	4,708,300	5,183,300
Restricted	40,000	30,000	434,000
Combined Facilities	38,624,724	38,653,583	39,212,821
Other operating revenue	466,635	45,400	218,880
Total operating revenues	<u>\$45,392,980</u>	<u>\$45,078,104</u>	<u>\$46,764,992</u>
Operating expenses:			
Personnel and general	\$1,491,090	\$1,598,044	\$1,279,987
Pension expense	691,349	634,953	616,205
Combined Facilities	39,474,365	38,052,974	38,641,856
Depreciation and amortization expense	13,069,853	12,530,327	11,829,709
Total operating expenses	<u>\$54,726,657</u>	<u>\$52,816,298</u>	<u>\$52,367,757</u>
Loss from operations	\$(9,333,677)	\$(7,738,194)	\$(5,602,765)
Non-operating revenue (expense):			
Interest income	705,522	432,220	372,417
Interest expense	(2,637,631)	(2,390,496)	(2,175,208)
Non-operating (expense), net	<u>\$(1,932,109)</u>	<u>\$(1,958,276)</u>	<u>\$(1,802,791)</u>
Loss before transfers in - State of Connecticut	\$(11,265,786)	\$(9,696,470)	\$(7,405,556)
Capital contributions	4,737,671	2,339,333	3,853,894
Transfer – State of Connecticut Housing Loan Program	7,406,773	6,688,876	4,882,813
Change in net position	\$878,658	\$(668,261)	\$1,331,151
Net position, beginning of year	<u>\$222,565,696</u>	<u>\$223,233,957</u>	<u>\$221,902,806</u>
Net position, end of year	<u><u>\$223,444,354</u></u>	<u><u>\$222,565,696</u></u>	<u><u>\$223,233,957</u></u>

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

2018 OPERATING ACTIVITY HIGHLIGHTS

- Operational grant revenue, primarily derived from appropriations from the State of Connecticut in the amount of \$6.3 million, provided funding for the operations of the Authority (\$1,503,321), the Convention Center Project (\$3,908,300), which included the operations of the Convention Center, and the Front Street District maintenance and marketing costs, and the XL Center (\$600,000). Total appropriations from the State also included CRDA's support of the Connecticut Tennis Center in the amount of \$250,000 during fiscal year 2018.
- The Authority implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. \$60 million in appropriations from the State of Connecticut was authorized in fiscal year 2014 under this Act. In fiscal years 2016 and 2017, the State of Connecticut authorized an additional \$50 million per year, provided a portion be made available for projects in the federally designated Promise Zone. As of June 30, 2018, the Authority closed a total of twelve housing loan projects providing a commitment for \$58,942,627 in loans. \$52,392,122 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 decreased by \$28,859 in fiscal year 2018 when compared to fiscal year 2017, primarily driven by decreased event revenues at the XL Center offset by an increase in Front Street District parking facility revenues over the prior year. The following net operating results by facility were derived in fiscal year 2018: Convention Center \$(3,089,552), Parking \$3,653,072, Central utility plant \$491,438, XL Center \$(2,851,893), and the Church Street garage \$1,800,431.
- Of the Convention Center's operating revenues in fiscal year 2018, \$227,000 of the \$10.8 million was due to subsidies granted to events. This in turn generated \$975,000 in revenue to the building in additional business (rent, food and beverage, and ancillary revenue) otherwise not available plus \$1,202,000 in State taxes (sales tax, income tax, and bed tax) to the economic region.
- The Authority saw an increases in expenses associated with development costs of \$8,828 and bond administration of \$10,373.

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

2017 OPERATING ACTIVITY HIGHLIGHTS

- Operational grant revenue, primarily derived from appropriations from the State of Connecticut in the amount of \$6.3 million, provided funding for the operations of the Authority (\$1,640,821), the Convention Center Project (\$3,908,300), which included the operations of the Convention Center, and the Front Street District maintenance and marketing costs, and the XL Center (\$600,000). Total appropriations from the State also included CRDA's support of the Connecticut Tennis Center in the amount of \$200,000 during fiscal year 2017.
- The Authority implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. \$60 million in appropriations from the State of Connecticut was authorized in fiscal year 2014 under this Act. In fiscal years 2016 and 2017, the State of Connecticut authorized an additional \$50 million per year, provided a portion be made available for projects in the federally designated Promise Zone. As of June 30, 2017, the Authority closed a total of ten housing loan projects providing a commitment for \$49,418,091 in loans. \$47,593,345 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 decreased by \$559,238 in fiscal year 2017 when compared to fiscal year 2016, primarily driven by decreased event revenues at the XL Center offset by increases in event and ancillary revenues at the Convention Center and the related parking facility revenue over the prior year. The following net operating results by facility were derived in fiscal year 2017: Convention Center \$(2,787,040), Parking \$3,708,401, Central utility plant \$499,038, XL Center \$(1,653,668), and the Church Street garage \$1,669,400.
- Of the Convention Center's operating revenues in fiscal year 2017, \$111,000 of the \$10.6 million was due to subsidies granted to events. This in turn generated \$920,000 in revenue to the building in additional business (rent, food and beverage, and ancillary revenue) otherwise not available plus \$1,031,000 in State taxes (sales tax, income tax, and bed tax) to the economic region.
- The Authority saw a decrease in expense associated with development costs (\$400,000) due to the completion of the Front Street district retail area as well as an increase in expenses associated with bond administration (\$47,736).

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2018 and 2017 totaled \$287,807,537 and \$294,776,767, 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, 2018 decreased by \$6,969,230, and resulted from the depreciation of the capital assets (-\$13.0 million) offset by the capitalization of assets (\$6.1 million).

A total of \$3.6 million, \$656,000 and \$1.1 million was expended during fiscal year 2018 for the purpose of alterations, renovations and improvements at the XL Center, Connecticut Convention Center and the Church Street garage, respectively. 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. In the Front Street District, funding from the ESPN Grant was used to provide improved street lighting and paving research.

Capital Assets, Net of Accumulated Depreciation

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Intangible assets	\$600,000	\$600,000	\$600,000
Construction in progress	97,462	55,412	-
General operating equipment	7,288	15,868	44,887
Buildings, equipment and furnishings	<u>287,102,787</u>	<u>294,105,487</u>	<u>303,110,048</u>
Total	<u>\$287,807,537</u>	<u>\$294,776,767</u>	<u>\$303,754,935</u>

Additional information on the Authority's capital assets can be found in Note 5.

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 5.75%. The Authority earns a loan closing fee upon issuance of the loans. As of June 30, 2018 and 2017, the Authority closed a total of twelve and ten housing loan projects, respectively, providing a commitment for \$58,942,627 and \$49,418,091 in loans. \$52,392,122 and \$47,593,345 of these commitments had been disbursed, respectively, at the end of the fiscal years 2018 and 2017 with \$49,725,946 and \$42,319,174 being carried by the Authority as its principal balance outstanding.

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

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 Bonds, 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 years ended June 30, 2018 and 2017, the Authority received contract assistance in the amount of \$3,231,900 and \$2,216,406, respectively.

Scheduled debt repayments of \$3,370,000 and \$3,235,000 (principal) reduced the bonded debt outstanding of the Authority to \$79,315,000 and \$82,685,000, respectively, at the end of the fiscal years 2018 and 2017.

The Authority's 2004 Series A revenue bonds matured on June 15, 2016. The Authority's 2004 Series B revenue bonds and 2008 Series D revenue bonds are rated A by Standard & Poor's Corporation and Fitch Ratings. The Authority's 2005 Series C revenue bonds are privately placed and, therefore, not rated.

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 2018 and 2017, the Authority had a loan payable to The Travelers Indemnity Company of \$7,549,248 and \$8,154,882, respectively. The loan payable decreased by \$605,634 and \$576,156 at June 30, 2018 and 2017, respectively, due to principal repayments made during the two fiscal years.

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, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Due to State of Connecticut:			
- contract assistance	\$40,149,791	\$36,917,891	\$34,701,485
Bonds payable, net	79,028,585	82,380,635	85,597,686
Loans payable	7,549,248	8,154,882	8,931,037
Total	<u>\$126,727,624</u>	<u>\$127,453,408</u>	<u>\$129,230,208</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

CURRENTLY KNOWN FACTS

ENTERTAINMENT/RETAIL/RESIDENTIAL/DEVELOPMENT PROJECT

The Front Street District 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 Landing, such as convention attendees and hotel guests, but also area residents and regional visitors to the area.

Construction of the first phase of the Front Street District 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 Bear's Smokehouse BBQ.

Phase II of the development was completed in the fall of 2015. The development includes 121 units of market-rate rental housing as well as 14,809 square feet of restaurant/retail space. Phase IV of the development has begun and will include 53 units of market-rate rental housing as well as additional retail space on Arch Street.

UNIVERSITY OF CONNECTICUT GREATER HARTFORD CAMPUS

The University of Connecticut's ("UCONN") Greater Hartford Campus construction (Phase III) was completed in the fall of 2017. UCONN incorporated the iconic Hartford Times Building within the Front Street District into its urban campus. Classes began for the 2017/2018 academic year with 2,300 commuter students and 250 faculty members and staff. The new campus includes 18,000 square feet of entertainment/commercial space owned and leased by the HB Nitkin Group and has led to the establishment of a bookstore and coffee shop within the retail space of the Loft Apartments.

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 current 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.

CAPITAL REGION DEVELOPMENT AUTHORITY

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

June 30, 2018 and 2017

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.

CAPITAL REGION DEVELOPMENT AUTHORITY

Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Unrestricted cash and cash equivalents	\$6,906,595	\$8,204,709
Restricted cash and cash equivalents	13,312,483	8,245,439
Unrestricted investments	6,646,222	6,804,983
Restricted investments	887,327	992,632
Accounts receivable, net	1,259,477	1,392,250
Loans receivable: housing-current, net	5,400,887	5,040,321
Other current assets	817,536	402,973
Total current assets	<u>\$35,230,527</u>	<u>\$31,083,307</u>
Non-current assets:		
Restricted cash and cash equivalents	\$4,105,279	\$3,650,471
Restricted investments	1,141,273	1,125,810
Loans receivable-housing, net	44,325,059	37,278,852
Other assets	591,397	413,258
Capital assets not being depreciated:		
Construction in progress	97,462	55,412
Intangible assets, net	600,000	600,000
Capital assets being depreciated:		
General Operations, net	7,288	15,868
Combined Facilities, net	235,017,171	244,431,855
XL Center, net	36,180,941	34,377,303
Church Street Garage, net	15,904,675	15,296,329
Total non-current assets	<u>\$337,970,545</u>	<u>\$337,245,158</u>
Total assets	<u>\$373,201,072</u>	<u>\$368,328,465</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$22,938,816	\$18,223,928
Accrued interest payable	90,278	85,433
Current portion of bonds payable	3,515,000	3,370,000
Current portion of loan payable	636,619	605,634
Total current liabilities	<u>\$27,180,713</u>	<u>\$22,284,995</u>
Non-current liabilities:		
Due to State of Connecticut-contract assistance	\$40,149,791	\$36,917,891
Bonds payable, net	75,513,585	79,010,635
Loan payable	6,912,629	7,549,248
Total non-current liabilities	<u>\$122,576,005</u>	<u>\$123,477,774</u>
Total liabilities	<u>\$149,756,718</u>	<u>\$145,762,769</u>
<u>NET POSITION</u>		
Net investment in capital assets	\$161,079,913	\$167,323,359
Restricted for:		
Housing loans	49,725,946	42,319,173
Central Utility Plant	1,678,916	1,620,920
Other	4,232,023	3,656,807
Unrestricted	6,727,556	7,645,437
Total net position	<u>\$223,444,354</u>	<u>\$222,565,696</u>
Total liabilities and net position	<u>\$373,201,072</u>	<u>\$368,328,465</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Grants - State of Connecticut/Other:		
Operational	\$1,503,321	\$1,640,821
Development district, subsidy and other	4,758,300	4,708,300
Restricted	40,000	30,000
Combined Facilities:		
Convention Center	10,833,470	10,566,170
Parking	7,466,416	7,300,433
Central utility plant	1,421,501	1,338,049
XL Center	16,141,052	16,694,794
Church Street Garage	2,762,285	2,754,137
Other income	466,635	45,400
Total operating revenues	<u>\$45,392,980</u>	<u>\$45,078,104</u>
Operating expenses:		
Authority operations:		
Personnel	\$1,254,264	\$1,278,665
General and administrative	236,826	319,379
Pension expense	691,349	634,953
Combined Facilities:		
Convention Center	13,923,022	13,353,210
Parking	3,813,344	3,592,032
Central utility plant	930,063	839,011
XL Center	18,992,945	18,348,462
Church Street Garage	961,854	1,084,738
Front Street	78,775	80,360
Bond administration	465,534	455,161
Development costs	308,828	300,000
Depreciation and amortization	13,069,853	12,530,327
Total operating expenses	<u>\$54,726,657</u>	<u>\$52,816,298</u>
Loss from operations	<u>\$(9,333,677)</u>	<u>\$(7,738,194)</u>
Non-operating revenue/(expense):		
Interest income	\$705,522	\$432,220
Interest expense	(2,637,631)	(2,390,496)
Non-operating expense, net	<u>\$(1,932,109)</u>	<u>\$(1,958,276)</u>
Loss before capital contributions and transfer	<u>\$(11,265,786)</u>	<u>\$(9,696,470)</u>
Capital contributions	\$4,737,671	\$2,339,333
Transfer – State of Connecticut Housing Loan Program	7,406,773	6,688,876
Change in net position	\$878,658	\$(668,261)
Net position, beginning of year	<u>\$222,565,696</u>	<u>\$223,233,857</u>
Net position, end of year	<u>\$223,444,354</u>	<u>\$222,565,696</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from:		
Grants	\$6,301,621	\$6,379,121
Customers	39,224,132	42,088,601
Housing developers	131,143	108,517
Payments to:		
Employees	(1,904,545)	(1,881,041)
Contractors	(308,828)	(300,000)
Suppliers	(34,827,656)	(39,913,230)
Housing developers	(7,537,916)	(6,797,393)
Net cash provided by (used in) operating activities	<u>\$1,077,951</u>	<u>\$(315,425)</u>
Cash flows from investing activities:		
Interest income	\$216,777	\$274,062
Decrease in receivable from loan	-	50,000
Net cash provided by investing activities	<u>\$216,777</u>	<u>\$324,062</u>
Cash flows from non-capital financing activities:		
Transfer in – State of Connecticut Housing Loan Program	\$7,406,773	\$6,688,876
Net cash provided by non-capital financing activities	<u>\$7,406,773</u>	<u>\$6,688,876</u>
Cash flows from capital and related financing activities:		
Advances from State of Connecticut-contract assistance	\$3,231,899	\$2,216,407
Capital contributions – State of Connecticut	5,341,317	2,567,978
Capital contributions – Other	(603,645)	(228,645)
Principal paid on bonds and loans	(3,975,134)	(3,993,206)
Interest paid on bonds and loans	(2,620,181)	(2,390,496)
Purchases of capital assets	(6,100,622)	(3,552,159)
Net cash used in capital and related financing activities	<u>\$(4,726,366)</u>	<u>\$(5,380,121)</u>
Net increase in cash and cash equivalents	\$3,975,135	\$1,317,392
Cash and cash equivalents, beginning of year	29,024,044	27,706,652
Cash and cash equivalents, end of year	<u>\$32,999,179</u>	<u>\$29,024,044</u>
Cash and cash equivalents, end of year:		
Unrestricted cash and cash equivalents, and investments	\$13,552,817	\$16,498,218
Restricted cash and cash equivalents, and investments (current)	14,199,810	7,749,547
Restricted cash and cash equivalents, and investments (non-current)	5,246,552	4,776,279
	<u>\$32,999,179</u>	<u>\$29,024,044</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Loss from operations	\$(9,333,677)	\$(7,738,194)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,069,853	12,530,327
(Increase)/decrease in operating assets:		
Accounts receivable	132,773	3,389,675
Other assets	(99,112)	387,567
Loans receivable – Housing	(7,406,773)	(6,688,876)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	4,714,887	(2,195,924)
Net cash provided by (used in) operating activities	<u>\$1,077,951</u>	<u>\$(315,425)</u>

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

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2018 and 2017

Note 1 – Organization

The Capital Region Development Authority (the "Authority") was established in 1998 under Title 32, Chapter 588x 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 14-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 3,000 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 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, 2018 and 2017

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 is 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, 2018 and 2017

Note 2 – Significant Accounting Policies (*Continued*)

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 ("STIF")) with an original maturity of three months or less to be cash equivalents.

Investments – Investments in external investment pools consist of money market mutual funds, including STIF, which is managed by the State of Connecticut Treasurer's Office. Investments in money market mutual funds and STIF and reported at the net assets' value per share as determined by the pool.

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. Total housing loans receivable were \$53,948,194 and \$42,319,173, net of an allowance for grant funding of \$4,222,248 and \$0 as of June 30, 2018 and 2017, respectively. 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 5.75% and mature at various dates through May 2058. 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, 2018 and 2017

Note 2 – Significant Accounting Policies (Continued)

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

Assets	Years
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, 2018, the Authority reported an allowance for doubtful accounts of \$10,010 related to the XL Center. There was no allowance for doubtful accounts reported as of June 30, 2017.

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. 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, 2018 and 2017

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 entity's 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.

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 conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the June 30, 2017 financial statement presentation to conform to the current year presentation.

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 2018 decreased to \$1,503,321 from \$1,640,821 in fiscal year 2017. 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 OPM), in accordance with the enabling legislation. During the fiscal years ended June 30, 2018 and 2017, the Authority was appropriated \$3,908,300 per year to be expended for the Convention Center Project and \$600,000 per year for the XL Center. The Authority was also appropriated \$250,000 in fiscal year 2018 and \$200,000 in fiscal year 2017 to be expended for the Connecticut Tennis Center. The Authority also entered into a Memorandum of Understanding with the OPM, 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 2018 and 2017, the Authority received project fees in the amounts of \$40,000 and \$30,000, 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, 2018, the remaining balance from this gift is \$411,125 and is included in restricted cash and cash equivalents in the accompanying balance sheets.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2018 and 2017

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, 2018 and 2017, the Authority closed a total of 12 and 10 housing loan projects, respectively, providing a commitment for \$58,942,627 and \$49,418,091 in loans. The Authority disbursed \$52,392,122 and \$47,593,345 in loans, respectively, by the end of the fiscal years 2018 and 2017 and recognized transfers in of these amounts from the State of Connecticut.

As a result of Public Act #239, 2013, as amended, the Authority was authorized \$3,709,000 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 \$1,214,000, respectively. Of these appropriations, the Authority has made total disbursements in the amounts of \$2,495,000 and \$1,169,009, respectively.

As a result of Public Act #98, 2014, the Authority was authorized \$30,000,000 in appropriations from the State of Connecticut for the purposes and uses provided in Section 32-602 of the Connecticut General Statutes. \$26,750,000 of this authorization was appropriated for encouraging development as provided in Section 32-602 of the Connecticut General Statutes. Of these appropriations, the Authority has made total disbursements in the amount of \$17,124,757 for the purchase of and renovations for the Church Street garage and \$3,450,000 for the purpose of alterations, renovations and improvements at the XL Center.

As a result of Public Act #1, 2015, the Authority was authorized \$50,000,000 in appropriations from the State of Connecticut for the purposes and uses provided in Section 32-602 of the Connecticut General Statutes. \$31,340,000 of this authorization was appropriated for encouraging development as provided in Section 32-602 of the Connecticut General Statutes. Of these appropriations, the Authority has made total disbursements in the amount of \$6,280,105 for the purpose of providing grants or loans to encourage residential housing development within the capital region and \$693,781 for the purpose of alterations, renovations and improvements at Rentschler Field.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 4 – Cash Deposits and Investments

Cash and cash equivalents:

Cash and cash equivalents consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Cash deposits	\$6,906,595	\$8,204,709
Restricted:		
Cash deposits	\$17,417,762	\$11,895,910

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, 2018 and 2017, the Authority's bank balance of cash deposits totaled \$24,970,128 and \$20,502,767, respectively. Of those balances, the following represents the amounts exposed to custodial credit risk:

	<u>2018</u>	<u>2017</u>
Uninsured and uncollateralized	\$19,373,464	\$14,362,901
Uninsured but collateralized with securities held in the Authority's name **	2,627,271	3,736,577
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	2,209,286	1,636,110
Total	<u>\$24,210,021</u>	<u>\$19,735,588</u>

** 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, 2018 and 2017

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

Investments

Interest rate risk

As of June 30, 2018 and 2017, the Authority's total investments consisted of \$8,674,822 and \$8,923,425, respectively, in the Short-Term Investment Fund ("STIF"). Investments in STIF include unrestricted and restricted amounts of \$6,646,222 and \$2,028,600 as of June 30, 2018, respectively and \$6,804,983 and \$2,118,442 as of June 30, 2017, respectively. 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, 2018 and 2017, 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, 2018 and 2017.

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 STIF 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, 2018 and 2017, the STIF 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, 2018 and 2017, 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, 2018 and 2017

Note 5 – Capital Assets:

Construction in progress in fiscal year 2018 consisted of building renovations and equipment at the XL Center.

A summary of capital assets as of June 30, 2018 is as follows:

	2018			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible assets	\$600,000	\$ -	\$ -	\$600,000
Construction in progress (CIP)	55,412	473,723	(431,673)	97,462
Intangible and CIP, net	<u>\$655,412</u>	<u>\$473,723</u>	<u>\$(431,673)</u>	<u>\$697,462</u>
Capital assets being depreciated:				
General operations:				
General operating equipment	\$380,872	\$1,877	\$ -	\$382,749
Less: accumulated depreciation	365,004	10,457	-	375,461
General operations, net	<u>\$15,868</u>	<u>\$(8,580)</u>	<u>\$ -</u>	<u>\$7,288</u>
Combined facilities:				
Buildings and improvements	\$393,449,126	\$ 4,963,376	\$(9,150)	\$398,403,352
Equipment and furnishings	14,429,837	1,282,139	(179,670)	15,532,306
Total Combined facilities	407,878,963	6,245,515	(188,820)	413,935,658
Less: accumulated depreciation	113,773,476	13,059,395	-	126,832,871
Combined facilities, net	<u>\$294,105,487</u>	<u>\$(6,813,880)</u>	<u>\$(188,820)</u>	<u>\$287,102,787</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 5 – Capital Assets (Continued)

Construction in progress in fiscal year 2017 consisted of building renovations and equipment at the XL Center. 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 (See Note 15).

A summary of capital assets as of June 30, 2017 is as follows:

	2017			Ending Balance
	Beginning Balance	Additions	Deletions	
Capital assets not being depreciated:				
Intangible assets	\$600,000	\$ -	\$ -	\$600,000
Construction in progress (CIP)	-	129,534	(74,122)	55,412
Intangible and CIP, net	<u>\$600,000</u>	<u>\$129,534</u>	<u>\$(74,122)</u>	<u>\$655,412</u>
Capital assets being depreciated:				
General operations:				
General operating equipment	\$376,974	\$3,898	\$ -	\$380,872
Less: accumulated depreciation	332,087	32,917	-	365,004
General operations, net	<u>\$44,887</u>	<u>\$(29,019)</u>	<u>\$ -</u>	<u>\$15,868</u>
Combined facilities:				
Buildings and improvements	\$390,967,763	\$2,481,363	\$ -	\$393,449,126
Equipment and furnishings	13,418,478	1,015,086	(3,727)	14,429,837
Total Combined facilities	404,386,241	3,496,449	(3,727)	407,878,963
Less: accumulated depreciation	101,276,193	12,497,410	(127)	113,773,476
Combined facilities, net	<u>\$303,110,048</u>	<u>\$(9,000,961)</u>	<u>\$(3,600)</u>	<u>\$294,105,487</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2018 and 2017

Note 6 – Contingent Assets

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 97%.

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 MOU 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 \$41,048,000. 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 have been no distributions from Temple under the Second Mortgage. Accumulative interest pertaining to the property has been received from CHFA totaling \$43,739 through June 30, 2018. This project reached substantial completion on May 24, 2007. The apartment component of Temple Street, known as the Lofts, is currently 94% occupied, and the retail/commercial component is currently 100% leased.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements *(Continued)*

June 30, 2018 and 2017

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 OPM 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 \$9,000,000 in any calendar year.

For the fiscal years 2018 and 2017, amounts available from parking and energy fee revenues to reimburse the State for contract assistance payments were \$3,231,900 and \$2,216,406, respectively, less than the amount required to fully reimburse the State (*See Note 8*). It is anticipated that for the fiscal year 2019, a shortfall of approximately \$3,700,000 million will occur. The Authority remains obligated to repay these amounts that currently total \$40,149,791 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, 2017, 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 (*See Note 15*).

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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, 2018:

Issue	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
2004 Series B, variable rate bonds \$57,470,000 due from June 2017 to June 2034 (interest rates ranging from 1% - 2.5%)	\$ 55,530	\$ -	\$ 2,040	\$ 53,490
2005 Series C, fixed rate bonds \$15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	8,875	-	715	8,160
2008 Series D fixed rate bonds \$22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-5.75%)	18,280	-	615	17,665
Subtotal	82,685	-	3,370	79,315
Bond discount, 2009 Series D	(304)	-	(18)	(286)
Bonds payable	\$ 82,381	\$ -	\$ 3,352	\$ 79,029

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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, 2017:

Issue	Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017
2004 Series B, variable rate bonds \$57,470,000 due from June 2017 to June 2034 (interest rates ranging from 1% - 2.5%)	\$57,470	\$ -	\$1,940	\$55,530
2005 Series C, fixed rate bonds \$15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	9,580	-	705	8,875
2008 Series D fixed rate bonds \$22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-7.0%)	18,870	-	590	18,280
Subtotal	85,920	-	3,235	82,685
Bond discount, 2009 Series D	(322)	-	(18)	(304)
Bonds payable	<u>\$85,598</u>	<u>\$ -</u>	<u>\$3,217</u>	<u>\$82,381</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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, 2018, 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		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$1,375	\$1,381	\$2,756	\$2,140	\$938	\$3,078
2020	1,425	1,312	2,737	2,245	904	3,149
2021	1,485	1,241	2,726	2,345	868	3,213
2022	1,550	1,167	2,717	2,445	830	3,275
2023	1,650	1,089	2,739	2,520	790	3,310
2024-2028	9,355	4,090	13,445	14,445	3,298	17,743
2029-2033	7,415	1,647	9,062	22,200	1,970	24,170
2034	1,570	90	1,660	5,150	174	5,324
	<u>\$25,825</u>	<u>\$12,017</u>	<u>\$37,842</u>	<u>\$53,490</u>	<u>\$9,772</u>	<u>\$63,262</u>

Year ending June 30:	Total Debt Service		
	Principal	Interest	Total
2019	\$3,515	\$2,319	\$5,834
2020	3,670	2,216	5,886
2021	3,830	2,109	5,939
2022	3,995	1,997	5,992
2023	4,170	1,879	6,049
2024-2028	23,800	7,388	31,188
2029-2033	29,615	3,617	33,232
2034	6,720	264	6,984
	<u>\$79,315</u>	<u>\$21,789</u>	<u>\$101,104</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements *(Continued)*

June 30, 2018 and 2017

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, August 5, 2014, July 10, 2015, and July 3, 2018, 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 27, 2021, 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.

The Authority is required to pay to the Bank an annual fee for the liquidity agreement equal to .76% per annum through August 27, 2018 and .66% 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 \$406,764 and \$356,851 in fiscal years 2018 and 2017, 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 three-month period. Remarketing fees were \$38,871 and \$40,169 in fiscal years 2018 and 2017, respectively.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 8 – Long Term Debt (Continued)

Loans Payable

On June 30, 2004, the Authority entered into a Construction and Term Loan agreement with the Travelers Indemnity Company ("Travelers") to provide up to \$12,500,000 in funding for a parking garage. No advances were made under this agreement because the Authority had constructed the garage using other funds. On March 24, 2008, the Authority entered into an Amended and Restated Term Loan Agreement with Travelers, at which time the entire \$12,500,000 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. The loan matures on December 1, 2027.

Changes in the loans payable (in 000's) were as follows for the year ended June 30, 2018:

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
Traveler's Loan Payable	\$8,155	\$ -	\$606	\$7,549
	<u>\$8,155</u>	<u>\$ -</u>	<u>\$606</u>	<u>\$7,549</u>

Changes in the loans payable (in 000's) were as follows for the year ended June 30, 2017:

	Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017
Traveler's Loan Payable	\$8,731	\$ -	\$576	\$8,155
XL Center Loan Payable	200	-	200	-
	<u>\$8,931</u>	<u>\$ -</u>	<u>\$776</u>	<u>\$8,155</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
2019	\$637	\$363
2020	669	331
2021	703	296
2022	739	260
2023	777	222
2024-2028	4,024	479
	<u>\$7,549</u>	<u>\$1,951</u>

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2018 and 2017

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 Reporting 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 IIA

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 9 – Pension Plans (Continued)

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, 2018 and 2017 was \$1,254,264 and \$1,278,665 respectively.

The Authority has made total pension payments in the amounts of \$691,349 and \$634,953 to the State of Connecticut and recorded as Authority operations expense in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2018 and 2017, respectively.

Administrative costs of the plan are funded by the State.

The total net pension liability of the SERS as of June 30, 2017 was \$21.071 billion, the most recent available reporting provided by the Plan. The portion that was associated with the Authority totaled approximately \$5,820,419 or approximately 0.028% (an increase of .001% from the prior measurement date) of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The portion of the net pension liability associated with the Authority was based on a projection of the long-term share of contributions to the plan related to the Authority relative to the projected contributions of all participants, actuarially determined. The pension expense attributed to the Authority totaled \$452,356 for the year ended June 30, 2017.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 9 – Pension Plans (Continued)

As of June 30, 2017, 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
\$1,542,298,000	40.05%	\$1,063,756	\$426,032	0.028%

The components of the net pension liability of the Authority based on the Authority's proportionate share of 0.028% as of June 30, 2017, the latest measurement date for which plan information is currently available is as follows:

Total pension liability	\$9,130,145
Plan fiduciary net position	3,309,726
Net pension liability	<u>\$5,820,419</u>

Plan fiduciary net position as a percentage of the total pension liability was 36.25% as of June 30, 2017.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary increases	3.50% - 19.50% (includes inflation)
Investment rate of return	6.90% (includes inflation)

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for the period after disability. The projection of the mortality rates with Scale BB provides a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0	6.6
Emerging market (Non-U.S)	9.0	8.3
Real Estate	7.0	5.1
Private Equity	11.0	7.6
Alternative Investments	8.0	4.1
Fixed Income (Core)	8.0	1.3
High Yield Bonds	5.0	3.9
Emerging Market Bond	4.0	3.7
Inflation Linked Bonds	5.0	1.0
Cash	4.0	0.4

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 9 – Pension Plans (Continued)

Deferred Outflows/Inflows of Resources: Deferred inflows and outflows 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 or outflow of resources until that time. The State of Connecticut recognizes deferred inflows and outflows 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. These amounts are deferred and amortized as a component of pension expense. The Authority's share of a deferred outflow of resources for the difference between expected and actual experience, the net difference between projected and actual investment earnings on the plan's investments, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions total \$1,194,551 and \$1,687,708, respectively, as of June 30, 2017 and June 30, 2016. The net deferred outflows are expected to be amortized over the next five years in the amounts of \$333,214, \$372,711, \$325,246, \$158,555, and \$4,825.

Discount rate: The discount rate used to measure the total pension liability of the SERS Plan was 6.90%. 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 6.90% 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 (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability As of June 30, 2017	\$6,731,199	\$5,820,419	\$4,685,819

Detailed information about the Plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

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, 2018 and 2017

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 with the HBN Front Street District, Inc. ("HBN") for Tract I of the Entertainment, Retail, and Residential portion of the Adriaen's Landing District. The lease has an annual lease payment of one dollar (\$1) and expires on June 30, 2104.

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 lease has an annual lease payment of One Dollar (\$1) and expires on August 31, 2104.

On December 17, 2013, the Authority and State of Connecticut entered into a site lease with HBN for Tract II of the Entertainment, Retail, and Residential portion of the Adriaen's Landing District. The lease has an annual lease payment of One Dollar (\$1) and expires on June 30, 2104.

Effective July 1, 2013, the Authority signed a lease agreement with the City of Hartford for the fee title of the XL Center for a 10-year period with two 5-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 2018 and 2017, the Authority did not recognize any rent expense due to a shortfall in legally available funds. Payment of the remainder of the rent for the first five lease years in the amount of \$11,765,000 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 original management agreement's term was for a period of five years expiring on June 30, 2015. This agreement was extended for two additional 1-year terms and expired on June 30, 2017. A new 5-year agreement was entered into effective July 1, 2017. Fees paid for fiscal years ended June 30, 2018 and 2017 were \$202,900 and \$199,544, respectively.
- Catering and concessions agreement for the Connecticut Convention Center - The original management agreement's term was for a period of five years expiring on June 30, 2015. This agreement was extended for two additional 1-year terms and expired on June 30, 2017. A new 5-year agreement was entered into effective July 1, 2017. Catering and concession fees paid for the fiscal years ended June 30, 2018 and 2017 were \$121,500 and \$119,522, respectively.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (*Continued*)

June 30, 2018 and 2017

Note 10 – Commitments and Contingencies (*Continued*)

Management and other agreements (*Continued*)

- 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 \$473,529 and \$453,260 for the fiscal years ended June 30, 2018 and 2017, 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.
- 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, 2018 and 2017 were \$375,321 and \$388,434, 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. Cumulative capital contributions made totaled \$1,000,000, \$536,450 and \$750,000, respectively, and have been included in capital contributions-other. 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 \$80,761 and \$78,409 for the years ended June 30, 2018 and 2017, respectively.
- Parking management agreement for the Church Street Parking Garage – On June 23, 2015, the Authority acquired the Church Street Parking Garage (the "Garage"). The management agreement's term expires on June 30, 2021, cancellable by CRDA after the completion of the third year. Fees paid under this agreement totaled \$12,360 and \$5,000 for the years ended June 30, 2018 and 2017, respectively.

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 \$748,050 for fiscal years 2018 through 2022. The Authority records these subsidies as a reduction to revenues once contracts are executed in the year the services are provided. In fiscal years 2018 and 2017, \$227,239 and \$131,811, respectively, was paid and expensed under these subsidies. These subsidies generated approximate tax revenue for the State of \$1,200,000 and \$1,000,000, respectively, for the same period of time.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements *(Continued)*

June 30, 2018 and 2017

Note 10 – Commitments and Contingencies *(Continued)*

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 14-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.

Note 11 – Development Costs

During the years ended June 30, 2018 and 2017, 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 the pass-through of grant revenue to the Tennis Foundation of Connecticut, operating funding for the Church Street Garage, and land remediation. Such costs totaled \$308,828 and \$300,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, respectively.

CAPITAL REGION DEVELOPMENT AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

Note 13 – Segment Information (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position		
	2018	2017
Pledged revenues:		
Parking:		
Bond pledge	\$6,466,792	\$6,300,810
Traveler's loan pledge	999,624	999,624
Total Parking	7,466,416	7,300,434
Energy	3,051,005	2,945,888
Other	3,637	3,347
Total pledged revenues	\$10,521,058	\$10,249,669
Operating expenses:		
Parking	\$3,813,344	\$3,591,906
Energy	1,887,728	1,751,983
Other	465,534	455,286
Total operating expenses	\$6,166,606	\$5,799,175
Net revenue over expenses	\$4,354,452	\$4,450,494
Available for the Traveler's loan repayment	999,624	999,624
Available for debt service	\$3,354,828	\$3,450,870

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

Note 14 – Litigation

As of June 30, 2018, the Authority is involved in certain legal proceedings 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 – Subsequent Events

On July 23, 2018, the Authority entered into a Women's Tennis Association ("WTA") Sanction Purchase Agreement with the Tennis Foundation of Connecticut ("TFC"). This agreement transferred CRDA's WTA tour tournament membership to the TFC with the TFC assuming all liabilities associated with operating the tournament. For the year ended June 30, 2018, CRDA carried an intangible asset in the amount of \$600,000 relating to the WTA Tour tournament membership.

On September 13, 2018, the Authority issued a series of its Parking and Energy Fee Revenue Bonds ("CRDA 2018 Refunding Series Bonds") with a par amount of \$16.365 million for the purposes of paying the cost of refunding the CCEDA 2008 Series D Parking and Energy Fee Revenue Bonds and issuing the CRDA 2018 Refunding Series Bonds. In connection with the bond refunding, the Authority amended its Supplemental Indenture agreement and Contract for Assistance agreement.

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
Capital Region Development Authority

We have audited, in accordance with the 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 business-type activities 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, 2018, 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 24, 2018.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hartford, Connecticut
September 24, 2018