AUDITORS' REPORT

Capital Region Development Authority

FISCAL YEARS ENDED JUNE 30, 2023 AND 2024

STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor

CRAIG A. MINOR
State Auditor

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July 28, 2026

INTRODUCTION

We are pleased to submit this audit of the Capital Region Development Authority (CRDA) for the fiscal years ended June 30, 2023 and 2024 in accordance with the provisions of Sections 1-122 and 2-90 of the Connecticut General Statutes. Our audit identified one finding involving an internal control deficiency and an instance of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Capital Region Development Authority during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Ramiz Mehmedovic

Ramiz Mehmedovic
Associate Auditor

Approved:

John C. Geragosian
State Auditor

Craig A. Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Capital Region Development Authority disclosed the following recommendation, which was not repeated from the previous audit:

Finding 1

XL Center Ticketing Agreement

Background

In 2013, the Capital Region Development Authority (CRDA) entered a facilities management agreement with Global Spectrum, L.P. to act as CRDA's agent for managing operations at the XL Center (now PeoplesBank Arena) and Rentschler Field. In November 2021, Oak View Group (OVG) acquired Global Spectrum and assumed this role.

Criteria

The facilities management agreement between CRDA and OVG stipulates that contracts exceeding an annual value of $50,000 must be competitively bid and approved by CRDA. While the agreement generally gives OVG the authority to execute contracts necessary for facility operations, it requires CRDA approval of ticketing agreements and compliance with state contracting standards.

Section 9-612 of the General Statutes requires an executed affidavit regarding campaign contributions by state contractors; Section 4-252 requires an affidavit concerning gifts from state contractors; and Section 4a-60 mandates the inclusion of nondiscrimination language in state contracts. Furthermore, the facilities management agreement between CRDA and OVG requires that all facility operations contracts and subcontracts should be awarded and administered in accordance with all applicable state contracting standards.

Condition

Our review of the ticketing agreement for the XL Center, executed in July 2023, identified the following issues:

- OVG, on behalf of CRDA, did not solicit the required minimum of three proposals or bids.

- OVG awarded the contract to the vendor without obtaining proper CRDA approval.

- The agreement lacked required compliance documentation, including executed affidavit forms and nondiscrimination language. Specifically, the agreement was missing the SEEC Form 10, Gift and Campaign Contribution Certificate, and nondiscrimination provisions.

Context

OVG, acting as CRDA's agent in managing operations at the XL Center, executed the ticketing agreement with the third-party vendor. The agreement is structured around variable fees and a revenue-sharing model, with an annual value exceeding $50,000.

Effect

The authority did not ensure that its facilities manager complied with the General Statutes and its facilities management agreement relating to the XL Center's ticketing agreements.

Cause

There was a lack of managerial oversight.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Capital Region Development Authority should improve monitoring over its facilities manager to ensure compliance with contract requirements.

Agency Response

"CRDA management agrees with this recommendation as the condition was reported by CRDA to the State Auditors of Public Accounts."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the Capital Region Development Authority contained one recommendation. The recommendation has implemented and resolved.

Prior Recommendation	Current Status
The Capital Region Development Authority should strengthen internal controls to ensure that contracts include affidavits required by the General Statutes and authority policy.	**RESOLVED**

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Capital Region Development Authority in fulfillment of our duties under Sections 1-122 and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2023 and 2024. The objectives of our audit were to evaluate the:

1. Authority's significant internal controls over compliance and its compliance with policies and procedures internal to the authority or promulgated by other state agencies, as well as certain legal provisions, including as applicable, but not limited to whether the authority has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance;

2. Authority's internal controls over certain financial and management functions; and

3. Effectiveness, economy, efficiency, and equity of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the authority, and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the authority's management and the authority's information systems, and was not subjected to the procedures applied in our audit of the authority. For the areas audited, we:

1. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures;

2. Identified deficiencies in internal controls; and

3. Did not identify a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Capital Region Development Authority.

ABOUT THE AGENCY

Overview

The [Capital Region Development Authority (CRDA)] was established as the successor to the Capital City Economic Development Authority in 2012 under Title 32, Chapter 588x of the General Statutes. As a quasi-public agency under Section 1-120 of the General Statutes, the authority is a body politic and corporate, constituting a public instrumentality and a political subdivision of the state. For financial reporting purposes, the authority is a component unit of the state, and its financial statements are included in the State of Connecticut's Annual Comprehensive Financial Report.

CRDA was created to stimulate new investment within the capital region to create a vibrant multidimensional downtown; operate, maintain, and market the Connecticut Convention Center; coordinate the use of all state and municipal planning and financial resources that are available for any capital city project; strengthen Hartford's role as the region's major business and industry employment center and seat of government; manage facilities through contractual agreement; encourage residential housing development in downtown Hartford; and facilitate the relocation of state office buildings.

CRDA is responsible for the development and/or management of several major area venues, including the PeoplesBank Arena, the Connecticut Convention Center, the Connecticut Science Center, Front Street District, Dillon Stadium, Connecticut Regional Market as well as a few housing projects and parking facilities in and around downtown Hartford. Various contractors manage the day-to-day operations of these venues and report regularly to CRDA. CRDA is also responsible for managing the Stadium at Rentschler Field on behalf of the State of Connecticut Office of Policy and Management (OPM). CRDA and OPM entered a memorandum of understanding, detailing CRDA's responsibilities, which has been in place since July 1, 2013. CRDA contracted with a venue management firm to manage the stadium's day-to-day activities.

Organizational Structure

In accordance with Section 32-601(b) of the General Statutes, the authority's board of directors consists of 14 members, as follows: four that serve as ex-officio members, four appointed by the Governor, two appointed by the mayor of the city of Hartford, two appointed by the General Assembly, and the mayors of Hartford and East Hartford.

Michael Freimuth served as executive director throughout the audited period. David Steuber assumed the role of executive director effective October 31, 2025, and continues to serve in that capacity.

Significant Legislation

Notable legislative changes that took effect during the audited period are presented below:

Public Act 23-204 **(Sections 393 & 394)**, effective July 1, 2023, allowed the Capital Region Development Authority (CRDA) to enter into one or more agreements to renovate and reconstruct the PeoplesBank Arena. The act allowed CRDA by December 31, 2025, to extend its agreement with the contractor managing and operating the arena on July 1, 2023. The act allowed CRDA to enter into two separate agreements concerning the arena (1) management and operation and (2) reconstruction and renovation. The agreement must provide that CRDA, the state, or combined, must contribute no more than $80 million, and the contractor must contribute at least $20 million toward the cost of any renovation or reconstruction after January 1, 2023.

Public Act 23-205 **(Section 2)**, effective July 1, 2023, authorized new state bond funding for several CRDA projects. The act provided up to $17 million for alterations, renovations, and improvements at the

Connecticut Convention Center and Rentschler Field; up to $5 million for alterations, renovations, and improvements to parking garages in Hartford; and up to $15 million for alterations, renovations, and improvements at the XL Center, including the acquisition of adjacent real estate and rights-of-way.

Public Act 24-81 (Section 48), effective July 1, 2024, increased to $125 million the maximum amount of funding that CRDA, the state, or combined, must contribute towards the cost of any renovation or reconstruction of the XL Center after January 1, 2023, while maintaining the contractor's required $20 million contribution.

Financial Information

Statement of Net Position

Based on the authority's audited financial statements issued on September 25, 2024, a summary of assets, liabilities and net position for the audited period follows:

	As of June 30,	
	2023	2024
Assets		
Current Assets	$ 62,003,159	$ 74,240,455
Noncurrent Assets	438,369,228	459,707,722
Total Assets	500,372,387	533,948,177
Liabilities		
Current Liabilities	48,953,033	56,336,868
Noncurrent Liabilities	134,993,279	135,323,346
Total Liabilities	183,946,312	191,660,214
Deferred Outflows of Resources		
Deferred Amount of Pension	2,149,994	1,991,665
Deferred Amount of OPEB	1,769,518	1,973,468
Total Deferred Outflows of Resources	3,919,512	3,965,133
Deferred Inflows of Resources		
Leases	21,764,292	15,076,468
Deferred Amount for Pension	1,469,267	1,505,858
Deferred Amount for OPEB	3,130,956	2,696,305
Total Deferred Inflows of Resources	26,364,515	19,278,631
Net Position		
Net Investment in Capital Assets	153,714,512	153,070,961
Restricted	144,638,084	163,924,283
Unrestricted	(4,371,524)	9,979,221
Total Net Position	293,981,072	326,974,465
Total Liabilities, Deferred Inflow of Resources, and Net Position	**$ 504,291,899**	**$ 537,913,310**

The authority's total assets increased by $39.1 million (8.5%) in fiscal year 2023 and $33.6 million (6.7%) in fiscal year 2024. The growth in assets was primarily due to an increase in loans receivable, PeoplesBank Arena and Church Street parking garage capital additions, and subscription-based informational technology agreements.

The authority can issue its own bonds, bond anticipation notes, and other obligations to achieve the purposes outlined in Section 32-602 of the General Statutes. Obligations of the authority are not deemed to constitute debt of the state. As of June 30, 2024, the authority was authorized to issue up to $122,500,000 in bonds and other obligations. As of June 30, 2024, the authority issued $110,000,000 in four series of parking and energy fee revenue bonds, the proceeds of which provided financing for the Adriaen's Landing project. On September 13, 2018, the authority issued a fifth series of its Parking and Energy Fee Revenue Bonds, 2018 Refunding Bonds, with a par value of $16,365,000 in an aggregate principal amount of not more than the remaining outstanding principal amount of the prior bonds. CRDA also entered into a $12,500,000 loan agreement with the Travelers Indemnity Company prior to the audited period. As of June 30, 2024, the authority's bonds payable totaled $55,711,000 and loans payable totaled $3,207,000.

Pursuant to the provisions of Section 32-608 of the General Statutes, the state and the authority entered into a contractual assistance agreement equal to the amount of the annual debt service on the outstanding bonds. The statute requires the authority to reimburse the state for any assistance received under this contract utilizing parking and energy fee revenues. There was $6,120,761 and $6,651,485 available from parking and energy fee revenues to reimburse the state for contractual assistance payments for the fiscal years 2023 and 2024, respectively. This was less than the amounts required to fully reimburse the state. As of June 30, 2024, the statute obligates the authority to repay the state $70,256,074 in contractual assistance.

Statement of Revenues, Expenses and Changes in Net Position

Based on the authority's audited financial statements issued on September 25, 2024, a summary of revenues, expenses and changes in net position for the audited period follows:

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2024
Operating Revenues		
Grants-State of Connecticut	$ 9,627,787	$ 11,398,872
Combined Facilities	40,875,728	50,568,721
Other Operating Revenue	955,367	1,577,210
Total Operating Revenues	51,458,882	63,544,803
Operating Expenses		
Personnel and General	1,627,843	2,118,478
Coronavirus Relief Fund	-	-
American Rescue Plan Act	1,978,666	698,934
Pension Expenses	463,444	713,438
Combined Facilities	44,869,678	57,155,165
Depreciation and Amortization	15,676,583	17,889,357
Total Operating Expenses	64,616,214	78,575,372
Income (Loss) from Operations	(13,157,332)	(15,030,569)
Non-Operating Revenue (Expense)		
Interest Income	2,662,271	4,714,014
Interest Expense	(2,165,364)	(2,421,762)
Non-Operating Revenue (Expense), net	496,907	2,292,252
Capital Contributions – State of CT	21,281,959	19,707,540
Transfer – State of CT Housing Loan Program	12,772,506	26,024,170
Change in Net Position	**$ 21,394,040**	**$ 32,993,393**

The State of Connecticut provides an operational grant to fund the authority's payroll and administrative costs. The authority carries forward any unexpended balances. State grants also assist with the operations of the Convention Center, PeopleBank Arena, Rentschler Field and Front Street District. The increase in combined facilities revenue in fiscal years 2023 and 2024 was due to CRDA venues operating for full fiscal years, compared with only a partial year of operations in fiscal year 2023 following the end of the COVID-related shutdown. The decline in State of Connecticut grants was primarily due to reduced funding from the Coronavirus Relief Fund and the American Rescue Plan Act during fiscal years 2023.

Since fiscal year 2016, the State Bond Commission authorized up to $50,000,000 in debt per year for CRDA to fulfill its mission under Section 32-602 of the Connecticut General Statutes. Following is a summary of CRDA's authorized, allocated, and unallocated bond funds:

	Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
Amount Authorized	$ 10,000,000	$ 20,000,000	$ 50,000,000	$ -	$ 35,000,000
Allocated as of FYE 24	10,000,000	7,000,000	11,500,000	-	-
Unallocated as of FYE 24	$ -	$ 13,000,000	$ 38,500,000	$ -	$ 35,000,000

Other Examinations

An independent public accounting firm audited the CRDA financial statements for the years under review. The audits provided opinions that the financial statements presented fairly, in all material respects, the financial position of the Capital Region Development Authority for the audited period, and the results of the operations and cash flows during that period in conformity with accounting principles generally accepted in the United States of America.

The independent public accounting firm also separately audited the financial statements for the operations of the Stadium at Rentschler Field for the years under review. The auditors found that the financial statements presented fairly, in all material respects, the financial positions of the facility operations.

As an integral part of their financial statement audits, the independent public accounting firm also provided reports on internal control over financial reporting and compliance. The reports on internal control over financial reporting disclosed no deficiencies in internal control that were considered a material weakness. The reports on compliance with certain laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.