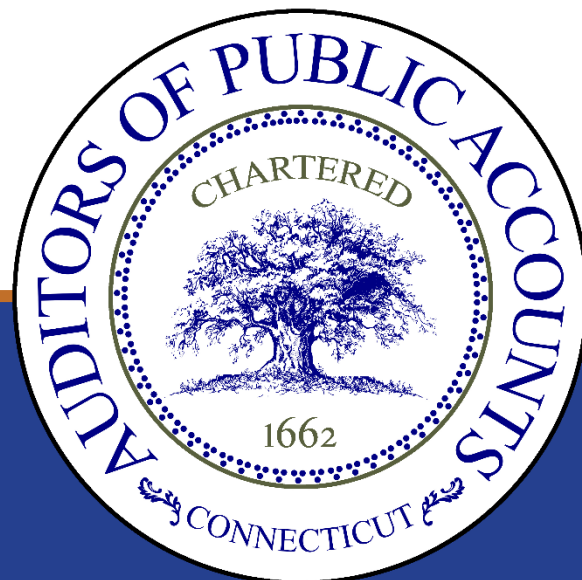


AUDITORS' REPORT

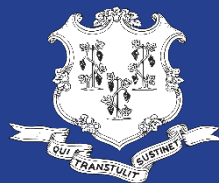
Connecticut Port Authority

FISCAL YEARS ENDED JUNE 30, 2020 AND 2021



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CLARK J. CHAPIN
State Auditor

CONTENTS

INTRODUCTION.....	3
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	4
Construction-Manager-at-Risk Self-Performing Work	4
Selection of Consultants	6
Noncompliance with Reporting Requirements	8
STATUS OF PRIOR AUDIT RECOMMENDATIONS	10
OBJECTIVES, SCOPE, AND METHODOLOGY	12
ABOUT THE AGENCY.....	14

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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August 3, 2023

INTRODUCTION

We are pleased to submit this audit of the Connecticut Port Authority (CPA) for the fiscal years ended June 30, 2020 and 2021 in accordance with the provisions of Sections 1-122 and 2-90 of the Connecticut General Statutes. Our audit identified instances of noncompliance with laws, regulations, and policies; internal control deficiencies; and a need for improvement in practices and procedures that warrant the attention of management.

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

A handwritten signature in black ink that reads "T. Sidarau".

Tatsiana Sidarau
Associate Auditor

Approved:

A handwritten signature in black ink, appearing to be "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in black ink that reads "Clark J. Chapin".

Clark J. Chapin
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Port Authority disclosed the following three recommendations, one of which has been repeated from the previous audit:

Finding 1

Construction-Manager-at-Risk Self-Performing Work

Background

The Connecticut Port Authority entered a construction manager at-risk contract (CMR) for the redevelopment of the State Pier. A construction manager at-risk contract is a delivery method that requires the construction manager (CM) to commit to deliver the project within a guaranteed maximum price. The guaranteed maximum price is based on the construction documents and specifications at the time of the contract plus any reasonably inferred items or tasks.

A construction administrator managed the construction manager at-risk contract and assisted the port authority in the administration of all other project contracts CPA was a party or a third-party beneficiary. The construction administrator also provided preconstruction services including the development of the CMR agreement, and preparation and management of the CMR solicitation.

Sections 4b-103 and 10a-109n(9) of the General Statutes prohibit the construction manager from bidding on subcontracts procured by the University of Connecticut and the Department of Administrative Services. Section 13a-95b of the General Statutes allows a construction manager hired by the Department of Transportation (DOT) to perform the work if the CMR is more cost-effective than a subcontractor. However, the law also requires DOT to establish all criteria, requirements, and conditions of such proposals and award and to have sole responsibility for all other aspects of the project. There are no CMR contract statutes for quasi-public agencies.

Criteria

Good business practices dictate that the construction manager at-risk contract should include provisions to provide the best value, avoid favoritism, and award subcontracts in an equitable manner.

Condition

Our review of the port authority's construction manager-at-risk contract found that the agreement allowed the construction manager to bid on its subprojects. The construction manager developed the projects' bid package strategy, qualitative criteria, and materials. If the construction manager is awarded a subcontract to perform work on its project, it monitors its own quality, safety, price, and completion schedule. When bidding to perform the work, the construction manager also managed the day-to-day advertising and pre-bid notices, reviewed and assessed bid packages, participated in the meetings with the lowest qualified bidders and recommended awards in writing to the construction administrator and CPA for the lowest, qualified, and responsible bidder for each bid package. The construction manager was required to submit a bid to perform work in the same manner as all other trade contractors except that it was required to submit a bid in advance of the official due date.

Context

At the time of our review, the port authority provided us with a list of 30 bid packages related to various infrastructure improvements to the State Pier. The construction manager was awarded to self-perform six of them. We judgmentally selected and reviewed two bid packages for which the construction manager selected itself to perform the work. The two selected awards cost \$36,383,740 and \$28,009,310, including the CMR fee. The construction administrator agreed with the construction manager's assessment of the lowest bidder. In both instances, CPA approved these recommendations.

Effect

The construction manager could gain an unfair competitive advantage over other firms, when it bids for subprojects for which it developed bid requirements, invitations of bids, or requests for proposals. The construction manager's independent judgment and objectivity could be impaired when it reviews and assesses bid packages and competitor responses.

Cause

The port authority believed the construction manager at-risk had sufficient compensating controls.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

In instances in which a construction manager bids on subprojects, the Connecticut Port Authority should reassign the construction manager's development of bid requirements, and evaluation and oversight of proposals and work to ensure objectivity and prevent the appearance of a conflict of interest.

Agency Response

"Pursuant to Public Act No. 18-163, the Authority may "make and enter into all contracts and agreements that are necessary, desirable or incidental to the conduct of its business." While Connecticut General Statutes address construction manager bidding on

subcontracts for UConn, DAS and DOT, no such statutory provision exists within the Authority's amended enabling legislation.

The Authority executed a Memorandum of Agreement (MOA) with the Office of Policy and Management (OPM) and Department of Administrative Services (DAS), effective October 2, 2019 in connection with procurement, technical services, contract administration and construction management activities in support of the State Pier Infrastructure Improvements Project in New London. DAS' involvement in the MOA terminated on May 31, 2022 and the agreement was amended in June 2022 to reduce DAS' involvement during the remaining construction phase of the project. DAS personnel participate in the Project to the extent of providing limited technical advice and services to the Authority. DAS participation is on an as-needed basis subject to availability, as determined by DAS management.

The CMR contract was developed and entered into following an extensive overhaul of the Authority's contracting policies and procedures, which was assisted by OPM and ultimately approved after public discussion by the Authority's Board of Directors in 2020. Furthermore, the CMR contract was developed, reviewed and approved by representatives from OPM and DAS, as part of the scope and terms of the aforementioned MOA. Ultimately, the final CMR contract was approved by the Authority's Board of Directors. When the CMR contract was developed, the potential for self-performance was anticipated; therefore, the contract established the need for a separate CMR bid submission and review process for such instances involving self-performance. For all project bid package selection outcomes, recommendations made by the CMR were then reviewed by the Construction Administrator, OPM and DAS, prior to the Construction Administrator making a final recommendation to the Authority's Board of Directors for consideration and approval.

The Authority will reevaluate its procedures to ensure that sole responsibility for criteria requirements and conditions in future maritime project contracts are clearly delineated by the Authority, particularly in the event that a CMR may be allowed to self-perform, to avoid any appearance of a conflict."

Finding 2

Selection of Consultants

Criteria

The Connecticut Port Authority operating policies require that, in the case of any contract for personal services or agreement for personal property with a net expenditure of more than \$50,000 in a fiscal year, CPA should award the contract through competitive negotiation in which it solicits proposals from at least three qualified parties.

Condition	CPA did not seek competitive bids for the selection of its consultant for its \$794,790 environmental permitting services contract in May 2019. Additionally, our review of CPA board minutes revealed that the board did not approve the hiring of this consultant and did not provide a waiver from the competitive bid.
Context	During the audited period there were ten contracts with annual expenses more than \$50,000. We reviewed two of these contracts during our prior audit. Of the remaining eight contracts, we judgmentally selected four in the amounts of \$37,203,475, \$4,191,572, \$267,600, and \$794,790 for review.
Effect	Failure to comply with operating policies for competitive procurement could affect CPA's access to quality consulting services at lower costs.
Cause	CPA could not explain why it did not competitively bid this procurement or obtain a waiver from competitive bidding from its board. CPA informed us that this procurement occurred during the previous administration.
Prior Audit Finding	Elements of this finding were previously reported in the last audit report covering the fiscal years ended June 30, 2018 and 2019.
Recommendation	The Connecticut Port Authority should strengthen internal controls to ensure that procurements comply with established policies.
Agency Response	<p>"The referenced contract was entered into during fiscal year 2019, a previously audited biennial reporting year. The Authority has since executed a Memorandum of Understanding (MOU) with the Office of Policy and Management (OPM) in September 2019, that provided for OPM to oversee all financial and procurement decisions made by the Authority, engage such consultants and resources as needed to oversee and evaluate the Authority's fiscal, organizational and administrative practices and activities and to recommend and assist in the implementation of needed improvements in the Authority's organizational and business practices. In late-2019, OPM reviewed the Authority's active contracts and made recommendations for revisions to the Authority's Operating Procedures relating to procurement, among other identified issue areas. Revised Operating Procedures' procurement policies were adopted by the Authority's Board of Directors in April 2020. The scope and term of the MOU with OPM has since been amended several times, as open issues have been rectified. The current amended agreement extends the engagement through June 30, 2023.</p> <p>Subsequently, the passage of Public Act No. 21-2 in June 2021 resulted in the designation of the Authority as a "state contracting agency" that shall have its contracting and procurement subjected to oversight by the State Contracting Standards Board (SCSB). The</p>

Authority is the only quasi-public agency with such designation. The Authority worked closely with SCSB and OPM to develop a new procurement manual to supplement the Authority's revised Operating Procedures and to guide policies and procedures for future contracts that are greater than \$50,000 or of terms longer than one year. The new procurement manual was finalized and adopted by the Authority's Board of Directors in March 2022.

As a result of the aforementioned actions taken by OPM and the Board of Directors in April 2020, the legislature in June 2021, and SCSB in early-2022, the Authority is confident that it has adequate policies and procedures in place to ensure that procurements are conducted in accordance with the highest standards of best practice and compliance."

Finding 3

Noncompliance with Reporting Requirements

Criteria	Section 1-123(b) of the General Statutes requires quasi-public agencies to submit quarterly financial reports to the legislative Office of Fiscal Analysis.
Condition	The Connecticut Port Authority did not submit the quarterly reports required by Section 1-123(b) during the fiscal years ended June 30, 2021 and 2022.
Context	The Connecticut Port Authority was required to submit eight quarterly financial reports during the audited period.
Effect	The failure to adhere to statutory reporting requirements prevents the distribution of information to the parties that need it to make informed decisions.
Cause	We were unable to determine what caused this condition.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Connecticut Port Authority should comply with the reporting requirements of Section 1-123(b) of the General Statutes.
Agency Response	"The Authority executed a Memorandum of Understanding (MOU) with the Office of Policy and Management (OPM) in September of 2019, that provided for OPM to oversee all financial and procurement decisions made by the Authority, engage such consultants and resources as needed to oversee and evaluate the

Authority's fiscal, organizational and administrative practices and activities and to recommend and assist in the implementation of needed improvements in the Authority's organizational and business practices. The scope and term of the MOU have since been amended several times, as open issues have been rectified. The current amended agreement extends the engagement through June 30, 2023.

Due to the Authority's lack of financial staffing capacity during the OPM oversight period, OPM hired consultants, on behalf of the CPA to assist with financial operations on-site. Quarterly reports required by Section 1-123(b) were filed for fiscal year 2020, but not for fiscal years 2021 or 2022. The Authority did, however, submit annual independent audit reports for fiscal years 2020 and 2021 as well as annual financial reports as required by Section 1-123(a).

As a result of the progress made by the Authority's finance team, in collaboration with OPM, the Authority has filed quarterly reports responsive to Section 1-123(b) for the quarters ending September 30, 2022 and December 30, 2022."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Connecticut Port Authority contained 11 recommendations. Ten have been implemented or otherwise resolved and one has been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
<p>The Connecticut Port Authority should implement formal and complete written policies concerning the use of surplus funds, affirmative action, and ethics. CPA should provide its employees required annual ethics training. CPA also should ensure that it publishes notices to adopt procedures in the Connecticut Law Journal 30 days prior to their adoption.</p>	<p>RESOLVED</p>
<p>The Connecticut Port Authority should provide its employees with the necessary training and guidance to properly operate its accounting system.</p>	<p>RESOLVED</p>
<p>The Connecticut Port Authority should review its employee manual and make necessary changes to ensure that it is complete, consistent, and reflects the authority's practices. CPA should clarify its mileage reimbursement policy and require its employees to charge leave time when they are not at work.</p>	<p>RESOLVED</p>
<p>The Connecticut Port Authority should establish official files or an electronic recordkeeping system with full records management functionality. The system should maintain all records by specific transaction, project, or subject to preserve the context of the records. Only authorized employees should have access to agency files and the electronic recordkeeping system.</p>	<p>RESOLVED</p>
<p>The Connecticut Port Authority should adopt written policies and procedures governing its travel, meal, and entertainment expenses, including the requirements for supporting documentation and approval of such expenses. The authority should limit travel, meal, and entertainment costs to those that are reasonable and necessary to accomplish its mission and activities. CPA should ensure that its employees adhere to these policies.</p>	<p>RESOLVED</p>

<p style="text-align: center;">Prior Recommendation</p>	<p style="text-align: center;">Current Status</p>
<p>The Connecticut Port Authority should assign only legal and professional tasks to its legal and professional consultants. The authority should not assign work to higher paid consultants that could be performed by CPA employees at a lower hourly rate.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The Connecticut Port Authority should ensure that the procurement of services is performed in the most cost-effective manner. All procurement should be in compliance with established policies.</p>	<p style="text-align: center;">REPEATED Modified Form</p> <p style="text-align: center;">Recommendation 2</p>
<p>The Connecticut Port Authority should adopt an ethics policy that provides a framework to identify, consider, and address actual or perceived conflicts of interests. The ethics policy should contain the specific measures to address related-party purchases when they are necessary or unavoidable.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The Connecticut Port Authority should develop a credit card use policy. The policy must clearly communicate credit spending limits, allowable charges, and consequences for the inappropriate use of credit cards. Employees should store cards in a safe location, monitor the card account for fraudulent activities, and ensure card numbers are private.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The Connecticut Port Authority should take necessary corrective action to address the misclassification of interns or other temporary employees as consultants.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The Connecticut Port Authority should comply with the reporting requirements of Sections 15-31a(o), 15-31a(l), and 11-4a of the General Statutes.</p>	<p style="text-align: center;">RESOLVED</p>

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Connecticut Port 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, 2020 and 2021. The objectives of our audit were to evaluate:

1. The authority's significant internal controls over compliance and its compliance with policies and procedures internal to the quasi-public or promulgated by other state agencies, as well as certain legal provisions, including as applicable, but not limited to whether the quasi-public 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. The authority's internal controls over certain financial and management functions; and
3. The 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, as well as certain external parties; 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 section 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 quasi-public. For the areas audited, we identified:

1. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, and procedures;
2. Deficiencies in internal controls; and
3. 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 Connecticut Port Authority.

ABOUT THE AGENCY

Overview

[The Connecticut Port Authority](#) was established by Public Act 15-5, June Special Session, effective July 1, 2015. CPA operates principally under the provisions of Title 15, Chapter 264a of the General Statutes. Section 15-31a(a) of the General Statutes names CPA a public instrumentality and political subdivision of the state created for the performance of an essential public and governmental function. Pursuant to Chapter 12, Section 1-120, CPA is classified as a quasi-public agency subject to the requirements found in Chapter 12.

The authority oversees three deep water ports (Bridgeport, New Haven and New London) and various small and mid-size coastal and river harbors that make important contributions to the state's economy.

The authority's mission is to develop and market the state's ports and promote its maritime economy. Specifically, the authority:

1. Coordinates port development, focusing on private and public investments;
2. Pursues state and federal funds for dredging and other infrastructure improvements to increase cargo movement through the ports and maintain navigability of all ports and harbors;
3. Works with the Department of Economic and Community Development (DECD) and state, local, and private entities to maximize the ports' and harbors' economic potential;
4. Supports and enhances the overall development of maritime commerce and industries; and
5. Coordinates the state's maritime policy and serves as the governor's principal maritime policy advisor.

Board of Directors and Administrative Officials

Pursuant to Section 15-31a of the General Statutes, the CPA Board of Directors consists of 15 voting members. Five serve as ex-officio members and ten are appointed members.

Members of the board as of June 30, 2021, were as follows:

Ex-Officio Members:

Joseph J. Giulietti	Commissioner, Department of Transportation
David Lehman	Commissioner, Department of Economic and Community Development
Melissa McCaw	Secretary, Office of Policy and Management
Shawn Wooden	State Treasurer, Office of the State Treasurer
Katie Scharf Dykes	Commissioner, Department of Energy and Environmental Protection

Appointed Members:

David Kooris	Chair
Judi Sheiffele	
Gregg Scully	
Thomas Patton	
Donald B. Frost	Vice Chair
John S. Johnson	
Grant W. Westerson	
David E. Pohorylo	
Parker S. Wise	

There was one vacancy as of June 30, 2021. Nancy DiNardo, Scott Bates, Bonnie Reemsnyder, Pamela Elkow and Terry Gilbertson also served during the audited period.

In addition, the board established committees to expedite the authority's business activities and maintain controls over its transactions. During the audited period, the board had three standing committees:

- Finance Committee
- Audit, Compliance & Governance Committee
- Human Resources Committee

The board appoints the CPA executive director. Evan Matthews served as executive director from September 2016 until October 2019. John Henshaw was appointed executive director effective September 8, 2020 and served in that capacity throughout the audited period.

Significant Legislative Changes

- **Public Act No. 21-2 of the June Special Session**, effective June 23, 2021, subjects the Connecticut Port Authority to the State Contracting Standards Board's (SCSB) oversight until July 1, 2026 by making it a "state contracting agency" under most SCSB authorizing statutes, except for the state's privatization law. It also made a conforming change so that CPA's property transactions were subject to SCSB's oversight.

Connecticut Pilot Commission

The Connecticut Pilot Commission assists and advises the authority on matters related to the licensure of marine pilots, the safe conduct of vessels, pilotage rates, and the protection of the ports and waters of Connecticut.

Financial Information

Accounting Policies and Financial Operations

The Connecticut Port Authority used QuickBooks as its official accounting system during the audited period. Additionally, with the assistance of Connecticut Innovations, Incorporated, CPA used the Core-CT state accounting system for payroll. CPA also entered into a memorandum of agreement with the Office of Policy and Management (OPM) in September 2019 for OPM to oversee all CPA financial decisions. This included a review of the CPA internal controls, policies, composition of the board, signatory authority, mission statement, and code of ethics in order to evaluate resources, make recommendations, and assist in the implementation of needed improvements.

Other Examinations

Independent public accountants audited CPA for the fiscal years under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of CPA for the audited period, and the changes in financial position and cash flows during the period in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent accountants also provided reports on compliance and internal controls over financial reporting. The reports for both fiscal years reported a material weakness in CPA's internal control over financial reporting due to the number of required audit adjustments. The auditors reported that limited resources in the Finance Department caused these conditions.

Additionally, during our review of the CPA's audited financial statements for the fiscal years ended June 30, 2020, 2021 and 2022, we noted that bond funds allocated to CPA were inaccurately classified as operating revenue rather than capital contributions as prescribed by the Governmental Accounting Standards Board. Additionally, appropriations from the state were classified as operating revenues rather than non-operating revenues. We communicated these issues to CPA management. After we informed CPA of the reclassification, CPA management took steps to update its accounting chart starting with the fiscal year ended June 30, 2023.

Statement of Net Position

Based on the CPA's audited financial statements, a summary of assets, liabilities, and net position follows:

	2020-2021	2019-2020	2018-2019
Assets			
Net Position			
Current and Other Assets	\$ 69,191,250	\$ 75,668,335	\$ 2,222,680
Capital Assets (net)	20,198,469	7,504,674	1,980,980
Total Assets	89,389,719	83,173,009	4,203,660
Current Liabilities	11,842,054	18,125,888	1,332,315
Net Position			
Net Investment in Capital Assets	20,198,469	7,504,674	1,980,980
Net Position, Restricted	55,417,703	56,216,880	-
Net Position, Unrestricted	1,931,493	1,325,567	890,365
Total Net Position	\$ 77,547,665	\$ 65,047,121	\$ 2,871,345

Summary of Revenues, Expenditures and Changes in Net Position

A summary of revenues, expenditures and changes in net position that includes reclassified amounts follows:

	2020-2021	2019-2020	2018-2019
Operating Revenues			
State Pier Operating Fees	\$ 98,926	\$ 415,616	\$ 544,416
State Pier Rent	-	1,991,912	269,797
Pilotage and Licensing Fees	65,570	87,084	68,492
Harbor Development Revenue	13,552,628	6,642,341	-
Miscellaneous - Other	221,028	78,250	231,120
Total Operating Revenues	13,938,152	9,215,203	1,113,825
Operating Expenses			
Salaries and Related Expenses	599,176	378,455	637,089
Contractual Services	564,112	4,142,562	777,637
Administrative and General	279,881	255,112	186,127
Rent	555,018	-	-
Depreciation	8,833	8,833	8,043
Total Operating Expenses	2,007,020	4,784,962	1,608,896
Operating Income	11,931,132	4,430,241	(495,071)
Nonoperating Revenues (expenses):			
Appropriations from State for SHIPP ^a	-	-	110,000
State Operating Appropriation	400,000	400,000	400,000
Investment Income	73,636	27,293	542
Grant Awards (SHIPP) ^a	-	-	(110,000)
Net Nonoperating Revenues	473,636	427,293	542
Other Changes in Net Position			
Other Capital Contribution	95,776	57,318,242	2,065,375
Change in Net Position	12,500,544	62,175,776	1,970,846
Net Position, Beginning of Year	65,047,121	2,871,345	900,499
Net Position, End of Year	\$ 77,547,665	\$ 65,047,121	\$ 2,871,345

^a Small Harbor Improvement Projects Program

State Pier Operating Fees and State Pier Rent

State Pier operating fees are charged for the right to operate the state's New London port facilities. Effective January 7, 2019, the port authority awarded the right to operate the port facilities to Gateway New London LLC (Gateway) for twenty years. The agreement with Gateway provides for an annual fixed amount of \$500,000 for the first five years of operation with increases to \$750,000, \$1,000,000, and \$1,250,000 for each succeeding five-year portion of the 20-year period. Gateway must pay a variable fee equal to the greater of 7% of the gross revenues and a minimum annual guarantee established by a formula in the agreement. However, due to the start of construction at the state's New London port facilities during fiscal year 2020-2021, Gateway was not obligated to provide port services and did not make annual fixed fee payments or minimum annual guarantee payments per the agreement. This resulted in the significant decrease in State Pier operating fees and rent in fiscal year 2020-2021.

Harbor Development Activity

The authority's fiscal year 2020-2021 net position significantly increased primarily due to additional harbor development revenue that included developer contributions. On February 11, 2020, the authority entered into the Harbor Development Agreement with Gateway and North East Offshore LLC (NEO). The agreement established terms and conditions of the redevelopment of the State Pier Facility in New London into a heavy-lift capable port and an offshore wind center. NEO is an offshore wind developer who agreed to provide CPA with the funding to complete the project.

In fiscal year 2019-2020, CPA received \$22.5 million from NEO from the Deepwater Wind Funding Commitment paid pursuant to Connecticut Clean Energy and Connecticut Zero Carbon Requests for Proposals. The funding is designated to pay wind-down costs as well as pre-development and development costs. Additional funding from NEO per the agreement total \$72.5 million, which includes \$20 million of lease payments in equal installments of \$2 million for a ten-year term and \$52.5 million to support capital improvement which was funded on July 1, 2021. These funds are to be used exclusively on Harbor Development Project expenditures. Harbor Development revenue is recognized when earned.

According to the agreement, construction was expected to begin in early 2021 and be completed by August 2022. However, due to delays in permitting and other unexpected construction issues, the Harbor Development Agreement was amended, and the estimated completion date was extended up to five months. These delays also resulted in significant increases to the originally budgeted project costs.

Operating Expenses

The significant increase in rental expense of \$555,018 in the fiscal year 2020-2021 was due to a March 2020 lease of property near the State Pier in the City of New London. The agreement requires advance annual payments of \$525,000 with 4% annual increases. An additional 1.5% per month is due if the fee is not received within 30 days of the due date. The lease contains an option to renew for ten years.

The decrease in contractual services expense was mainly attributed to a reduction in legal, engineering, and success fee expenses.

The increase in salaries and related expenses was due to filling executive director and finance director vacancies on September 8, 2020, and November 20, 2020, respectively.

Nonoperating Activity

In addition to the revenues from its operations, CPA was allotted \$400,000 from the Special Transportation Fund to support its operations during each year of the audited period and the 2018-2019 fiscal year.

An increase in investment income of \$46,343 from fiscal year 2019-2020 to 2020-2021 was due to significant escrow balances held pending Harbor Development Project construction costs.

Other Capital Contributions

The authority's fiscal year 2019-2020 net position significantly increased primarily due to state bond allocations. The State Bond Commission approved and allocated general obligation bonds to CPA for several purposes, including the Harbor Development Project.

Based on CPA's audited financial statements, a schedule of project allocations follows:

Schedule of Project Allocations As of June 30, 2021

Project Name	Allocated as of June 30, 2021	Expended through June 30, 2020	Expended July 1, 2020 through June 30, 2021	Cumulative Expenditures through June 30, 2021	Remaining Allocation as of June 30, 2021
State Appropriated Bond Allocations					
Small Harbor Improvement Projects Program (SHIPP)	\$ 4,011,650	\$ 3,191,650	\$ -	\$ 3,191,650	\$ 820,000
State Pier - Infrastructure Improvement and Long-Term Capital Maintenance	4,560,000	3,643,959	71,151	3,715,110	844,890
Pier 7 Design	750,000	106,565	-	106,565	643,435
East Shore Properties Purchase	751,000	-	-	-	751,000
Improvements at the State Pier in New London	55,500,000	-	-	-	55,500,000
Eastern LI Sound Planning	641,106	16,867	1,301	18,168	622,938
Piping Plovers	99,465	39,786	19,893	59,679	39,786
Statewide Economic Development Strategies	522,821	189,410	-	189,410	333,411
Total State Appropriated Bond Allocations	\$ 67,336,042	\$ 7,188,237	\$ 92,345	\$ 7,280,582	\$ 60,055,460
Harbor Development Project	\$ 22,500,000	\$ 6,642,341	\$ 12,624,598	\$ 19,266,939	\$ 3,233,061