

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH
Pittsburgh, Pennsylvania

Financial Statements and Supplementary Information

For the Year Ended December 31, 2020

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

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Independent Auditor's Report

To the Members of the Board of the
Stadium Authority of the City of Pittsburgh
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Stadium Authority of the City of Pittsburgh, which comprise the statement of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and change in net position and cash flow for the year ended, and the related notes to the financial statements, which collectively comprise Stadium Authority of the City of Pittsburgh's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Stadium Authority of the City of Pittsburgh's 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stadium Authority of the City of Pittsburgh as of December 31, 2020 and 2019, 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.

Cameron Professional Services Group, LLC
Pittsburgh, Pennsylvania

March 26, 2021

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Management's Discussion and Analysis

December 31, 2020

As management of the Stadium Authority of the City of Pittsburgh (**Authority**), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the twelve month period ending December 31, 2020 and 2019. This Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- In January 2020, a new coronavirus (COVID-19) was introduced to the United States and, within two months, had spread across the country. The result of this widespread disease was a shift for many businesses to working remotely until the crisis is controlled or, in the case of some businesses, to suspend or cease their operations. In March 2020, Pennsylvania Governor Tom Wolf declared a disaster emergency in the Commonwealth followed by issuance of an order on March 19, 2020 to temporarily close all non-life-sustaining businesses in Pennsylvania. As the year progressed, sporting events such as hockey, football and baseball, were forced to reduce or eliminate fan attendance and the number of events held.
- During the year ended December 31, 2020, the operating surplus of the Authority's garages and parking lots declined by over 50% to \$3,066,000 with revenue reductions resulting from a lower number of daily and event parkers being partially offset by reductions in operating hours and the minimization of operating expenses.

- Despite the decline in the garage and parking lot operating surplus, the Authority's net position as of December 31, 2020 increased by \$590,000 from the prior year. Net investment in capital assets increased \$1.696 million, amounts restricted for capital activity and debt reserves declined by \$988,000 and the deficit in the unrestricted net position increased by \$119,000. The Authority's total cash and cash equivalents balance (Note 3) at the close of the 2020 fiscal year was \$9.6 million, representing a \$653,000 decrease over the prior year-end. The liabilities of the Authority decreased \$825,000 due primarily to a decrease in accounts payable from decline in garage and parking lot operating costs and the payment of debt on the long term note due to the SEA.
- The Authority recognized \$5.3 million in operating revenues for the calendar year 2020, a decrease of \$5.6 million from 2019 due mostly to the decline in parking revenue from the Authority's garages and parking lots.
- As shown on the Statements of Revenues, Expenses, and Changes in Net Position, total Authority operating revenues (\$5.3 million), net of operating expenses (\$4.7 million), resulted in a \$590,000 operating surplus. All of the Authority operating revenue is restricted to the 2017 Parking System Revenue Bonds. The surplus is net of depreciation and amortization expenses of \$1.5 million.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial report, which is comprised of a single enterprise fund. The following is a brief history of the Stadium Authority of the City of Pittsburgh and its role today in the development of the North Shore.

The Authority was formed by the City of Pittsburgh (**City**) on March 9, 1964 pursuant to the provisions of the Public Auditorium Authorities Law of the Commonwealth of Pennsylvania approved July 29, 1953, P.L. 1034, as amended (recodified as the Sports and Exhibition Authority Act 16 P.S. Section 5502-A et seq.). The Authority was originally responsible for the construction and management of Three Rivers Stadium and related parking facilities. Three Rivers Stadium, which was used for baseball, football and various concert events, opened on July 16, 1970 and was demolished in February 2001. The Sports & Exhibition Authority of Pittsburgh and Allegheny County (**SEA**) constructed Heinz Field, which is leased to the Pittsburgh Steelers, and PNC Park, which is leased to the Pittsburgh Pirates, to replace Three Rivers Stadium. The Authority remains responsible for the development of the land between the football stadium and the baseball park (which area is generally called the **Option Area**).

In 2003 the Authority entered into an agreement with a joint venture of the Steelers and Pirates (**North Shore Developers**), for the development of the Option Area, which agreement has been amended over time (as amended, the **Option Agreement**). The Authority oversees this development according to the terms of the Option Agreement. The Option Area contained 12 development parcels of various sizes. Seven parcels have been developed: the Equitable Resources building, the Del Monte building (2 parcels), the Hyatt Place Hotel, North Shore Place I, North Shore Place II, and the SAP building. In October 2020, pursuant to the Option Agreement, the Authority sold to North Shore Developers an eighth parcel (a portion of Parking Lot 4) for development of a privately owned 445 space parking garage. Construction of the garage is estimated to be completed by the fall of 2021. Per the 2020 Option Agreement Amendment, North Shore Developers is required to take down the next development parcel by

May 31, 2021. The remaining development parcels will continue to be used as surface parking lots until developed.

As part of the Option Area development, the Authority built the West General Robinson Street (**WGRS**) garage which opened in 2006, and the Gold 1 Garage which opened in 2017 to provide parking for the stadium and ballpark and to replace parking that was or will be eliminated with the development.

The Authority leases certain land from the Commonwealth of Pennsylvania that is also used for surface parking. The WGRS and Gold 1 garages and all surface lots are managed by or leased to ALCO Parking Corporation (**ALCO**). The lease and management agreements with respect to the parking lots run through 2050. The management agreements for the garages run through December 31, 2026.

Pursuant to the team leases for Heinz Field and PNC Park and the Option Agreement, the teams were to receive certain parking revenues related to Heinz Field and PNC Park events. A portion of those event parking revenues was to be paid to the teams annually and a portion was to be held in funds (**Team Development Funds**) and paid to the teams as development of the Option Area occurs. Per the 2019 Option Agreement Amendment, the Team Development Funds have been closed and the fund balances and all future event parking revenues that would have been paid annually to the teams or deposited to the Team Development Funds are now deposited in the Heinz Field or PNC Park capital reserve account, as applicable, and used by the SEA for certain capital projects at the Heinz Field or PNC Park as provided for in the team leases.

Accordingly Team Development Fund assets and liabilities were eliminated as of December 31, 2019.

The SEA provides staffing and administrative services for the Authority.

Financial Statements

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

The *statements of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

The *statements of cash flows* reports cash and cash equivalent activities for the year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the year.

Notes to Financial Statements

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

Financial Analysis

Below is a summary of the net position of the Authority as of December 31, 2020.

Condensed Summary of Net Position at December 31 (in thousands)

	2020	2019
Current assets	\$20,318	\$19,570
Capital assets, net	42,266	43,683
Other assets	2,855	2,853
Construction in Progress	432	-
Total Assets	<u>\$65,871</u>	<u>\$66,106</u>
Current liabilities	\$1,320	\$1,527
Other long-term liabilities	23,664	24,282
Grants from the City of Pittsburgh	22,775	22,775
Total Liabilities	<u>\$47,759</u>	<u>\$48,584</u>
Net investment in capital assets	\$31,499	\$29,803
Restricted for capital activity/debt service	6,724	7,711
Unrestricted	(20,111)	(19,992)
Total Net Position	<u>\$18,112</u>	<u>\$17,522</u>

Current assets include cash, investments, and receivables from parking operations. Current assets increased \$749,000 over 2019. This is primarily due to garage and parking lot operating surpluses exceeding SEA Note Payable debt service payments, which are pledged to secure the SEA Parking Revenue Bonds Series of 2017 (**Parking Bonds**). Other assets include \$585,000 held in the Authority Development Fund to support costs of development and debt service related to financing of parking garages on the North Shore. In 2021, the amount held in this fund was transferred to the Bond Fund of the Trust Indenture securing the Parking Bonds and will be used to pay debt service. Other assets also include \$2.3 million which is the Authority's share of the debt service reserve account for the Parking Bonds.

Total liabilities decreased \$825,000 in 2020 primarily due Parking Bond principal payments and declines in garage and lot operating expenses, which was partially offset by an increase in parking agreement payables resulting from the take down for development of a portion of Lot 4. Current liabilities include accounts payable on capital projects for the WGRS and Gold 1 garages.

In November 2017 the SEA issued the Parking Bonds in order to provide long term, stable financing for parking facilities of the SEA and the Authority. The Authority's portion of the Parking Bonds debt is reflected on the Statements of Net Position as a long-term loan/note payable to the SEA. Other long-term liabilities include continued principal payments for the Infrastructure Development Program (IDP) loan and payments to Alco Parking for payment due to a reduction of parking spaces, both as described hereafter.

Net Position increased \$590,000 to \$18.1 million during 2020. The Net Position reports the amount of assets that an organization has to meet its obligations and is composed of Net Investment in Capital Assets, Restricted for Capital Activity and Debt Service and Unrestricted (discretionary revenues).

- Net investment in capital assets (\$31.5 million) reflects the Authority's capital assets net of related debt.
- Restricted for capital activity/debt service (\$6.7 million) has decreased \$988,000 over last year and includes pledged parking revenues, bond reserve fund and Authority development fund as of December 31, 2020.
- The unrestricted portion of net position has a deficit of \$20.11 million. This is a direct result of recording almost \$23 million in grants payable to the City related to operations of Three Rivers Stadium from 1965 to 1994. The City does not include this \$23 million

as a receivable on its financial statements, due to the unlikelihood of collection (See Note 9).

Condensed Summary of Revenues, Expenses and Changes in Net Position at December 31
(in thousands)

	<u>2020</u>	<u>2019</u>
Operating Revenue	<u>\$ 5,317</u>	<u>\$ 10,956</u>
Operating Expenses		
Operating and Maintenance	2,184	4,092
General and Administrative	177	189
Depreciation	1,521	1,511
Interest	845	875
Total Operating Expenses	<u>4,727</u>	<u>6,667</u>
Operating Income/(Loss)	<u>590</u>	<u>4,289</u>
Non-operating Revenues/(Expenses)		
Capital Transferred to the SEA	-	(293)
Team Development Fund Expense	-	(259)
Total Non-operating Revenues/(Expenses)	<u>-</u>	<u>(552)</u>
Increase/Decrease in Net Assets	<u>\$ 590</u>	<u>\$ 3,737</u>

The Authority's operating revenues are derived from parking revenues from the WGRS and Gold 1 garages and various Authority parking lots. Parking revenues were \$5.6 million less in 2020 than in 2019 due to the vast majority of individuals working from home and the cancellation and attendance limitations imposed on professional sporting events due to the coronavirus outbreak.

All Authority net parking revenues are restricted for purposes of repaying the Parking Bonds (Note 8). Operating and administration expenses are primarily related to the parking operations, reimbursement to the SEA for administration expenses, insurance, consulting expenses relating

to the take down of the Option Area parcels, depreciation and interest expense on the Authority's garage financings. Operating expenses are \$1.9 million less than last year mainly due to a reduction in parking operating expenses (personnel related expenses), again due to the virus. Other non-operating revenues (expenses) in 2020 is the gain on the sale of part of Lot 4 per the Option Agreement. The Authority's operating surplus was \$590k for the 12-month period ending December 31, 2020 (before debt service principal payment).

Debt Administration

In November 2017 the SEA issued its Parking Bonds in the amount of \$41,670,000 to refinance the Authority and SEA short term parking facility bank loans with long-term, fixed rate, investment grade debt. The bonds are secured by a joint pledge of net parking revenues by the Authority and the SEA. Per a Cooperation Agreement between the SEA and the Authority, of the \$41,670,000 original aggregate principal of the Parking Bonds, \$22,055,000 was allocated as a liability of the Authority payable to the SEA. As of December 31, 2020 the Authority's outstanding principal balance due is \$19,930,000. This is shown as part of the Long-term loans/notes payable on the Statements of Net Position.

When construction of the WGRS garage began in 2005, the Authority received a \$1,250,000 IDP loan, with an interest rate of 2%, from the Commonwealth of Pennsylvania, Department of Community and Economic Development (**DCED**) to be repaid over 20 years. \$83,378 of principal and interest was paid on the IDP loan in the year ending December 31, 2020, leaving a principal balance of \$610,781.

Economic Factors

Certain factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2021. At the time this audit is being conducted, the Federal Center for Disease

Control and Prevention has begun rolling out vaccines across the country. The Pennsylvania Department of Health has begun vaccinating those most at-risk of illness (example health care workers) and persons age 65 and older, and those with high-risk conditions. As more and more people receive the vaccine, it is anticipated people will return to the on-site business environment and limitations for sporting and other events will be lifted.

The North Shore Developer completed construction on the SAP (Parcel 14) office building in 2019, creating additional parking demand on the North Shore. It has begun construction of a parking garage on a portion of Lot 4 and is currently scheduled to take down the next development parcel in 2021. It is expected that the North Shore Light Rail Transit (**LRT**) System will continue to have a positive impact on North Shore parking for both garages and all parking lots.

Future Events that will Financially Impact the Authority

As stated previously, per the Option Agreement there were initially 12 parcels of property to be developed on the North Shore. There are now 4 remaining parcels to be developed (parcels located in parking Lot 4, a portion of Lot 5, and a portion of Lot 2). As stated previously, the Option Agreement currently calls for the take down of the next development parcel by no later than May 31, 2021. With each take down of property, the amount of surface parking will decrease and the development that occurs with the takedown may increase demand for daily parking at the remaining Authority lots/garages, which may have impacts on the amount of Authority parking revenues.

WGRS Garage is in its 15th year of operations (opened June 2006) and Gold 1 Garage is in its fourth year (opened May 2017). ALCO has provided a 10-year capital budget identifying capital

projects for the Authority's lots and garages over that time period. The Authority continues to plan for the funding of future capital projects as the lots and garages age.

Contacting the Authority's Financial Management

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sports & Exhibition Authority, 171 Tenth Street, 2nd Floor, Pittsburgh, PA 15222.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statements of Net Position

December 31, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 66,535	\$ 2,747,855
Restricted – cash and cash equivalents	9,570,229	7,541,998
Receivables:		
Bond Trustee funds	10,244,508	8,570,443
ALCO Parking	320,873	525,578
Other receivable	73,361	136,165
Interest receivable	484	12,554
Prepaid insurance	42,417	35,041
	<hr/>	<hr/>
Total current assets	20,318,407	19,569,634
	<hr/>	<hr/>
Noncurrent Assets		
Bond debt service reserve	2,269,500	2,269,500
SA Development Fund	585,110	584,195
Capital assets, net	42,265,990	43,682,657
Construction in progress	431,803	-
	<hr/>	<hr/>
Total noncurrent assets	45,552,403	46,536,352
	<hr/>	<hr/>
Total assets	\$ 65,870,810	\$ 66,105,986

See the accompanying notes to the financial statements.

Liabilities & Net Position

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 312,063	\$ 641,944
Accrued interest payable	1,017	1,134
Current portion of parking agreement payable	161,013	63,690
Current portion of long-term loans/notes payable	846,162	819,767
	<hr/>	<hr/>
Total current liabilities	1,320,255	1,526,535
Noncurrent liabilities:		
Long-term loans/notes payable	22,866,408	23,900,065
Long-term parking agreement payable	796,955	382,141
	<hr/>	<hr/>
Total noncurrent liabilities	23,663,363	24,282,206
Three Rivers Stadium Grant – City of Pittsburgh	22,775,168	22,775,168
	<hr/>	<hr/>
Total liabilities	47,758,786	48,583,909
Net position:		
Net investment in capital assets	31,499,232	29,802,768
Restricted for capital activity and debt service	6,723,954	7,711,581
Unrestricted	(20,111,162)	(19,992,272)
	<hr/>	<hr/>
Total net position	18,112,024	17,522,077
	<hr/>	<hr/>
Total liabilities and net position	\$ 65,870,810	\$ 66,105,986

See the accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH
 Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues - restricted:		
West General Robinson Street garage	\$2,350,036	\$ 5,613,965
Gold 1 garage	2,104,192	3,452,843
Parking lots	795,521	1,652,329
Interest	67,722	237,309
Total operating revenues	5,317,471	10,956,446
Operating expenses:		
Salary reimbursement	47,566	47,566
Administrative	58,451	73,919
West General Robinson Street garage	1,147,180	2,459,986
Gold 1 garage	966,629	1,561,933
Parking lots	70,080	70,080
Insurance	71,618	67,941
Interest	844,750	874,920
Depreciation	1,521,250	1,510,792
Total operating expenses	4,727,524	6,667,137
Operating surplus (loss)	589,947	4,289,309
Non-operating revenues (expenses):		
Capital transferred (to)/from the SEA	-	(293,000)
Team Development Fund expense	-	(258,628)
Total non-operating revenues, net	-	(551,628)
Change in Net Position	589,947	3,737,681
Net Position beginning of year	17,522,077	13,784,396
Net Position end of year	\$ 18,112,024	\$ 17,522,077

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Parking	\$ 5,454,454	\$ 10,153,146
Other	(1,611,261)	(4,229,647)
Interest	78,877	240,169
Total net receipts	3,922,070	6,163,668
Salaries	(47,566)	(47,566)
Administrative	(58,451)	(73,919)
Operations and development	(2,513,770)	(4,191,243)
Insurance	(78,994)	(70,082)
Total operating expenses	(2,698,781)	(4,382,810)
Total cash provided by operating activities	1,223,289	1,780,858
Cash flows from capital and related financing activities:		
Note Payable Issuance	1,200,314	-
Principal payments of long-term debt and note payable	(1,695,439)	(1,039,584)
Payments to SEA	-	(293,000)
Interest paid on long-term debt	(844,866)	(875,034)
Net cash used by capital and related financing activities	(1,339,991)	(2,207,618)
Cash flows from investment activities:		
Deposits to (withdrawals from) development funds	-	665,596
Purchases of construction in progress	(536,387)	(212,676)
Other	-	(258,628)
Net cash (used)/provided by investment activities	(536,387)	194,292
Net decrease in cash and cash equivalents	(653,089)	(232,468)
Cash and cash equivalents at beginning of year	10,289,853	10,522,321
Cash and cash equivalents at end of year	\$ 9,636,764	\$ 10,289,853
Total cash and cash equivalents consist of:		
Unrestricted cash and cash equivalents	\$ 66,535	\$ 2,747,855
Restricted cash and cash equivalents	9,570,229	7,541,998
Total cash and cash equivalents	\$ 9,636,764	\$ 10,289,853

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Operating profit (loss)	\$ 589,947	\$4,289,309
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization/depreciation	1,521,250	1,510,792
Interest on debt	844,750	874,920
Changes in operating assets and liabilities:		
Bond Trustee fund receivable	(1,674,065)	(4,586,826)
ALCO Parking receivable	204,705	(565,991)
Other receivables	62,804	357,179
Interest receivable	11,155	2,860
Prepaid Insurance	(7,376)	(2,141)
Accounts payable, accrued expenses and other	<u>(329,881)</u>	<u>(99,244)</u>
Total cash provided by operating activities	<u>\$ 1,223,289</u>	<u>\$1,780,858</u>

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

(1) Organization

The Authority was formed by the City of Pittsburgh on March 9, 1964 pursuant to the provisions of the Public Auditorium Authorities Law of the Commonwealth of Pennsylvania approved July 29, 1953, P.L. 1034, as amended (recodified as the Sports and Exhibition Authority Act 16 P.S. Section 5502-A et seq.) to provide increased commerce and prosperity, and to promote educational, cultural, physical, civic, social and moral welfare to the general public. Current documentation provides for the term of the Authority to run to April 4, 2049.

The Authority is reported as a discretely presented component unit in the City's financial statements. The Authority's component unit status is due to the City's appointment of Authority board members. The board of directors (**Board**) of the Authority is appointed by the Mayor of the City of Pittsburgh. The Board is a five-member board and is responsible for all the activities and operations of the Authority.

The Authority was responsible for the management of Three Rivers Stadium located in the City of Pittsburgh. Three Rivers Stadium was home to the Pittsburgh Pirates (**Pirates**) and Pittsburgh Steelers (**Steelers**) professional sports teams and was also utilized for various concerts and other events until it was razed in February 2001. Subsequent to the razing of Three Rivers Stadium, the Authority has been responsible for the development of the land between the newly constructed stadium and ballpark (see Note 4). A portion of that land was conveyed to the SEA for construction of infrastructure. The remaining land was retained by the Authority to be developed according to a master development plan. The Authority entered into the Option Agreement with a joint venture of the Steelers and Pirates for the development of a significant portion of that land. The Authority has constructed two public parking garages on portions of the land. Pending development, the remaining land is used for surface parking. The SEA provides staffing and administrative services for the Authority.

(2) Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units and promulgated by the Governmental Accounting Standards Board (**GASB**).

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(2) **Summary of Significant Accounting Policies, continued**

The Authority is considered a special purpose government engaged in business-type activities, and as such, presents the financial statements required for enterprise funds. A summary of the Authority's more significant accounting policies applied by management in the preparation of the accompanying financial statements follows:

(a) **Basis of Accounting and Measurement Focus**

The Authority's financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets and all liabilities associated with the operations of the Authority are included on the statements of net position. The statements of revenues, expenses, and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in the Authority's net total assets.

Classification of Net Position

Accounting standards requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted for capital activity and debt service – This component of net position consists of net position that has constraints on use from external restrictions, reducing liabilities related to those assets.
- Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted for capital activity and debt service” or “net investment in capital assets.”

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(2) **Summary of Significant Accounting Policies, continued**

(b) **Management Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 differ from those estimates.

(c) **Revenues**

The Authority's operating revenues consist of parking revenues from the WGRS garage and the Gold 1 garage and various Authority parking lots. Non-operating revenues consist primarily of the gain on the sale of land (Note 4) and funds transferred to/from the SEA per the various notes and lease agreements (Note 5). When both restricted and unrestricted resources are available, the Authority's policy is to use restricted resources first, then unrestricted as needed.

(d) **Cash and Cash Equivalents**

The Authority considers all investments acquired with an original maturity of 180 days or less to be cash equivalents.

(e) **Restricted Assets**

Restricted assets include reserve accounts for the WGRS and Gold 1 garages and the lots, and the debt service reserve and other accounts relating to the Parking Bonds.

(f) **Pending Pronouncements**

GASB Statement No. 87, "Leases" (GASB No. 87) requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract.

GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period" (GASB No. 89) requires interest cost incurred before the end of a construction period to be recognized as an expense during the period incurred rather than included in the historical cost of a capitalized asset.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(f) **Pending Pronouncements, continued**

GASB Statement No. 91, “Conduit Debt Obligations” (GASB No. 91) primarily clarifies the definition of a conduit debt obligation and modifies certain related disclosures.

GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance” delayed the effective dates of GASB No. 87 to reporting periods beginning after June 30, 2021 and the effective dates of GASB No. 89 and GASB No. 91 were each postponed to reporting periods beginning after December 15, 2020.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”, which is effective for fiscal years beginning after June 15, 2020, defines a subscription-based information technology arrangement (SBITA) and requires the recognition of an intangible asset, a present value liability and the capitalization of implementation costs for certain SBITAs that are other than short-term.

(3) **Cash and Cash Equivalents**

The Authority’s policy is to maintain all cash deposits in qualified public depositories and is authorized to invest in securities of the United States government, other instruments that are collateralized by United States government securities, repurchase agreements subject to certain restrictions and other debt instruments set forth by the office of the State Treasurer of the Commonwealth of Pennsylvania (**Commonwealth**). These types of investments are held by the purchasing bank or financial entity in the Authority’s name. The Authority’s investment activities are governed by the Commonwealth and Authority’s investment policy.

The following is a summary of the Authority’s cash and cash equivalents and investments at December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Unrestricted cash and cash equivalents:		
Cash	\$ 66,535	\$ 235,885
Government funds	<u>2,555,054</u>	<u>2,511,970</u>
Total	2,621,589	2,747,855
Restricted cash and cash equivalents:		
Cash	475,624	1,485,424
Government funds	<u>6,539,551</u>	<u>6,056,574</u>
Total	\$7,015,175	\$7,541,998

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(3) **Cash and Cash Equivalents, continued**

Interest Rate Risk –The Authority limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority investments have maturities of one year or less.

Credit Risk – The Authority is subject to credit risk on investments. The maximum amount of loss the Authority would incur, if any, if the parties failed to perform on their obligation is limited to the amount recorded in the financial statements. The Authority does not hold any type of collateral on these investments.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one institution. Currently the Authority maintains its cash and cash equivalent balances at three financial institutions: two are FDIC insured banks and the third is at PA Invest (a Commonwealth program that provides highly rated investment pools designed specifically for local government and nonprofit groups). At FDIC insured banks, accounts are fully insured up to \$250,000 per depositor which constitutes federally insured funds. The excess funds are secured with a pledge of collateral from the bank. Therefore at December 31, 2020 all of the Authority's cash and cash equivalent deposits were either insured under federal insurance programs or collateralized.

(4) **Land**

The Authority's balance sheet does not include any value for land owned by the Authority because its land was conveyed to the Authority for the construction of Three Rivers Stadium by the Urban Redevelopment Authority of Pittsburgh at no cost.

Pursuant to the Option Agreement approximately 400,000 square feet of land between the ballpark and the stadium (referred to as the Option Area) has been or is being developed.

(5) **Development Funds**

In accordance with the Option Agreement, the Authority deposited certain event parking revenues in Team Development Funds maintained by the SEA. Pursuant to the Option Agreement, these funds remained in the account until development occurs, at which time they were transferred to the teams.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(5) **Development Funds, continued**

In October 2019, the 2019 Amendment Agreement was executed between the Authority and the North Shore Developer and effective October 31, 2019, the Team Development Funds were closed, all money in the accounts and all the money that would have been deposited effective July 7, 2019 were moved to the SEA, Heinz Field, and PNC Park capital reserve accounts, as applicable.

Subsequent to year end the money in the Authority Development Fund was moved to the Bond Fund of the Trust Indenture securing the Parking Bonds and will be used to pay debt service.

(6) **Building**

Property and equipment are recorded at cost. Repair and maintenance costs which do not increase the useful lives of the assets are charged to operations as incurred. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	10, 15, and 40 years
Machinery and Equipment	5 years

Depreciation expense for the years ended December 31, 2020 and December 31, 2019 was \$1,521,250 and \$1,510,792 respectively. Changes in capital assets, net of accumulated depreciation were as follows:

Fixed Assets	12/31/2019	Additions/Depreciation	12/31/2020
Building	\$53,790,364	\$ 104,584	\$53,894,947
Infrastructure	2,241,369	0	2,241,369
Machinery/Equipment	43,588	0	43,588
Less: accumulated depreciation	<u>(12,392,665)</u>	<u>(1,521,250)</u>	<u>(13,913,915)</u>
Net fixed assets	\$43,682,656	\$(1,416,667)	\$42,265,990

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(6) Building, continued

HOV Improvements and Chuck Noll Way (infrastructure) were constructed by the Authority and dedicated to and accepted by the City on June 13, 2013 as City responsibilities but continue to be reflected as Authority assets because these costs are considered an integral part of the development cost of the Option Area and, accordingly, are capitalized over the life of the projects.

(7) Construction in Progress

Construction in progress of \$431,803 as of December 31, 2020, relates to the costs associated with concrete work at the West General Robinson Street Garage.

(8) Debt

On November 30, 2017 the SEA issued the Sports & Exhibition Authority of Pittsburgh and Allegheny County Parking System Revenue Bonds, Series of 2017 (**Parking Bonds**). The Parking Bonds are payable from, and are secured solely by, net revenues of a "Parking System". The Parking System is made up of specified parking facilities of the SEA and specified parking facilities of the Authority. Pursuant to the Collateral Assignment Agreement, (the **Collateral Assignment Agreement**) and a Joinder Agreement (the **Joinder Agreement**), each dated as of November 1, 2017 and each between the Authority and Zions Bank, as bond trustee, the Authority has agreed to pledge the net revenues of its parking facilities and abide by all of the obligations and duties imposed upon the Authority by the bond trust. The proceeds of the Parking Bonds were used to refund Authority Bank Notes and SEA Bank Notes, and fund a bond reserve fund and pay costs of issuing the Parking Bonds.

While the SEA issued the Parking Bonds, the Authority has certain obligations as provided for in the Collateral Assignment Agreement and the Joinder Agreement. Pursuant thereto, the Authority has recorded a note payable to the SEA and the SEA recorded a long-term receivable from the Authority, the balance of the components of which are as follows:

SEA Note Payable (Net)

	2020	2019
Note Payable	(\$19,930,000)	(\$20,680,000)
Original Issue Discount	(3,171,789)	(3,359,283)
Bond debt service reserve receivable	<u>2,269,500</u>	<u>2,269,500</u>
Total	(\$20,832,289)	(\$21,769,783)

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

Balances and terms of Authority notes payable at December 31, 2020 are as follows:

	December 31, 2019	Principal Reductions	December 31, 2020
Infrastructure Development Program (IDP) (original WGRS financing) was received as a lump sum \$1,250,000 loan from PA DCED on August 22, 2005. It has a term of 20 years with a 2% interest rate. Interest payments are made semi-annually on June 1 and December 1. The last payment is due December 1, 2028.	\$ 680,548	\$ (69,767)	\$ 610,781
Note payable to the SEA for the Parking System Revenue Bonds, Series of 2017 of \$41,670,000 due in annual installments ranging from \$1,240,000 to \$3,175,000 through December 2037, interest payable semi-annually on June 15 and December 15 at rates ranging from 3% to 5%, issued in November 2017 to refund Authority Bank Notes. Funding Source: Net Revenues of the Parking System.	<u>20,680,000</u>	<u>(750,000)</u>	<u>19,930,000</u>
Total loans/notes payable	21,360,548	(819,767)	20,540,781
Original Issue Premium	<u>3,359,283</u>	<u>(187,494)</u>	<u>3,171,789</u>
Long term loans/notes payable	<u>\$24,719,831</u>	<u>\$(1,007,261)</u>	<u>\$23,712,570</u>

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(8) **Debt, continued**

The aggregate amount of annual principal payments required on the Authority's debt for the IDP loan for the years ending 2021 through 2028 is as follows:

	Total Principal	Interest	Total
2021	\$ 71,162	\$12,216	\$ 83,378
2022	72,585	10,792	83,377
2023	74,037	9,341	83,378
2024	75,518	7,860	83,378
2025	77,028	6,350	83,378
2026-2028	<u>240,451</u>	<u>9,682</u>	<u>250,133</u>
	\$610,781	\$56,240	\$667,021

The aggregate amount of principal and interest payments payable on the Authority's note supporting the SEA Parking Bonds is as follows:

	Total Principal	Interest	Total
2021	\$ 775,000	\$ 988,750	\$ 1,763,750
2022	810,000	957,750	1,767,750
2023	850,000	917,250	1,767,250
2024	895,000	874,750	1,769,750
2025	940,000	830,000	1,770,000
2026-2030	5,440,000	3,397,250	8,837,250
2031-2035	6,940,000	1,894,750	8,834,750
2036-2037	<u>3,280,000</u>	<u>72,000</u>	<u>3,352,000</u>
	\$19,930,000	\$9,932,500	\$29,862,500

(9) **Grant to the Sports & Exhibition Authority**

On December 14, 2020, the Authority Board approved a funding agreement with the SEA in order to provide \$10 million in support of the SEA 2021 operating costs. Recent events, including the loss of events at the Convention Center (CC), the reduction in hotel tax revenues, the reduction in parking revenues, all due to the COVID-19 pandemic, and the recent expiration of the PA Economic Development and Tourism Fund Grant for the CC operations, have caused the SEA to require support of its operations with the majority of the funds being devoted to reopening and operating the CC. As of December 31, 2020 the \$10m is held by the Authority as restricted funds and will be paid to the SEA as required draw requests are made.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(10) **Grants from the City of Pittsburgh**

Under the terms of an agreement dated July 1, 1965, and amended on various dates through June 17, 1992, the City made total grants of \$22,775,168 to the Authority to cover the excess of the aggregate costs of operations and maintenance of Three Rivers Stadium and debt service on the Stadium bonds over the total funds available to the Authority for those purposes. The City does not include the \$22,775,168 as a receivable on its audited financial statements, due to the unlikelihood of collection.

(11) **Parking Operations**

The Authority owns and maintains both structured and surface parking facilities on the City's North Shore (see table below). The SEA also owns parking garages and several lots located on the City's North Shore, Central Business District and at the PPG Paints Arena. These combined facilities provide daily commuter parking as well as event parking for the SEA's public destination venues. (See attached Property Overview Map). Certain of the Authority's and SEA's combined parking revenues are pledged as security for the SEA's Parking Bonds (Note 8).

Stadium Authority Parking

Facility	Location	Date Opened	Spaces (as of 12/31/20)	Management or Lease agreement; expiration date
<u>Garage</u>				
West General Robinson Street (WGRS)	North Shore	2006	1,324 (1,256 structured and 68 surface)	Management; 12/31/2026
Gold 1	North Shore	2017	998	Management; 12/31/2026
<u>Surface Parking</u>				
Lots 1, 2, 4 and 5*	North Shore	-	1,339	Lease; 3/31/2050; Management (portion of Lot 1), 3/30/2050
Lots 7A-7J	North Shore	-	1,111	Lease; 3/31/2050
Total			4,772	

*Lot 4 is not part of the Parking System. Without lot 4's 206 spaces the Parking System spaces total 4,565.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(11) **Parking Operating System, continued**

Management Agreement for the Garages

The Authority has contracted with ALCO to operate its WGRS garage and Gold 1 garage. Each arrangement is structured as a management contract. The Authority's management contracts for the garages expire December 31, 2026. ALCO is paid a set fee per year to manage the garages. In 2020 ALCO was paid \$51,691 for WGRS garage and \$45,229 for Gold 1 garage. The management fee is increased annually by 2.5%.

Lease Agreement for the Lots

Certain of the Authority's surface parking lots are operated through a Lease Agreement (**Lease**) among the Authority, the SEA and ALCO. The original Lease term was a 40-year period, which began April 1, 1970 and ended March 31, 2010. ALCO has exercised its option to extend the term of the Lease for four consecutive additional periods of 10 years so that the final expiration is March 31, 2050.

The Lease covers the majority of Lots 1, 2, 4, and 5 (the remaining portion of Lot 1 holds spaces operated under a management agreement as described herein), Lots 7A through 7J, which the Authority leases from the Commonwealth (Note 11) and SEA Lots Green 22 and 23. ALCO pays to the Authority an amount equal to the greater of (i) 50% of the Parking Residual Rent or (ii) 50% of the Residual Base Period Rent, each as defined in the Lease. For calendar year 2020, Parking Residual Rent was greater and therefore was the basis of the payment.

As part of the Lease, the parties agreed that in the event the Authority and/or the SEA permanently appropriate parking spaces covered by the Lease, either substitute spaces must be provided or a stipulated buyout price is to be paid to ALCO. When Parcel 14 was taken down in 2017, the number of Lease spaces permanently appropriated was 140. The Authority committed to pay ALCO the buyout price for the spaces, at a cost per space of \$8,416.21, totaling \$1.2 million. On August 2, 2017 a parking agreement was entered into whereby ALCO was paid 50% of the amount (\$589,135) at the Parcel 14 closing and 50% in 111 monthly installments of \$5,307.52 each. At December 31, 2020 the balance due to ALCO is \$382,141.

In 2020 when Lot 10.3 (Tract 4(B)) was taken down, the Authority committed to pay ALCO the buyout price for the spaces, at a cost of \$8,957.57 for each of 134 spaces totaling \$1.2 million. On October 21, 2020 the Authority entered into a second parking agreement with

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(11) **Parking Operating System, continued**

ALCO to pay them 50% upfront at time of closing (\$600,157.09), and 50% in 73 monthly installments of \$8,110.23 ending no later than December 1, 2026. At December 31, 2020 the balance due to ALCO is \$583,937.

Management Agreement for the Lots

A portion of the Lot 1 surface spaces is operated through a management agreement. This management agreement was entered into between the Authority and ALCO commencing July 13, 2001 and the agreement will expire March 30, 2050.

(12) **PennDOT Lease**

On March 23, 1989, the Authority entered into an agreement with the Commonwealth acting through its' Department of Transportation (**PennDOT**) for the lease of certain property near Heinz Field and PNC Park (Lots 7A to 7J) to be used for public parking. The term of the lease was 21 years with options to extend. At the end of the first term (March 31, 2010) the Authority exercised its option to extend the lease for four (4) ten year terms, extending the term of the lease to March 31, 2050. The Authority expensed the \$70,080 lease payment made for the 12 month period ended December 31, 2020 \$70,080 has been the annual rent since August 2010. PennDOT has the ability to adjust the rate every two years on the basis of a fair market rental appraisal. No notification of a rate increase has been received.

Future lease payments due from the Authority to PennDOT are as follows (assuming no rate adjustment). Because both parties have the ability to terminate the lease by mutual consent at any time, lease requirements are identified only through the end of the second 10 year extension.

2021	\$70,080
2022	70,080
2023	70,080
2024	70,080
2025	70,080
2026-2030	350,400
	<hr/>
	\$700,800

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2020 and 2019

(13) **Conditional Receivable**

Pursuant to prior financings of the SEA for the North Shore Garage, certain of the Authority's parking lot revenues were pledged for debt service on the SEA's debt. A total of \$9,389,782 of Authority funds were so used for debt service through March 31, 2012.

(14) **Investment in Capital Assets, Net of Related Debt**

Total net assets include an amount for investment in capital assets, net of related debt. The calculation for the year ending December 31, 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Capital assets, net	\$42,265,990	\$43,682,657
Bond Reserve Fund Receivable	2,269,500	2,269,500
Bond Trustee funds receivable	10,244,508	8,570,443
Less: loans/notes payable related to capital assets	(23,712,570)	(24,719,832)
Construction in progress	<u>431,803</u>	<u>-</u>
Net investment in capital assets	<u>\$31,499,231</u>	<u>\$29,802,768</u>

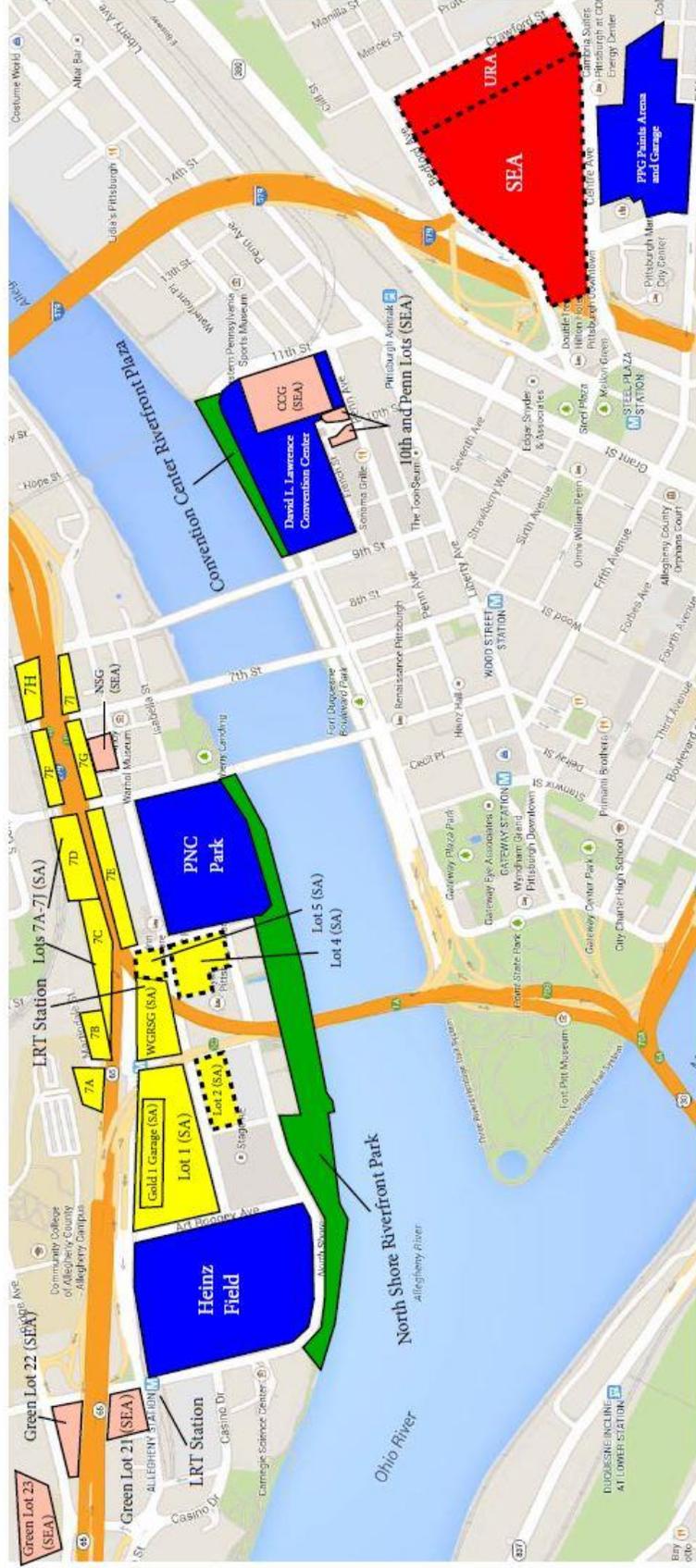
(15) **COVID-19**

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the long-term impact of the coronavirus on the Authority's operational and financial performance is currently uncertain and cannot be predicted.

(16) **Subsequent Event**

Subsequent events were evaluated through the Auditor's report date, which is the date the financial statements were available to be issued. No subsequent events were noted.

Sports & Exhibition Authority (SEA) and Stadium Authority (SA) Property Overview Map



- Sports and exhibition venues owned by SEA (PPG Paints Arena includes a 640 space integral garage leased to the Penguins)
- SA parking lots and garages: land for Lots 7A-7J leased long-term from PennDOT; "WGRSG" refers to West General Robinson Street Garage
- SEA parking lots and garages: "NSG" refers to North Shore Garage; "CCG" refers to Convention Center Garage
- 28-Acre Lower Hill Redevelopment site (19 acres owned by SEA; 9 acres owned by Urban Redevelopment Authority); Penguins hold development option; SEA currently coordinating with City and PennDOT on I-579 Cap Project construction; Penguins currently receive surface parking revenues
- North Shore Riverfront Park and Convention Center Riverfront Plaza, both owned by SEA
- Remaining North Shore development parcels (owned by SA); joint venture of Steelers and Pirates holds development option; development of Lot 4 in planning stages