

Sports & Exhibition Authority of Pittsburgh and Allegheny County

Financial Statements,
Required Supplementary Information,
and Other Information

Years Ended December 31, 2023 and 2022
with Independent Auditor's Reports

MaherDuessel

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SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

Board of Directors

Sports & Exhibition Authority of Pittsburgh and Allegheny County

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information listed in the table of contents. The other information listed in the table of contents does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
May 29, 2024

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

As management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (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 fiscal years ended December 31, 2023 and 2022. This Management’s Discussion and Analysis is designed to assist the reader in focusing on the 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

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources on December 31, 2023 by \$315.3 million (net position). This represents a \$3.2 million increase compared to prior year-end net position.
- The Authority’s total cash and cash equivalents balance at the close of the 2023 fiscal year was \$110 million, representing a \$15 million decrease from the prior year-end. Cash and cash equivalents represents the money on deposit with the multiple bond trustees to meet the indenture and debt service requirements, money for the various Authority construction programs, and funds to cover operations.
- The Authority recognized \$33.1 million in restricted and unrestricted operating revenues for the calendar year 2023, which is \$3.5 million more than 2022. Restricted operating revenues are mostly surcharges and rents from the various sports teams and parking revenue from the North Shore Garage and lots. Unrestricted revenues include Convention Center operations and garage revenues. Convention Center revenues come from rentals, event services, and ancillary services such as food and beverage, audio visual services, and equipment rentals. Convention Center total net revenues were \$7.3.

million in 2023, a \$1.2 million increase from prior year-end revenues; and Convention Center total net operating expenses were \$11.2. million, a increase of \$423,000 from 2022. The Convention Center operates at a loss, as is the case with the vast majority of convention centers in the country. The 2023 operating shortfall was \$4.2 million. The shortfall was covered by Allegheny County Hotel Tax.

- As shown on the statements of revenues, expenses, and changes in net position, total Authority operating revenues (\$33.1 million), net of operating expenses (\$70.7 million), resulted in a \$37.5 million operating loss; this result, however, includes depreciation and amortization expenses of \$52.3 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.

To understand the operations and financial statements depicted, it is important to understand the primary role of the Authority. As a joint authority for the City of Pittsburgh and Allegheny County, the Authority's purpose is to provide venues for large public assemblies, including facilities incident thereto, for the benefit of the general public. In 1998, the Authority undertook and implemented the Regional Destination Financing Plan (Plan) to develop and construct a football stadium, a baseball park, an expanded convention center, parking facilities, riverfront park development, as well as the infrastructure improvements associated with these projects. The combined cost of the Plan exceeded \$1 billion with monies coming from revenue bonds, state appropriations, federal funds, corporate and philanthropic funds, and sports team contributions.

In 2010, the Authority completed construction of a new arena, which replaced the Civic Arena as the home of Pittsburgh's hockey franchise. The Authority completed the demolition of the Civic Arena in September 2012 in preparation for the Lower Hill redevelopment project.

The Authority owns PNC Park, Acrisure Stadium, the Convention Center (including the Garage and Riverfront Plaza), PPG Paints Arena and Garage, North Shore Garage, North Shore Riverfront Park, the Benedum Center, the Heinz History Center, and 19 acres of land that constitutes the Lower Hill project. The Authority leases PNC Park to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball Franchise) and Acrisure Stadium to PSSI Stadium LLC. (a related entity to the holder of the Pittsburgh Steelers National Football League Franchise), pursuant to which each operates and manages the facility through 2030. The Authority leases PPG Paints Arena to the Pittsburgh Arena Operating L.P. (a related entity to the holder of the Pittsburgh Penguins National Hockey League Franchise), which operates and manages that facility and its Garage through June 30, 2040. The Authority oversees management of the Convention Center (including Garage and Riverfront Plaza), and the North Shore Garage. The Authority owns and manages the North Shore Riverfront Park. The Authority also owns the Benedum Center and the Senator John Heinz Pittsburgh Regional History Center (Heinz History Center), but its ownership is for financing purposes only; the Authority has no significant operating or management responsibility with respect to those facilities.

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* present information on all of the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference 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* report 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 calendar 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

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to analyze the changing financial position of the Authority as a whole. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$315.3 million as of December 31, 2023, a \$3.2 million increase from the prior year. This is a result of several factors:

- Assets in total decreased \$32.8 million. Most of this is due to capital assets that decreased \$9.1 due to depreciation. Restricted cash and cash equivalents also decreased by \$13.1 million due to capital projects completed and paid in 2023. The deferred outflows of resources increased by \$3.6 million, related primarily to the accumulated decrease in fair value of hedging derivatives related to the Commonwealth Lease Revenue Bonds, Series A and B of 2007. The accumulated increase in the fair value of hedging derivatives is offset by a corresponding increase in liabilities.

Sports & Exhibition Authority of
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Management's Discussion and Analysis

- Liabilities in total decreased \$26.5 million. Accounts Payable increased approximately \$6.4 million. Bonds Payable decreased \$36.4 million due to payments on outstanding balances.

The Condensed Summary of Net Position reports the amount of discretionary (unrestricted) assets that the organization has to meet its obligations. The net position summary below shows that the unrestricted portion of net position shows an excess of \$5.9 million. This is composed of various payable accruals and receivables due from the Convention Center garage operations. These funds are used to pay Authority operating costs.

Additional information can be found in the "Economic Factors" section of the Management's Discussion and Analysis.

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

	2023	2022	2021
Current assets	\$ 115,968	\$ 130,393	\$ 95,414
Capital assets	702,140	711,250	747,175
Other assets	99,896	109,206	117,862
Total assets	918,004	950,849	960,451
Deferred outflows of resources	19,512	15,940	60,662
Current liabilities	50,971	43,688	43,923
Bonds and loans outstanding (net of current portion)	478,736	516,072	532,470
Other long-term liabilities	19,553	16,043	59,105
Total liabilities	549,260	575,803	635,498
Deferred inflows of resources	72,992	78,876	83,924
Net position:			
Net capital investment	226,923	222,275	237,104
Restricted	82,472	83,556	64,996
Unrestricted	5,869	6,279	(409)
Total net position	\$ 315,264	\$ 312,110	\$ 301,691

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt (\$227 million and \$222 million at December 31, 2023 and 2022, respectively). This category comprises 72% and 71% of the total net position for 2023 and 2022, respectively. The Authority uses its capital assets primarily to provide public venues for baseball (PNC Park), football (Acrisure Stadium), hockey and other arena events (PPG Paints Arena), and for convention center events (Convention Center). Other major capital assets are parking garages, and the North Shore Riverfront Park. Consequently, these assets are not available for future spending. All but \$8.2 million and \$12.5 million of the Authority's capital assets are capitalized and in service at December 31, 2023 and 2022, respectively.

Amounts allocable to construction-in-progress mainly related to the Convention Center capital projects for various flat roof and security system projects. Total net position also includes a restricted net position of \$82 million and \$84 million at December 31, 2023 and 2022, respectively.

Current assets include cash and receivables such as for event rentals, parking fees, surcharges, and contributions. Current assets at December 31, 2023 are \$14 million less than 2022 and \$20.6 million more than 2021. Other assets include noncurrent restricted cash and cash equivalents, receivables, including the lease receivables, capital assets, and construction-in-progress. A long-term receivable with December 31, 2023 and 2022 balances of \$17.8 million and \$18.8 million, respectively, was recorded on the Statements of Net Position. This is the portion of the outstanding principal of the Authority's Parking System Revenue Bonds, Series of 2017 that is allocated to the Stadium Authority. The bonds are payable from, and are secured by, revenues of specific parking facilities of both the Authority and the Stadium Authority.

The largest component of the Authority's liabilities is bonds payable, which are secured by pledged revenues as described in the debt administration section. Bonds payable at December 31, 2023 are \$36 million less than 2022 and \$54 million less than 2021.

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

	2023	2022	2021
Operating revenues	\$ 33,126	\$ 29,640	\$ 15,786
Operating expenses:			
Operations and maintenance	16,760	15,208	9,436
General and administrative	1,587	1,524	1,370
Depreciation and amortization	52,312	49,722	50,071
Other expenses	-	-	-
Total operating expenses	70,659	66,454	60,877
Operating income (loss)	(37,533)	(36,814)	(45,091)
Nonoperating revenues (expenses):			
Allegheny Regional Asset District and City, County, State	25,758	24,049	33,804
Hotel rooms excise tax	22,270	13,780	13,780
Pittsburgh Casino operator	7,669	7,663	7,656
Federal grants	101	20,744	3,689
Foundation and other grants	-	-	1,485
Interest expense (net of interest income)	(12,153)	(17,050)	(22,232)
Debt issue costs	-	(982)	-
Grant and development expense	(3,360)	(1,301)	(7,388)
Other revenue (expense)	402	330	130
Total nonoperating revenues (expenses)	40,687	47,233	30,924
Increase (decrease) in net position	\$ 3,154	\$ 10,419	\$ (14,167)

The Authority's operating revenues are derived from ticket surcharges, team rent, parking revenues, and Convention Center income from building rental, event services, catering and concession charges, and ancillary fees such as booth cleaning, security, audio visual, and electrical usage. The Authority's unrestricted operating revenues support the administrative costs of the Authority. The restricted operating revenues are related to certain surcharges/parking revenues/team rent that are pledged for debt repayment or capital maintenance reserves. Acrisure ticket surcharge and rent increased from \$5.6 million in 2022 to \$6.0 million in 2023 and includes surcharge from Steelers home games, Pitt Panthers games, and concerts. Acrisure Stadium ticket

surcharge and rent increased from \$4.25 million in 2021 to \$5.6 million in 2022 and includes surcharge from Steelers home games, Pitt Panthers games, and concerts. Rent and parking surcharge related to the New Arena was \$961,000 more in 2023 than in 2022 at \$7.3 million. Rent and parking surcharge related to the New Arena was \$140,000 more in 2022 than in 2021 at \$6.3 million. The PNC Park ticket surcharge and rent increased from \$952,120 in 2022 to \$2.8 million in 2023. The PNC Park ticket surcharge and rent increased from \$126,000 in 2021 to \$952,120 in 2022.

Non-operating revenues are primarily composed of state and local grants and other funding with respect to operations of the Convention Center, receipts related to debt, and costs related to capital projects. The majority of the restricted revenues in 2023 was comprised of (1) \$14.2 million from Allegheny Regional Asset District (RAD) for debt service on the RAD Sales Tax Revenue Bond, Refunding Series of 2010 and 2020 and a multi facility grant, (2) \$13.78 million from Allegheny County hotel rooms tax for debt service on the Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010 and 2012, (3) \$8.5 million from the Allegheny County Hotel Tax, (4) \$9.2 million in grants from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund for the establishment of a Sports Commission, and for debt service and rent payments related to the Commonwealth Lease Revenue Bonds, Series A and B of 2007, (5) \$7.7 million from the Rivers Casino for debt service on the Commonwealth Lease Revenue Bonds, Series A of 2007. The majority of the restricted revenues in 2022 were comprised of (1) \$14.6 million from Allegheny Regional Asset District (RAD) for debt service on the RAD Sales Tax Revenue Bond, Refunding Series of 2010 and 2020 and a multi facility grant, (2) \$13.78 million from Allegheny County hotel rooms tax for debt service on the Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010 and 2012, (3) \$20.7 million from the Allegheny County ARPA 2022 Grant and the Federal Highway Administration for the I-579 CAP Project, (4) \$9.2 million in grants from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund for the establishment of a Sports Commission, and for debt service and rent payments related to the Commonwealth Lease Revenue Bonds,

Series A and B of 2007, (5) \$7.7 million from the Rivers Casino for debt service on the Commonwealth Lease Revenue Bonds, Series A of 2007.

Including the depreciation and amortization expense of \$52 million, the Authority's operating loss was \$37.5 million for the year ended December 31, 2023. Operations, without depreciation and amortization expense, would have yielded a surplus of \$14.8 million for the year ended December 31, 2023, which is composed of restricted revenue for debt service and for facility capital reserve funds. Including the depreciation and amortization expense of \$50 million, the Authority's operating loss was \$36.8 million for the year ended December 31, 2022. Operations, without depreciation and amortization expense, would have yielded a surplus of \$12.9 million for the year ended December 31, 2022, which is composed of restricted revenue for debt service and for facility capital reserve funds.

Capital Assets

As of December 31, 2023, the Authority's investment in capital assets was \$702 million (net of accumulated depreciation/amortization). Investment in capital assets includes buildings, improvements, equipment, infrastructure, and land (which is valued at \$126 million and is not depreciated). The major projects capitalized during 2023 expenses totaling \$18 million for the construction of the scoreboard at PNC Park, \$7 million for the PPG Paints Arena Scoreboard, and various smaller projects at the Convention Center. Additional information on capital assets can be found in Note 4 of this report.

Debt Administration

Long-term debt of the Authority, outstanding as of December 31, 2023, is comprised of nine bond issues.

Four bonds were originally issued to finance the Regional Destination Financing Plan: Hotel Room Excise Tax Revenue Bonds Series 1999, Regional Asset District Sales Tax Revenue Bonds Series 1999, Taxable Ticket

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Management's Discussion and Analysis

Surcharge Revenue Bonds Series 2000, and Parking Revenue Bonds Series A of 2001. In 2010 and 2012, the Hotel Room Excise Tax Revenue Bonds Series 1999 were refinanced in full in 2022, those 2010 and 2012 bonds were also refinanced in full. The Parking Revenue Bonds Series A of 2001 were refinanced in full through bank loans and the 2017 Parking Bonds (see below). The Regional Asset District Sales Tax Revenue Bonds Series 1999, were refinanced in full in 2010, and then those 2010 bonds were refinanced in 2020.

In 2014, the Authority issued its Guaranteed Revenue Bonds, Taxable Series of 2014 in the principal amount of \$23,300,000 to finance the South Plaza Expansion project at Acrisure Stadium. As of December 31, 2023, the outstanding bonds related to the Regional Destination Financing Plan (not including parking) and South Plaza Expansion project at Acrisure Stadium are as follows:

Bond Issue	Issue Date	Maturity Date	Outstanding Principal Amount	Bond Ratings*	
				Standard & Poor's	Moody's
Hotel Room Excise Tax Revenue Bonds, Series of 2022 A	Feb-2022	Feb-2035	\$ 71,325,000	A- (stable outlook)	A2 (stable outlook)
Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2022 B	May-2023	Feb-2029	\$ 42,685,000	A- (stable outlook)	A2 (stable outlook)
RAD Sales Tax Revenue Bonds, Refunding Series 2020	Sept-2020	Feb-2031	\$ 86,845,000	A+ (stable outlook)	A2
Taxable Ticket Surcharge Revenue Bonds, Series of 2000	Aug-2000	Jul-2030	\$ 8,915,000	AAA	AAA
Guaranteed Revenue Bonds, Taxable Series of 2014	Oct-2014	Jun-2029	\$ 12,325,000	A+	A1

* Ratings at time of issuance, based upon credit support provided by bond insurance or RAD Guarantee. The rating may or may not have changed since initial issue date.

In 2023, principal payments totaling \$19,725,000 were made. Principal payments of \$8,055,000, \$520,000, \$8,885,000, \$1,505,000, and \$760,000 was paid, leaving outstanding debt of \$222,095,000.

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Management's Discussion and Analysis

The Authority issued three series of bonds to finance the construction of the New Arena project: Commonwealth Lease Revenue Bonds, Series A of 2007, Taxable Series B of 2007, and Taxable Series of 2010. Principal payments of \$8,045,000, \$1,685,000, and \$435,000, respectively, were made in 2023. The outstanding balance on these bonds are as follows:

Bond Issue	Issue Date	Maturity Date	Outstanding Principal Amount	Bond Ratings *	
				Standard & Poor's	Moody's
Commonwealth Lease Revenue Bonds, Series A of 2007	Oct-2007	Nov-2038	\$ 156,510,000	A-1	VMIG 1
Commonwealth Lease Revenue Bonds, Taxable Series B of 2007	Oct-2007	Nov-2039	\$ 44,625,000	A-1	VMIG 1
Commonwealth Lease Revenue Bonds, Taxable Series of 2010	Apr-2010	Nov-2039	\$ 12,955,000	A	Aa3

* Ratings at time of issuance, based upon credit support provided by bond insurance or Commonwealth Lease. The rating may or may not have changed since initial issue date.

In November 2017, the Authority issued its Parking System Revenue Bonds, Series of 2017 (2017 Parking Bonds) in the amount of \$41,670,000 to pay off both the Authority and the Stadium Authority 2017 notes. The bonds are secured by a pledge of certain net parking revenues of the Authority and of the Stadium Authority. Of the \$33,055,000 total remaining principal, \$17,495,000 is allocated to the Stadium Authority.

Bond Issue	Issue Date	Maturity Date	Outstanding Principal Amount	Bond Rating *
				Standard & Poor's
Parking System Revenue Bonds, Series of 2017	Nov-2017	Jun-2037	\$ 33,055,000	A-

*Rating at time of issuance. For the years 2025 to 2029 the bond rating is AA, based on the purchase of bond insurance. The rating may or may not have changed since initial issue date.

Additional information on bonds is shown in Note 6 of this report.

Economic Factors

Certain factors were considered in preparing the Authority's budget for the 2024 fiscal year. The restrictions to sporting events subsided and employees are coming back into the office. Due to the increase in events in the city and hotel stays, the Authority is using hotel room excise tax revenues in 2024 to support Convention Center operations.

If, in the future, the unrestricted portion of the hotel room excise tax revenues is again not sufficient or is unavailable to support Convention Center operations, and other revenue streams do not materialize, the Authority will have cash flow difficulties. In such case, it may then be forced to call upon the Cooperation Agreement with the City of Pittsburgh and Allegheny County. This agreement, dated January 23, 1978, approves a shared payment by the City of Pittsburgh and Allegheny County to cover the Authority's operating deficit with respect to the Convention Center.

Future Events that will Financially Impact the Authority

The Authority and the Urban Redevelopment Authority of Pittsburgh (URA) are owners of a 28-acre site in the Lower Hill where the Civic Arena had been located. The Authority owns two thirds of this property and the URA owns one third. Pittsburgh Arena Real Estate Redevelopment LP, (PAR) a related entity to the Pittsburgh Penguins, has an option to develop the 28-acre site.

In support of the development of the 28-acre site, the Authority constructed a road grid at the Lower Hill site, which was dedicated to the City of Pittsburgh in 2019. The Authority facilitated the development of the I-579 CAP project by undertaking the design and by taking the lead on obtaining and managing the funding. The I-579 CAP Project creates a new city owned park (the Frankee Pace Park), which opened in November 2021.

Management's Discussion and Analysis

The Authority has certain capital obligations associated with each of the facilities that it owns, excluding the Benedum Center and Heinz History Center. The Authority holds various capital reserve funds related to these obligations. The Authority has responsibility for its capital obligations, should the reserve funds not be sufficient. While the extent and timing of its future capital obligations is impossible to predict with certainty, the Authority is able to cover what it considers to be its current obligations and those of the foreseeable future.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. 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 10th Street, 2nd Floor, Pittsburgh, PA 15222.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF NET POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,440,092	\$ 9,328,650
Restricted cash and cash equivalents	98,623,710	111,750,606
Receivables:		
Trade (no allowance for doubtful accounts necessary)	2,773,336	3,452,727
Restricted contributions and grants	1,497,836	494,448
Lease receivable - current portion	4,080,291	4,080,291
Other	1,286,082	1,026,327
Prepaid expenses	266,319	259,560
Total current assets	115,967,666	130,392,609
Noncurrent assets:		
Restricted cash and cash equivalents	3,998,737	3,955,373
Note receivable, net	17,834,804	18,872,299
Lease receivable - noncurrent portion	69,633,609	73,713,900
Other receivables	203,001	203,001
Capital assets, net	702,140,093	711,250,285
Construction in progress	8,225,921	12,461,267
Total noncurrent assets	802,036,165	820,456,125
Total Assets	918,003,831	950,848,734
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	19,512,425	15,940,028
Total Deferred Outflows of Resources	19,512,425	15,940,028
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	12,838,176	6,422,561
Unearned revenue	1,061,369	752,850
Interest payable	4,682,094	5,017,409
Current portion of bonds payable	32,390,000	31,495,000
Total current liabilities	50,971,639	43,687,820
Noncurrent liabilities:		
Unearned revenue	40,002	102,555
Fair value of hedging derivatives	19,512,425	15,940,028
Bonds payable, net	478,736,255	516,071,879
Total noncurrent liabilities	498,288,682	532,114,462
Total Liabilities	549,260,321	575,802,282
Deferred Inflows of Resources		
Deferred inflows of resources for leases	69,159,024	74,566,392
Deferred gain on bond refundings	3,832,685	4,310,082
Total Deferred Inflows of Resources	72,991,709	78,876,474
Net Position		
Net investment in capital assets	226,923,491	222,275,222
Restricted for facilities and debt service	82,472,020	83,555,539
Unrestricted	5,868,715	6,279,245
Total Net Position	\$ 315,264,226	\$ 312,110,006

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating Revenues:		
Restricted:		
Surcharges/rents	\$ 15,397,406	\$ 15,554,264
North Shore parking garage, net	1,571,707	1,325,328
Parking lot revenue, net	966,219	585,993
Unrestricted:		
Surcharges	1,236,465	563,699
Convention Center parking garage, net	2,286,230	1,921,759
License fees	3,127,403	2,936,734
Event service revenue	1,778,783	1,222,024
Ancillary revenue, net	6,401,592	5,138,503
Other revenue	360,584	391,471
Total operating revenues	<u>33,126,389</u>	<u>29,639,775</u>
Operating Expenses:		
Operations and maintenance	16,760,028	15,207,590
General and administrative	1,587,371	1,524,399
Depreciation and amortization	52,311,738	49,722,382
Total operating expenses	<u>70,659,137</u>	<u>66,454,371</u>
Operating Loss	<u>(37,532,748)</u>	<u>(36,814,596)</u>
Non-operating Revenues (Expenses):		
Restricted:		
Allegheny Regional Asset District	14,211,435	14,565,791
PA Gaming Economic Development & Tourism Fund	9,200,000	9,200,000
Other Commonwealth of PA Grants	2,346,937	283,136
Pittsburgh casino operator	7,669,649	7,663,154
County Hotel rooms tax	22,270,493	13,780,000
Federal grants	100,788	20,743,687
Foundation and other grants	-	-
Other revenue (expense)	50,000	137,649
Interest expense	(16,811,888)	(18,706,270)
Interest revenue	4,658,391	1,656,612
Debt issuance costs	-	(981,532)
I-579 Cap grant and development expense	(3,360,623)	(1,301,422)
Unrestricted:		
Other revenue	348,587	174,570
Project development revenue	30,000	40,000
Financing expenses	(26,801)	(21,353)
Total non-operating revenues, net	<u>40,686,968</u>	<u>47,234,022</u>
Change in Net Position	3,154,220	10,419,426
Net Position:		
Beginning of year	<u>312,110,006</u>	<u>301,690,580</u>
End of year	<u>\$ 315,264,226</u>	<u>\$ 312,110,006</u>

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Cash received from operations	\$ 32,426,638	\$ 24,294,456
Cash paid for operating expenses	(4,581,556)	(7,744,826)
Cash paid to employees	(7,650,595)	(6,932,031)
Cash received from other income	360,584	391,471
Net cash provided by (used in) operating activities	20,555,071	10,009,070
Cash Flows From Non-Capital Financing Activities:		
Cash received from PA Gaming Economic Development & Tourism Fund	1,700,000	1,700,000
Cash received from federal grants	-	20,000,000
Other receipts (payments)	65,371	(743,941)
Net cash provided by (used in) non-capital financing activities	1,765,371	20,956,059
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(38,653,118)	(15,598,436)
Proceeds from issuance of bonds and notes	-	148,219,883
Bond and note issuance costs	-	(981,532)
Cash received on note receivable to Stadium Authority	850,000	810,000
Interest payments on bonds, notes/loans payable, and capital lease obligations	(22,382,728)	(23,918,215)
Cash received from Allegheny Regional Asset District for bond payments and capital	14,211,435	14,565,791
Cash received from County hotel rooms tax for bond payments	22,270,493	13,780,000
Cash received from PA Gaming Economic Development & Tourism Fund for capital items and bond and loan payments	7,691,346	7,743,754
Cash received from Pittsburgh casino operator for bond payments	7,669,649	7,663,154
Cash received from other capital grants	1,252,991	2,406,374
Cash paid for I-579 Cap Project	(3,380,098)	(1,553,631)
Principal payments on bonds payable	(31,495,000)	(151,890,000)
Principal payments on loans/notes payable	-	(133,334)
Net cash provided by (used in) capital and related financing activities	(41,965,030)	1,113,808
Cash Flows From Investing Activities:		
Interest income received	4,699,299	1,666,411
Bank/trustee fees paid	(26,801)	(21,353)
Net cash provided by (used in) investing activities	4,672,498	1,645,058
Net Increase (Decrease) in Cash and Cash Equivalents	(14,972,090)	33,723,995
Cash and Cash Equivalents:		
Beginning of year	125,034,629	91,310,634
End of year	\$ 110,062,539	\$ 125,034,629
Consists of:		
Restricted cash and cash equivalents	\$ 102,622,447	\$ 115,705,979
Unrestricted cash and cash equivalents	7,440,092	9,328,650
	\$ 110,062,539	\$ 125,034,629
Reconciliation of Operating Loss to Net Cash Flows Provided By (Used In) Operating Activities:		
Operating loss	\$ (37,532,748)	\$ (36,814,596)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	52,311,738	49,722,382
Change in operating assets and liabilities:		
Operating receivables	679,391	(1,800,280)
Lease receivable and related components	(1,327,077)	(3,227,799)
Prepaid operating expenses	(6,759)	(37,868)
Operating liabilities	6,430,526	2,167,231
Total adjustments	58,087,819	46,823,666
Net cash provided by (used in) operating activities	\$ 20,555,071	\$ 10,009,070

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. Nature of Operations and Reporting Entity

The Public Auditorium Authority of Pittsburgh and Allegheny County was incorporated on February 3, 1954, pursuant to the Public Auditorium Authorities Law, as a joint authority organized by the City of Pittsburgh (City) and Allegheny County (County). Effective November 1999, the Authority's name was legally changed to the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority). The Public Auditorium Authorities Law was re-codified in 2000, and the Authority is now authorized and exists under the Pennsylvania Sports and Exhibition Authority Act. The Authority's term of existence extends until April 5, 2049.

The Authority provides venues for large public assemblies, including facilities incident thereto, for the benefit of the people of the Commonwealth of Pennsylvania, by among other things, increasing their commerce and prosperity, and promoting their educational, cultural, physical, civic, social, and moral welfare. The Authority owns PNC Park, Acrisure Stadium, the David L. Lawrence Convention Center (including garage and riverfront plaza), the PPG Paints Arena (including garage), the Lower Hill redevelopment site, North Shore Garage, North Shore Riverfront Park, and various associated infrastructure improvements. The Authority leases PNC Park and Acrisure Stadium to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball franchise) and PSSI Stadium LLC (a related entity to the holder of the Pittsburgh Steelers National Football League franchise), respectively, which operate the facilities through October 31, 2030 and February 28, 2031, respectively. PPG Paints Arena is subleased through June 30, 2040 to Pittsburgh Arena Operating LP (a related entity to the holder of the Pittsburgh Penguins National Hockey League franchise). The teams are responsible for the daily operation, management and maintenance of the sports facilities. The Authority is responsible for management of the David L. Lawrence Convention Center (Convention Center), North Shore Garage, and North Shore Riverfront Park.

The Authority also owns the Benedum Center and the Senator John Heinz History Center (Heinz History Center). The Authority's ownership of these facilities was intended to be for financing purposes only; the Authority has no significant operating or management responsibility. The Pittsburgh Trust for Cultural Resources operates the Benedum Center pursuant to a lease. The Heinz History Center is leased to the Historical Society of Western Pennsylvania.

The Authority and the Urban Redevelopment Authority of Pittsburgh (URA) are owners of a 28-acre site in the Lower Hill. The Authority and the URA have entered into an option

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

agreement (Lower Hill Option Agreement) with PAR (as defined in Note 14), a related entity of the Pittsburgh Penguins. The Authority, with the URA, is responsible for overseeing development in accordance with the Lower Hill Option Agreement.

The Authority has a seven-member Board of Directors (Board). The Mayor and the County Executive each appoint three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of the Authority. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is primarily accountable for fiscal matters. For financial reporting purposes, the Authority is a stand-alone entity and is not a component unit of the City or the County. (A component unit is defined as an entity that is operationally and financially accountable to a primary government.)

The Stadium Authority of the City of Pittsburgh (Stadium Authority) is responsible for the development of the land between Acrisure Stadium and PNC Park (North Shore Option Area). Pending development, the land is used for surface parking with a portion of the Stadium Authority's revenue from the surface parking lots pledged to the debt service on the Authority's Parking System Revenue Bonds, Series of 2017 (see Note 6). The Stadium Authority has a separate board appointed by the Mayor of the City. An Administrative Services Agreement was entered into in November 2002 and amended November 2017 between the Stadium Authority and the Authority, whereby the Authority staff performs all administrative services required for the Stadium Authority to fulfill its duties and obligations.

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). 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:

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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, deferred outflows of resources, deferred inflows of resources, and 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 total net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers cash in bank accounts and short-term investments with original maturities of three months or less from the date of purchase as cash and cash equivalents.

Lease Receivables

The Authority is a lessor for noncancellable leases of PNC Park, Acrisure Stadium, and PPG Paints arena, as discussed in Notes 17, 18, and 13, respectively. The Authority recognizes lease receivables and deferred inflows of resources for these leases.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of fixed payments to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, if any. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Key estimates and judgements include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets are stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, surveys, engineering costs, roads, bridges, buildings, and other construction costs for constructed assets. Once completed and in operation, additional projects valued at greater than \$10,000, and paid for by the Authority, are capitalized except that repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Professional fees are expensed unless the total value of the project exceeds \$1 million.

Capital assets include the infrastructure network (roads, sidewalks, water lines, and sewer lines) built in connection with the Authority's capital projects, including the Convention Center, the North Shore, and the Lower Hill. Some of this infrastructure, mainly road, water, and sewer system infrastructure, is dedicated to the City or Pittsburgh Water and Sewer Authority (PWSA) after the completion and is, thereafter, to be maintained by the City and/or PWSA. To the extent the Authority funded the projects, the Authority considers these costs an integral part of its total development cost of its major projects and, accordingly, capitalizes and depreciates infrastructure costs over the life of that project.

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. No depreciation expense is recorded for land or construction-in-progress.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Premiums and Discounts

Original issue premiums and discounts are amortized over the life of the related bonds using the straight-line method of amortization, which is materially comparable to the effective interest method. The unamortized balance of premiums and discounts is presented net on the statements of net position as a decrease or increase to bonds payable.

Refunding Transactions

In accordance with applicable guidance, the excess (deficiency) of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow or inflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds. In 2022, the Hotel Room Excise Tax Revenue Bonds Series 2010 and 2012 were refunded from the proceeds of the issuance of the Hotel Room Excise Tax Revenue Bonds Series of 2022A and 2022B. This refunding resulted in a deferred inflow of resources on the statement of net position that is being amortized as a reduction of interest expense over the shorter of the term of the refunding issue or refunded bonds. A deferred inflow of resources is also reported for the Regional Asset District Sales Tax Revenue bonds, Refunding Series of 2020.

Revenues

The Authority's operating revenues consist of surcharges, rents, parking revenues, and Convention Center revenue from building rentals, event services, and catering and concessions. Non-operating revenues consist primarily of grants and subsidies received that

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

are restricted for capital related costs, the payment of debt service, or operation of the Convention Center. Grants and subsidies are recorded as revenue when received or when all applicable requirements are met.

When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, and then unrestricted resources as needed.

Surcharges/Rent

Surcharges are certain revenues derived from tickets or parking at the various facilities imposed by the Authority in accordance with the team leases. Additionally, the team leases provide that the Steelers, Pirates, and Penguins pay rent and/or other amounts to the Authority annually. See Note 13, PPG Paints Arena; Note 17, PNC Park; and Note 18, Acrisure Stadium for the specific terms of each lease as it relates to the surcharges, rents, and/or other amounts and the restricted uses of the funds.

Parking Revenues

Parking revenues are generated from parking services at the North Shore parking garage, the Convention Center parking garage, and Authority lots in both downtown and on the North Shore, net of the related expenses (see accompanying Parking System Report). Currently, the net revenues of the North Shore Garage, Authority lots, and revenues from the Stadium Authority West General Robinson Street Garage, Gold 1 Garage, and lots (Lots 1 through 5 and 7A through 7J) are fully restricted for purposes of repaying the Authority's Parking System Revenue Bonds, Series of 2017 described in Note 6. Net revenues of the Convention Center parking garage are used for operations of the Authority and not pledged to bonds.

Pennsylvania Gaming Economic Development & Tourism Fund (EDTF)

Section 14.07 of Act 71 of 2004 (PA Race Horse Development and Gaming Act) provided for the creation of the EDTF. Act 53 of 2007, known as the Capital Budget Itemization Act of 2007, authorized recurring funding to the Authority from the EDTF in support of the New Arena project (\$7.5 million). This funding recurred in both 2023 and 2022. This funding is pledged to the debt service on the Authority's Commonwealth Lease Revenue Bonds, Series A of 2007. In both years, the revenue was recognized as restricted non-operating revenue.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Section 27.4 of Act 42 of 2017 authorized recurring funding to the Authority for the establishment, administration, and maintenance of a regional sports commission. Pursuant thereto, the Authority received \$1.7 million in both 2023 and 2022 and this revenue was recognized as restricted non-operating revenue. This revenue is used in accordance with the Authority's EDTF restricted account programs and procedures, including the funding of the Authority's Sports Events Funding (SEF) program.

Casino Operator Revenue

As described in Note 6, the Authority receives semi-annual payments from the holder of the gaming license for the Casino located in Pittsburgh, based on a Payment Agreement which details the payment amounts and due dates. The payments are pledged to pay debt service on the Authority's Commonwealth Lease Revenue Bonds, Series A of 2007. The Authority recognizes this revenue when the payments are received by the bond trustee.

Hotel Room Excise Tax

The County imposes a 7% hotel room excise tax on the temporary use or occupancy of hotel rooms within the County. The tax is composed of a 5% Basic Levy and a 2% Added Levy. From the 5% Basic Levy, the County is required to collect the tax and to distribute the funds, in accordance with state law (16 P.S. Section 4970.2 et seq) as follows: (1) provide the Municipality of Monroeville with 1/3 of the revenues generated in that jurisdiction, (2) fund the debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, Series of 2010 and 2012, which were refunded with Series 2022A and 2022B in 2022, and reimburse the County for a collection fee of 5%, (3) make available 2/5 of the Basic Levy to the Greater Pittsburgh Convention and Visitor's Bureau and (4) remaining funds, if any, to fund Convention Center operations and regional tourist promotional activities. The 2% Added Levy is applied in accordance with state law (53 Pa.C.S.A. Section 8721) as follows: (1) to the Municipality of Monroeville, 1/3 of the revenues generated in that jurisdiction, and (2) the remaining balance to pay debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, Series of 2010 and 2012, which were refunded with Series 2022A and 2022B in 2022.

Classification of Net Position

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

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Adopted Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Organization’s financial statements for the year ended December 31, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), and 102 (Certain Risk Disclosures). Management has not yet determined the impact of these statements on the financial statements.

3. Cash, Cash Equivalents, and Investments

The Authority maintains 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 entity in the Authority's name. The Authority's investment activities are governed by the Commonwealth, bond covenants, trust agreements, and the Authority's investment policy.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The following is a summary of the Authority's cash and cash equivalents for the year ended December 31, 2023 and December 31, 2022:

2023 Cash and Cash Equivalents	Unrestricted	Restricted	Total
Cash	\$ 7,440,092	\$ 8,320,601	\$ 15,760,693
Money market funds	-	55,122,826	55,122,826
PA INVEST	-	38,059,647	38,059,647
Commercial Paper	-	1,549,000	1,549,000
Total cash and cash equivalents	<u>\$ 7,440,092</u>	<u>\$ 103,052,074</u>	<u>\$ 110,492,166</u>

2022 Cash and Cash Equivalents	Unrestricted	Restricted	Total
Cash	\$ 9,328,650	\$ 9,063,894	\$ 18,392,544
Money market funds	-	70,643,552	70,643,552
PA INVEST	-	34,449,533	34,449,533
Commercial Paper	-	1,549,000	1,549,000
Total cash and cash equivalents	<u>\$ 9,328,650</u>	<u>\$ 115,705,979</u>	<u>\$ 125,034,629</u>

Restricted cash and cash equivalents relate to bond accounts (established pursuant to the Authority's various trust indentures), grant agreements, enabling legislation, or other contractual agreements that restrict funding for the various facilities. Restricted cash and cash equivalents are reported on the statements of net position and are classified as current or noncurrent based on expected use.

The carrying value of the Authority's investments is the same as their fair value amount. Money markets are valued using quoted market prices (Level 1 inputs). The Authority's investment in the external investment pool (PA INVEST) is the same as the value of the pool shares and is reported at amortized cost, which approximates market. All investments in this external investment pool that is not SEC-registered are subject to oversight by the Commonwealth. The Authority can withdraw funds from PA INVEST without limitations or fees. Commercial paper is reported at amortized cost, as it matures in under one year.

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits. In the case of cash, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. The Authority's investments (PA INVEST and money

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

markets) are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2023 and 2022, \$14,431,502 and \$17,957,361 of the Authority's bank balance of \$14,681,502 and \$18,207,361, respectively, was exposed to custodial credit risk because it was uninsured but collateralized in accordance with Act 72 of 1971, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2023, \$49.2 million of Authority money market investments were rated A-1+, and the remaining \$3.5 million of investments were rated BBB+ by Standard & Poor's. As of December 31, 2022, \$58.6 million of Authority money market investments were rated A-1+, and the remaining \$12.0 million of investments were rated AAA by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The Authority's investments, however, have maturities of less than one year.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

4. Capital Assets

Capital assets and accumulated depreciation consist of the following:

	2023	2022	Useful Lives (in years)
Land and improvements	\$ 126,192,850	\$ 126,192,850	
Infrastructure	147,674,138	147,661,716	40-50
Building and improvements	1,305,222,150	1,269,744,572	10-50
Equipment	83,645,692	75,934,150	5-10
Other assets	5,520,129	5,520,128	30
Total capital assets	1,668,254,959	1,625,053,416	
Accumulated depreciation/amortization	(966,114,866)	(913,803,131)	
Capital assets, net	<u>\$ 702,140,093</u>	<u>\$ 711,250,285</u>	

Capital assets included above that are not being depreciated totaled \$126 million for the years ended December 31, 2023 and 2022.

Changes in capital assets, net of accumulated depreciation, by development project, were as follows:

	January 1, 2023	Depreciation	Additions (Deletions)	December 31, 2023
Lower Hill Rds/I-579 CAP	\$ 10,045,200	\$ (457,750)	\$ 20,412	\$ 9,607,862
Benedum Center	11,029,622	(7,127)	-	11,022,495
Sen. John Heinz History Center	1,466,900	(52,400)	-	1,414,500
PNC Park	91,154,847	(10,808,705)	17,991,998	98,338,140
North Shore Garage	9,148,496	(1,008,490)	113,799	8,253,805
Acrisure Stadium	121,332,368	(11,835,494)	6,231,767	115,728,641
Convention Center	176,107,099	(15,039,060)	11,665,714	172,733,753
Convention Center				
Riverfront Plaza	9,061,346	-	-	9,061,346
North Shore Riverfront Park	25,945,962	(102,060)	226,495	26,070,397
PPG Paints Arena	220,928,510	(11,180,202)	6,951,361	216,699,669
North Shore Infrastructure	31,654,252	(1,582,420)	-	30,071,832
Other	3,375,683	(238,030)	-	3,137,653
Total	<u>\$ 711,250,285</u>	<u>\$ (52,311,738)</u>	<u>\$ 43,201,546</u>	<u>\$ 702,140,093</u>

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The costs of the Benedum Center and the Heinz History Center are original acquisition and/or improvement costs funded through the Authority. Any other costs to improve these properties have been incurred and capitalized solely by the Pittsburgh Trust for Cultural Resources and the Historical Society of Western Pennsylvania.

Since the opening of Acrisure Stadium, PNC Park, and PPG Paints Arena, PSSI, the Pirates, and the Pittsburgh Penguins, respectively, have paid for certain leasehold improvements and furniture, fixtures, and equipment. Although these leasehold improvements and fixed asset purchases would remain with the building as property of the Authority upon termination of the leases, they are not capitalized by the Authority.

5. Construction in Progress

Construction in progress (CIP) of \$8.2 million and \$12.5 million is recorded as of December 31, 2023 and 2022, respectively. The majority of the balance in 2023 relates to the costs associated with various Convention Center projects and projects at PNC Park, PPG Paints Center, and Acrisure Stadium.

6. Bonds Payable

All bonds issued by the Authority are limited obligation bonds, collateralized by supporting agreements entered into as of the date of each bond issue between the Authority, and the City, the County, the Stadium Authority, the Commonwealth, or other designated entity(ies), and/or some specifically identified revenue stream(s).

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Principal Outstanding		
	January 1, 2023	Additions (Reductions)	December 31, 2023
Commonwealth Lease Revenue Bonds Series A of 2007 of \$252,000,000, due in annual installments ranging from \$4,260,000 to \$13,950,000 through November 2038, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 4.020% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: \$7.5 million annually from PA Economic Development and Tourism Fund and \$7.5 million annually by casino operator, paid directly to the Trustee.	\$ 164,555,000	\$ (8,045,000)	\$ 156,510,000
Commonwealth Lease Revenue Bonds Taxable Series B of 2007 of \$61,265,000, due in annual installments ranging from \$620,000 to \$4,095,000 through November 2039, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 5.335% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	46,310,000	(1,685,000)	44,625,000
Commonwealth Lease Revenue Bonds Taxable Series of 2010 of \$17,360,000 due in annual installments ranging from \$225,000 to \$1,300,000 through November 2039, interest payable semi-annually on May 1 and November 1 at rates ranging from 3.98% to 7.04%, issued April 28, 2010 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	13,390,000	(435,000)	12,955,000
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2020 of \$113,250,000, due in annual installments ranging from \$8,545,000 to \$12,760,000 through February 2031, interest payable semi-annually on February 1 and August 1 at rates ranging from 3% to 5%, issued September 30, 2020 to refinance the Regional Asset District Sales Tax Revenue Bonds Series of 2010. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	95,730,000	(8,885,000)	86,845,000
Taxable Ticket Surcharge Revenue Bonds, Series of 2000 of \$17,175,000, due in annual installments ranging from \$145,000 to \$2,835,000 through July 2030, interest payable semi-annually on January 1 and July 1 at rates ranging from 7.72% to 7.92%, issued in August 2000 to finance the construction of Acrisure Stadium. Funding Source: Acrisure Stadium Ticket Surcharge, paid directly to the Trustee.	9,675,000	(760,000)	8,915,000

(Continued)

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Principal Outstanding		
	January 1, 2023	Additions (Reductions)	December 31, 2023
Guaranteed Revenue Bonds Taxable, Series of 2014 of \$23,300,000, due in annual installments ranging from \$1,280,000 to \$1,990,000 through December 2030, interest payable semi-annually on June 15 and December 15 at rates ranging from 1.084% to 4.521%, issued in October 2014 to finance certain renovations and improvements of Acrisure Stadium. Funding Source: Steelers Rent, paid directly to the Trustee.	13,830,000	(1,505,000)	12,325,000
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 and refund Stadium Authority Bank Notes. Funding Source: Net Revenues of the Parking System.*	34,660,000	(1,605,000)	33,055,000
Hotel Room Excise Tax Revenue Bonds, Refunding of Series A of 2022 of \$79,380,000 due in annual installments ranging from \$50,000 to \$12,140,000 through February 2035, interest payable semi-annually on February 1 and August 1 at rates ranging from 4.00% to 5.00%. Issued to refinance the outstanding Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010, which was the expansion of DLLCC. Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	79,380,000	(8,055,000)	71,325,000
Hotel Room Excise Tax Revenue Bonds, Refunding Series B of 2022 of \$43,205,000 due in annual installments ranging from \$55,000 to \$9,425,00 through February 2029, interest payable semi annually on February 1 and August 1 at rates ranging from 4.00% to 5.00%, issued to refinance the outstanding Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012 (which financed the expansion of DLLCC). Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	43,205,000	(520,000)	42,685,000
Total bonds payable	500,735,000	(31,495,000)	469,240,000
Deferred amounts:			
For issuance premiums	46,831,879	(4,945,624)	41,886,255
Bonds payable, net	\$ 547,566,879	\$ (36,440,624)	\$ 511,126,255

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

*This chart reflects the total bond value for the Parking System Revenue Bonds, Series of 2017 and includes the whole original issue premium. See below for a description of the relationship with the Stadium Authority and the receivables due for payment on these bonds.

The aggregate annual amount of principal and interest payments required on all Authority bonds is as follows:

	Principal	Interest	Total
2024	\$ 32,390,000	\$ 21,591,386	\$ 53,981,386
2025	33,795,000	20,202,242	53,997,242
2026	35,270,000	18,697,788	53,967,788
2027	36,925,000	17,066,313	53,991,313
2028	36,375,000	15,360,370	51,735,370
2029-2033	176,680,000	49,505,362	226,185,362
2034-2038	112,410,000	14,141,930	126,551,930
2039	5,395,000	309,988	5,704,988
Total	<u>\$ 469,240,000</u>	<u>\$ 156,875,379</u>	<u>\$ 626,115,379</u>

Interest payments related to the Commonwealth Lease Revenue Bonds, Series A and B of 2007 have been calculated using the synthetic fixed rates as described in Note 9.

Arbitrage

The investment of proceeds of certain of the bond issues is restricted by yield limitations. In instances where the yield limitations apply, a review is made of earnings on certain investments to determine if the rate of investment earnings exceeds the yield limitations. The excess earnings, or rebatable arbitrage, is required to be computed in accordance with, and pursuant to, Section 148 of the Internal Revenue Code of 1986 (Code), and treasury regulations issued by the Internal Revenue Service under Section 148(i) of the Code. The Internal Revenue Service requires the arbitrage computation to be performed, and the amount remitted, every fifth year that the bonds are outstanding. The Authority has determined there are currently no arbitrage obligations due.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Commonwealth Lease Revenue Bonds, Series A and Taxable Series B of 2007

On October 4, 2007, the Authority issued \$252,000,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Series A of 2007 and \$61,265,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (together, the New Arena Bonds) to acquire, construct, and equip a multi-purpose public auditorium and related facilities (New Arena Project). In conjunction with this transaction, the Authority has entered into a Standby Bond Purchase Agreement which has been extended through May 1, 2025. The 2007 bonds are to be repaid from (1) rent payments due from the sublease of the new arena to the Pittsburgh Penguins, (2) annual payments from the Commonwealth and (3) annual payments from the holder of the gaming license for the casino located in the City.

The Authority subleased the new arena to the Pittsburgh Penguins and, pursuant thereto, the Pittsburgh Penguins are obligated to pay the Authority annual lease payments of \$4.3 million (with final payment on September 25, 2039). The lease payments are pledged to support the 2007 bonds. \$4.3 million was received in both 2023 and 2022. This agreement is further described in Note 13.

The Commonwealth has appropriated \$7.5 million per year for 30 years (ending September 2036) from the EDTF to support the debt service on the 2007 bonds (Note 2). \$7.5 million was received in both 2023 and 2022.

A Payment Agreement between the Authority and Holdings Acquisition Co, LLC, (d/b/a Rivers Casino), the holder of the gaming license for the casino located in the City, was executed November 10, 2009, requiring semi-annual payments to begin October 2009 and ending October 2038, with such payment pledged to secure the 2007 bonds. Payments in the amount of \$7.67 million and \$7.66 million were received in 2023 and 2022, respectively.

The Authority entered into interest rate swap agreements with PNC Bank, National Association (Counterparty) in connection with the 2007 bonds. Pursuant to the swap agreements, the Authority pays a fixed rate of interest to the Counterparty and the Counterparty then pays a variable rate of interest to the bond trustee to pay debt service on the 2007 bonds (Note 9). At December 31, 2023, the variable rate on the Series A and B bonds approximated 3.596% and 5.378%, respectively. At December 31, 2022, the variable rate on the Series A and B bonds approximated 3.046% and 4.169%, respectively.

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The Authority has leased the New Arena Project to the Commonwealth and the Commonwealth has subleased it back to the Authority. The Commonwealth is obligated to pay rent under the lease to the extent there is a deficiency or delay in receipt of any amounts needed to pay debt service. The Commonwealth paid \$191,346 in 2023 and \$243,754 in 2022, respectively, pursuant to the Commonwealth lease.

Commonwealth Lease Revenue Bonds, Taxable Series of 2010

In 2010, the Authority issued \$17,360,000 of fixed rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series of 2010 to pay costs to complete the acquisition, construction and equipping of the New Arena Project. The Series 2010 Bonds are to be repaid from additional rent payments (\$1.36 million per year) due from the Pittsburgh Penguins per the Second Amendment to the New Arena Lease. This additional payment in the amount of \$1,360,000 was received in both 2023 and 2022.

Hotel Room Excise Tax Revenue Bonds

On May 26, 1999, the Authority issued \$193,375,000 of Public Auditorium Authority of Pittsburgh and Allegheny County Hotel Room Excise Tax Revenue Bonds, Series 1999 (1999 Hotel Bonds). In connection with the issuance of the 1999 Hotel Bonds, the Authority entered into a support agreement with the County, the County Treasurer, and the County Controller dated May 1, 1999, which requires the County, solely through the use of funds provided by the Hotel Room Excise Tax, to provide fixed payments sufficient to service the 1999 Hotel Bonds, and any refunding bonds, through 2035.

On October 13, 2010, the Authority issued \$146,465,000 in Hotel Room Excise Tax Revenue Bonds, Series of 2010 (2010 Hotel Bonds), the proceeds of which were used to (a) redeem on October 18, 2010, a portion of the 1999 Hotel Bonds, and (b) pay a portion of the purchase price of the cooling system in the Convention Center. The 2010 Hotel Bonds have an average interest rate of 4.60% and were issued at an original issue premium of \$9.1 million, which is being amortized over the life of the bonds.

On June 6, 2012, the Authority issued \$44,160,000 in Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012 (2012 Hotel Bonds), the proceeds of which were used to (a) redeem the remaining 1999 Hotel Room Excise Tax Revenue Bonds, and (b) reimburse the Authority for a portion of the purchase price of a cooling system in the Convention Center. The 2012

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Hotel Bonds have an average interest rate of 4.08% and were issued at an original issue premium of \$2 million, which is being amortized over the life of the bonds.

The Authority issued the \$79,500,000 Hotel Room Excise Tax Revenue Bonds, Refunding Series A of 2022 on February 1, 2022 and the \$43,300,000 Hotel Room Excise Tax Revenue Bonds, Refunding Series B of 2022 on May 3, 2022 (collectively, the 2022 Hotel Bonds). Pursuant to an Acknowledgement and Support Agreement dated May 1, 1999, among the Authority, the County, County Treasurer and County Controller, as amended by supplements dated September 1, 2010, June 1, 2012, February 1, 2022 and May 1, 2022, the County provides fixed payments, solely from Hotel Room Excise Tax revenues, sufficient to service the 2022 Hotel Bonds. The 2022 Hotel Bonds were issued at an original issue premium of \$25,634,884 that will be amortized over the life of the bonds. The proceeds of the 2022 Hotel Bonds were used to (a) redeem on February 1, 2022 the Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010 and redeem on August 1, 2022 the Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012, (b) provide \$22,844,000 to pay costs of capital repairs and improvements to the Convention Center, and (c) to pay costs of issuance. The Authority obtained an economic gain (\$22,844,000) from the issuance of the 2022 Hotel Bonds; however, the debt service requirements of the 2022 Hotel Bonds are substantially the same as what the debt service requirements would have been on the remaining Refunding Series of 2010 and 2012 Bonds.

The Authority received hotel room excise tax revenues, in the amount of \$22,270,493 and \$13,780,000 in calendar years 2023 and 2022, respectively, for payment of indebtedness on the Hotel Tax Bonds.

Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2020

On September 30, 2020, the Authority issued \$113,250,000 of Allegheny County Regional Asset District (RAD) Sales Tax Revenue Bonds, Refunding Series of 2020 (2020 RAD Bonds). Pursuant to a Third Amendment to the Cooperation and Support Agreement with the Authority, the City, the County, and RAD, dated September 15, 2020, RAD agreed to provide financial support to the Authority for the 2020 RAD Bonds through maturity (2030). The 2020 RAD bonds were issued at an original issue premium of \$22,819,750 that will be amortized over the life of the bonds. The bond proceeds were used to: (a) redeem on September 30, 2020, all of the Authority's Regional Asset District Sales Tax Revenue Bonds, Series of 2010, (b) provide \$21 million to pay costs of capital repairs and improvements to the Authority's major facilities and (c) pay costs of issuance. The Authority obtained an economic gain (\$21

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million) from the refunding; however, the debt service requirements of the 2020 RAD bonds are substantially the same as what the debt service requirements would have been on the remaining 2010 RAD Bonds.

The 2020 refunding resulted in deferred refunding gain of \$2,550,166, which is being amortized over the life of the 2020 RAD Bonds. The Authority received \$13,400,000 from RAD for each of the calendar years 2023 and 2022 for payment of indebtedness on the 2010 and 2020 RAD Bonds.

Taxable Ticket Surcharge Revenue Bonds

In September 2000, the Authority issued \$17,175,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Taxable Ticket Surcharge Revenue Bonds, Series 2000 (Ticket Surcharge Bonds). The bonds are limited obligations of the Authority payable by certain revenues of the 5% surcharge imposed with respect to “conventional” seats for Steelers National Football League (NFL) games played at Acrisure Stadium. In order to facilitate the collection of the pledged surcharge revenues and to provide funds in advance of receipt in order to timely pay principal and interest, pursuant to the Security, Pledge, and Assignment Agreement, dated August 1, 2000, the first \$1.4M of such surcharge as well as the team’s admission charge (ticket price) for such seats is made available to the bond trustee. The trustee received the required bond payments in both 2023 and 2022.

Guaranteed Revenue Bonds, Taxable Series of 2014

On October 15, 2014, the Authority issued \$23,300,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Guaranteed Revenue Bonds, Taxable Series of 2014 (Series of 2014 Bonds). The Series 2014 Bonds are to be repaid from increased rent payments (2014 Rent) of \$2.11 million per year, due from PSSI per an Amendment to the Acrisure Stadium lease agreement, dated October 15, 2014. Payments were due beginning June 1, 2015, continue through and including June 1, 2029 and cover costs of principal, interest, ongoing fees and transaction expenses. Pursuant to a Cooperation and Support Agreement with the Authority, the City, the County and RAD, dated October 15, 2014, RAD guarantees payment of the Series 2014 Bonds should 2014 Rent be insufficient or not received. The bond proceeds were used to finance a portion of the costs of the South Plaza Expansion project (see Note 18). \$2.11 million was received from PSSI both in 2023 and 2022 for payment of indebtedness and expenses on these bonds.

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Parking System Revenue Bonds, Series of 2017

On November 30, 2017, the Authority issued the Sports & Exhibition Authority of Pittsburgh and Allegheny County Parking System Revenue Bonds, Series of 2017 (2017 Parking Bonds). The 2017 Parking Bonds are payable from, and are secured solely by, net revenues of a "Parking System" comprised of specified parking facilities of the Authority and specified parking facilities of the Stadium Authority.

The proceeds of the bonds were used to (a) refund the Authority 2017 PNC/Dollar Bank Variable Rate Term Notes, (b) refund the Stadium Authority 2017 PNC/Dollar Bank Variable Rate Term Notes, (c) fund a reserve fund, and (d) pay costs of the issuance.

While the Authority issued the bonds, the Stadium Authority has certain obligations with respect to the bonds, as provided for in the Collateral Assignment Agreement and the Joinder Agreement, each dated as of November 1, 2017 and each between the Stadium Authority and the bond trustee. Pursuant thereto, the Stadium Authority has recorded a note payable to the Authority and the Authority recorded a long-term receivable from the Stadium Authority in the amount of the 2017 parking bonds principal and original issue premium, less bond debt service reserve payable allocated to the Stadium Authority. As of December 31, 2023 and 2022, the note receivable was \$17,834,804 and \$18,872,299, respectively.

Note Receivable (Net)		
	2023	2022
Principal	\$ 17,495,000	\$ 18,345,000
Original issue premium	2,609,304	2,796,799
Bond reserve payable	(2,269,500)	(2,269,500)
Total	<u>\$ 17,834,804</u>	<u>\$ 18,872,299</u>

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As of December 31, 2023, the aggregate annual amount of principal and interest payments due from the Stadium Authority for the 2017 Parking Bonds is as follows:

	Total Principal	Interest	Total
2024	\$ 895,000	\$ 874,750	\$ 1,769,750
2025	940,000	830,000	1,770,000
2026	985,000	783,000	1,768,000
2027	1,035,000	733,750	1,768,750
2028	1,085,000	682,000	1,767,000
2029-2033	6,295,000	2,540,000	8,835,000
2034-2037	6,260,000	801,250	7,061,250
Total	<u>\$ 17,495,000</u>	<u>\$ 7,244,750</u>	<u>\$ 24,739,750</u>

The Authority and the Stadium Authority each covenant with respect to the 2017 Parking Bonds to maintain rates and charges for the use of the pledged parking facilities sufficient to produce net revenues of at least 150% of the debt service requirements for each fiscal year period. The rate covenant was met in 2023 and 2022.

7. Loans and Notes Payable

Heinz Endowment Loans

In 2002, the Howard Heinz Endowments and the Vira I. Heinz Endowments (Endowments) provided \$3 million in loans to the Authority to support the green building features of the Convention Center. The Endowments forgave the first year's payment of \$230,000 in principal and deferred the interest in 2009. Additionally, the Endowments approved the delay of the second payment until December 31, 2010. On December 21, 2011, the Endowments amended the loan to forgive \$66,666 of principal for each year, reducing the principal payments by one-third and allowing for prepayment of principal, without penalty. The Authority's final payment for this loan was in August 2022.

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8. Net Investment in Capital Assets

Total net position includes net investment in capital assets. The calculations for the years ending 2023 and 2022 are as follows:

	2023	2022
Capital assets, net	\$ 702,140,093	\$ 711,250,285
Construction in progress	8,225,921	12,461,267
Less bonds payable related to capital assets	(511,126,255)	(547,566,879)
Less deferred inflows attributable to capital assets	(3,832,685)	(4,310,082)
Plus loan receivable from Stadium Authority	17,834,804	18,872,299
Plus net unspent bond proceeds	13,681,613	31,568,332
Net investment in capital assets	<u>\$ 226,923,491</u>	<u>\$ 222,275,222</u>

9. Derivative Financial Instruments - Interest Rate Swaps

The Authority had the following interest rate swaps* as of December 31, 2023 and 2022:

Underlying Bonds	Notional Amount	Effective Date	Maturity Date	Interest Rate Paid	Interest Rate Received	Counterparty Moody's/S&P Rating**
2007 Series B	\$46,310,000	10/4/2007	11/1/2039	5.335%	1M SOFR	A2/ A
2007 Series A	164,555,000	10/4/2007	11/1/2038	4.020%	SIFMA	A2/ A

Underlying Bonds	Notional Amount	12/31/2021 Market Value ***	Change in Market Value	12/31/2022 Market Value ***	Change in Market Value	12/31/2023 Market Value ***
2007 Series B	\$46,310,000	(\$18,478,837)	\$12,090,556	(\$6,388,281)	(\$275,445)	(\$6,122,836)
2007 Series A	164,555,000	(40,395,756)	30,844,009	(9,551,747)	(4,287,842)	(13,839,589)
		(\$58,874,593)	\$42,934,565	(\$15,940,028)	(\$4,563,287)	(\$19,512,425)

* Hedging derivatives/cash flow hedges. Receive variable-pay fixed.

** Counterparty Ratings as of December 31, 2023

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*** The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation. The swap values are considered to be Level 2 in the fair value hierarchy.

Objective of the Interest Rate Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate New Arena Bonds, the Authority entered into pay-fixed, receive-variable interest rate swap agreements with the counterparty (PNC Bank, National Association). The intention of the swaps was to effectively change the Authority's variable interest rates on the New Arena Bonds to synthetic fixed rates of 4.020% (Series A) and 5.335% (Taxable Series B).

Terms

The swap agreements were entered into at the same time the New Arena Bonds were issued (October 2007). The swap agreements expire on November 1, 2038 (Series A) and November 1, 2039 (Taxable Series B), consistent with the final maturity of each series of bonds. The interest payments on the interest rate swaps are calculated based on notional amounts, all of which began reducing in 2008, so that the notional amounts approximate the principal outstanding on the respective bonds. The swap's original notional amounts were \$252,000,000 (Series A) and \$61,265,000 (Series B).

Pursuant to the swap contracts, the Authority pays the counterparty semi-annually on each November 1 and May 1, and the counterparty pays the Authority monthly on the first of each month. In accordance with the swap agreements, for the year ended December 31, 2023, the Authority paid \$1,244,964 net fixed interest with respect to the swap on the Series A Bonds, and paid \$156,997 net fixed interest with respect to the swap on the Taxable Series B Bonds, which are recorded as interest expenses. On December 31, 2023, the SIFMA Municipal Swap Index and 1M SOFR rates were 3.596% and 5.378%, respectively.

	2023	2022
Net payments under swap agreements	\$ 1,401,963	\$ 7,151,923
Variable interest paid on bonds	7,695,735	2,318,477
Total interest expense on New Arena Bonds	<u>\$ 9,097,698</u>	<u>\$ 9,470,400</u>

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Accounting and Risk Disclosures

As noted in the tables above, current period changes in market value for the interest rate swaps that are accounted for as hedges are recorded on the statements of net position as deferred outflows. The cumulative fair market value of the outstanding interest rate swaps as of December 31, 2023 and 2022 are reported on the statements of net position as a swap liability.

The Authority has the ability to early terminate the interest rate swaps and to cash settle the transaction on any business day by providing at least two business days written notice to the counterparty. Evidence that the Authority has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, the Authority will be required to pay or receive a settlement amount which is comprised of the fair market value of the terminated transaction(s) based on market quotations and any amounts accrued under the contract(s).

Through the use of derivative instruments such as interest rate swaps, the Authority is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc. and Standard & Poor's, nationally recognized statistical rating organizations for the counterparty, are listed in the table above. If the counterparty fails to perform according to the terms of the interest rate swap agreements, there is some risk of loss to the Authority. This risk includes the potential for the counterparty to fail to make termination payments to the Authority if the swaps are terminated and a termination payment is due from the counterparty. If the Authority would need to replace the swaps, it would likely cost the Authority the then fair values. Because the swaps have negative fair values, there is no current credit risk to the Authority.

The Authority has not entered into master netting arrangements with its counterparty; as such, each derivative instrument should be evaluated on an individual basis for credit risk.

Concentration of credit risk: The Authority currently has one counterparty for both of its interest rate swaps. Total fair value of interest rate swaps held with this counterparty is (\$19,512,425) at December 31, 2023.

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The Authority had an agreement with the counterparty that required the counterparty to post collateral if certain circumstances existed in a specific period of the swap agreement. This provision expired on May 1, 2010. Current terms provide that if the counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., then there would be an automatic termination event under the swap agreement, as required by the swap insurer. As of year-end, such a termination event had not occurred.

- Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Authority is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index (Series A Bonds) or 1M SOFR (Taxable Series B Bonds), as previously discussed, and the variable interest rate on the New Arena Bonds is based on a trading spread to the index based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax-exempt rate, and the 1M SOFR and the weekly taxable rate may vary. The variance could adversely affect the Authority's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the bonds and the variance over the long-term is expected to be minimal. As of June 30, 2023, LIBOR was discontinued and the Authority changed to Secured Overnight Financing Rate (SOFR) for the Series B Bonds.
- Termination risk is the risk that the swaps will end before the final maturity of the New Arena Bonds. The stated terms of the swaps are equal to the terms of the bonds. There are instances, however, when the swaps could be terminated earlier. The swaps use the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by either the Authority or the counterparty. The Authority or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. Additional termination events include provisions such as if the underlying bonds were converted to fixed rate, if the indenture or Commonwealth lease is amended or supplemented in a manner that adversely affects the counterparty without the counterparty's prior approval, or in the event of a natural or man-made disaster, armed conflict, act of terrorism, riot, etc., that may occur beyond the control of the parties and would prevent a party from

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

performing under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate.

- Rollover risk is the risk that a derivative associated with the Authority's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. The Authority is not exposed to rollover risk as the swap agreements terminate on the same day the last payment is due on the respective bonds.

Variable Rate Changes

The London Interbank Offered Rate (LIBOR) was the dominant benchmark rate used in financial contracts for decades, including the above-referenced Commonwealth Lease Revenue Bonds Series A of 2007 (Variable Rate Demand) (the "2007A Bonds") and Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Variable Rate Demand) (the "2007B Bonds") issued on behalf of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (SEA). The LIBOR benchmark rate was discontinued and no longer calculated as of June 30, 2023. It was replaced by the Secured Overnight Financing Rate (SOFR). All debt securities relying on LIBOR transitioned to SOFR on June 30, 2023.

The SEA has engaged Dinsmore & Shohl (Bond & Swap Counsel), PFM Financial Advisors LLC (Financial Advisor), PNC Bank (Underwriters), Dentons Cohen & Grigsby P.C. (Authority Counsel) and The Bank of New York Mellon Trust Company, N.A. (Trustee) to complete the documentation development, review, and execution required for the transition. The amendment to the 2007 Trust Indenture securing the SEA's 2007B Bonds will replace LIBOR indices with SOFR indices as fallback interest rates in the event of a failure by the Remarketing Agent to set the interest rate on the 2007B Bonds. During 2023, there was an amendment of the interest rate swap relating to the 2007B Bonds to replace a LIBOR index with a SOFR index in the floating rate calculation.

10. Employee Benefit Plans

The Authority has a defined contribution retirement plan (plan) covering substantially all of its full-time employees. None of its employees are subject to collective bargaining agreements. Participation in the plan requires an employee to have completed six months of service. Employees are required to make mandatory contributions to the plan equal to 5% of their

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

base compensation, on a pre-tax basis. The Authority annually contributes 7% of eligible employee compensation to the plan. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of a participant's account is based on years of continuous service. A participant is 100% vested after five years of service. The Authority contributed \$76,350 and \$131,613 to the plan for the years ended December 31, 2023 and 2022, respectively.

In 2000, the Authority established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code of 1986. Under the deferred compensation plan, employees may voluntarily contribute additional pre-tax monies up to allowable federal limits. In 2016, the Plan was expanded to add a post-tax Roth 457 option. Eligibility for the deferred compensation plan is consistent with the defined contribution plan and employees are immediately 100% vested in any contributions and earnings thereon. The Authority does not make matching contributions to the deferred compensation plan.

11. Operation of David L. Lawrence Convention Center

By agreement dated January 1, 2002, the Authority entered into a management agreement with SMG, a Pennsylvania general partnership, to provide management services for the Convention Center. Subsequent agreements with SMG were approved by the Board, with the current agreement expiring December 31, 2025.

The Convention Center generates revenue through rental contracts and various ancillary services charged directly to the customer. The largest component of ancillary services is food and beverage (F & B). The Authority first entered into a contract with Levy Premium Food Service L.P. (Levy) on June 1, 2003 to provide F & B services for the Convention Center. In the ensuing years, the Board has approved amendments and agreements for Levy to continue to manage the F & B services at the Convention Center. The current agreement runs through December 31, 2026.

12. Parking System

The Authority owns and maintains both structured and surface parking facilities in Downtown Pittsburgh and on the City's North Shore. The Stadium Authority (Note 1) also owns two parking garages, and several lots, all of which are located on the City's North Shore. These

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

combined facilities provide daily commuter parking, as well as event parking related to the Authority's venues. Certain of the Authority's and Stadium Authority's combined parking revenues are pledged as security for the Parking System Revenue Bonds, Series of 2017 (Note 6).

The Convention Center Garage revenues are not currently pledged to the financing and are used for the Authority's operations. Also not pledged are revenues from the PPG Paints Arena garage and the lot spaces at the Lower Hill development site, which are currently fully leased to the Pittsburgh Arena Operating L.P. (a related entity to the holder of the Pittsburgh Penguins National Hockey League Franchise).

The Authority has contracted with Alco Parking, Inc. (Alco) to operate its parking facilities. Depending upon the facility, the operation is pursuant to a management contract or a lease agreement.

13. PPG Paints Arena Operating Lease

Pursuant to the sublease agreement dated September 18, 2007, as amended (the New Arena Lease), the annual rent due from the Pittsburgh Penguins is (a) \$4.3 million per year to pay the debt service on Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Note 6), (b) \$1.36 million to pay the debt service on the Commonwealth Lease Revenue Bonds, Taxable Series of 2010, and (d) \$100,000 for the use of an expanded service yard to be deposited in the Authority's restricted New Arena capital reserve account .

A parking surcharge in the amount of up to \$400,000 is due from the Pittsburgh Penguins each year and is deposited into the Authority restricted New Arena capital reserve account. This resulted in a deposit of \$627,673 and \$555,026 for the team's fiscal years ending July 31, 2023 and 2022, respectively, to the New Arena capital reserve account. In October 2021, the Board authorized increasing both daily and event parking surcharges to provide the funding due for the capital reserve fund.

As the lease includes fixed payments totaling \$5,760,000, that portion is recorded as a lease receivable and deferred inflow of resources on the Authority's statement of net position. The lease has an interest rate of 5%. As of December 31, 2023 and 2022, the Authority's receivable for discounted lease payments was \$62,425,553 and \$64,938,622, respectively. Also, the Authority has a deferred inflow of resources associated with this lease that will be

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

recognized as revenue over the lease term. As of December 31, 2023 and 2022, the balance of the deferred inflow of resources was \$58,620,167 and \$62,283,928, respectively.

Under the conditions of the New Arena Lease, the Pittsburgh Penguins are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of the New Arena necessary to keep and maintain the New Arena in first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. The Authority has certain obligations for capital repairs as defined in the Lease for which the Authority may use the New Arena capital reserve account.

14. Lower Hill Redevelopment

Upon completion of the New Arena, the Authority undertook the demolition of the Civic Arena. The demolition was completed in September 2012. The site was paved for use as surface parking until the property is redeveloped. Pending the redevelopment of the property, pursuant to the New Arena Lease and the Parking Lot Agreement dated October 22, 2012 between the Authority and Pittsburgh Arena Operating LP (an affiliate of the Pittsburgh Penguins), Pittsburgh Arena Operating LP manages, operates, maintains, and receives all net revenue from the parking spaces (subject to the \$400,000 parking surcharge described in Note 13) until October 22, 2023. In support of the redevelopment, the Authority constructed a road grid on the site and the roads were dedicated to and accepted by the City in 2019. As of October 22, 2023, the parking lots were not redeveloped by Pittsburgh Arena Operating LP. Pursuant to the New Arena Lease and the Parking Lot Agreement, the Authority now manages the parking lots until they are developed.

Pursuant to the Amended and Restated Comprehensive Option Agreement, dated June 20, 2018, as amended (Lower Hill Option Agreement), among the Authority, the URA, and Pittsburgh Arena Real Estate Redevelopment LP (an affiliate of the Pittsburgh Penguins) (PAR), PAR holds rights to redevelop the Lower Hill site on certain terms and conditions. The Lower Hill site is approximately 28 acres, of which 2/3 is owned by the Authority and 1/3 by the URA. In June 2021, pursuant to the terms of the Lower Hill Option Agreement, the Authority transferred Tract G-1, a 1.399 acre site, for development of a 26 story office building, and transferred parcel Tract G-4, a 0.671 acre site, for improvement as green space. Pursuant to the terms of the Lower Hill Option Agreement, the purchase price for each tract was \$10.00.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

15. Benedum Center Operating Lease

On June 15, 1984, the Authority acquired certain property and entered into an agreement to lease the property to the Allegheny International Realty Development Corporation (AIRDC). AIRDC subsequently assigned the lease to the Pittsburgh Trust for Cultural Resources (Trust) for purposes of constructing and operating the Benedum Center. The lease agreement provides for annual rentals of one dollar and requires the Trust to pay for all improvements, maintenance, utilities and insurance. The lease is for a period of 50 years and is due to expire in June 2034, with an option to renew the lease for an additional 30 years.

16. Historical Society of Western Pennsylvania Operating Lease

On October 22, 1991, the Authority acquired the former Chautauqua Ice Company property and entered into an agreement to lease the property to the Historical Society of Western Pennsylvania (Historical Society). The Historical Society has established the Senator John Heinz History Center and supporting facilities that operate as a museum, research center, and cultural facility. The lease agreement provides for annual rental of one dollar and requires the Historical Society to pay for all improvements, maintenance, utilities, and insurance. The lease is for a period of 25 years and was due to expire in October 2016, with options to renew for three consecutive periods of 25 years each. On August 4, 2015, the Historical Society exercised their option for the first 25-year period, extending the lease through October 21, 2041.

17. PNC Park Operating Lease

The Authority entered into a lease agreement with Pittsburgh Associates (Pirates) with an initial term of 29.5 years, commencing in March 2001 and ending on October 31, 2030. Obligated payments to the Authority include the following components: (a) base rent of \$100,000 per year, (b) excess gate revenues ((i) 5% of gate revenues over \$44.5 million up to and including \$52 million and, (ii) 10% of gate revenues over \$52 million increased annually by the percentage increase in the average ticket price), (c) excess concession revenue ((i) if the Pirates' arrangement with its concessionaire(s) entitles the team to receive more than 42% of the aggregate gross concession revenues, the Pirates shall pay the Authority 5% of the excess over the 42% and 10% of the excess over 45% and (ii) 5% of gross food and beverage revenues in excess of \$9.00 per capita (adjusted annually by CPI increases)) and (d) ticket

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

surcharges (the team receives the first \$1,500,000 of ticket surcharges each year, with the next \$375,000 (adjusted annually by CPI increases) to the Authority for deposit into the PNC Park capital reserve fund, the next \$250,000 to the Authority to be used at the Authority's discretion, and anything above these amounts to the team. In 2023, the Authority received \$100,000 in base rent and \$890,712 in ticket surcharges. In 2022, the Authority received \$100,000 in base rent and \$852,120 in ticket surcharges.

In July 2022, the Board approved an amendment to the lease agreement between the Authority and the Pirates that incorporated an additional \$1 surcharge to all tickets, including non-sporting events, commencing on November 1, 2022. This is for the Authority to reimburse the Pirates for projects totaling \$4.8 million. In the 2023 season, the first year of the \$1 surcharge, the amount collected was \$1,720,084.

As the lease includes a fixed payment of base rent of \$100,000, that portion is recorded as a lease receivable and deferred inflow of resources on the Authority's statement of net position. The lease has an interest rate of 5%. As of December 31, 2023 and 2022, the Authority's receivable for discounted lease payments was \$578,637 and \$646,321, respectively. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2023 and 2022, the balance of the deferred inflow of resources was \$540,521 and \$617,739, respectively.

Under the terms of the lease, the Pirates are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of PNC Park. The Authority has certain obligations for capital repairs as defined in the lease, for which the Authority may use the PNC Park capital reserve fund. Pursuant to the lease agreement, \$650,000 per lease year is to be deposited into a PNC Park capital reserve fund.

18. Acrisure Stadium Operating Lease

The Authority entered into a lease agreement with PSSI Stadium LLC (PSSI) with an initial term of 29.5 years, commencing in August 2001 and ending February 18, 2031. PSSI (a related entity to the Steelers) subleases the facility to Pittsburgh Steelers Sports, Inc. (Steelers) and the University of Pittsburgh. Obligated payments to the Authority include the following (a) ticket surcharge revenues from NFL events (5% ticket surcharge is imposed by the Authority on all NFL event tickets sold at Acrisure Stadium [capped at \$3]), with the first \$1.4 million of total ticket surcharge monies restricted to pay principal and interest on the Ticket Surcharge

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Bonds and surcharge proceeds over \$1.4 million paid to the Authority for deposit into the Acrisure Stadium capital reserve fund; (b) ticket surcharge revenues from non-NFL Events (5% ticket surcharge is imposed by the Authority on all non-NFL events tickets [capped at \$2.25]) and (c) non-sporting event revenues (15% of net revenues from non-sporting events). In lease year 2023 (April 1 to March 31) the Authority recognized \$552,302 in ticket surcharge for NFL events, \$353,954 from non-NFL event ticket surcharge and \$882,511 from 15% of the non-sporting event revenues. In lease year 2022 (April 1 to March 31) the Authority recognized \$493,095 in ticket surcharge for NFL events, \$440,748 from non-NFL event ticket surcharge and \$122,951 from 15% of the non-sporting event revenues.

On October 15, 2014, the Authority and PSSI entered into an Amendment to the Lease Agreement (Amendment) whereby, beginning June 1, 2015, PSSI pays additional annual rent of \$2,110,000, which is pledged to pay principal and interest on the Guaranteed Revenue Bonds, Taxable Series of 2014 (see Note 6). This money was received in 2023 and 2022. Pursuant to the Amendment beginning April 1, 2015 and continuing thereafter if certain conditions are met, an additional, fixed \$1 capital reserve fund ticket surcharge (Additional Surcharge) is imposed on all tickets sold for all NFL events and non-NFL events utilizing the seating bowl of Acrisure Stadium, and is deposited into the Acrisure Stadium capital reserve fund. In 2023 \$1,196,524 was generated from the \$1 Additional Surcharge. In 2022 \$1,032,694 was generated from the \$1 Additional Surcharge and was deposited to the Acrisure Stadium capital reserve fund.

As the lease includes a fixed payment of rent of \$2,110,000, that portion is recorded as a lease receivable and deferred inflow of resources on the Authority's statement of net position. The lease has an interest rate of 5%. As of December 31, 2023 and 2022, the Authority's receivable for discounted lease payments was \$10,709,710 and \$12,209,248, respectively. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2023 and 2022, the balance of the deferred inflow of resources was \$9,998,336 and \$11,664,725, respectively.

Pursuant to the lease PSSI is obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Acrisure Stadium necessary to keep and maintain Acrisure Stadium. The Authority has certain obligations for capital repairs as defined in the lease for which the Authority may use the Acrisure Stadium capital reserve fund.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Pursuant to the lease agreement, \$650,000 per lease year (increased by CPI) is to be deposited into a Acrisure Stadium capital reserve fund by the Authority.

19. Grant from Stadium Authority

On January 1, 2023, the Stadium Authority and the Authority entered into a cooperation agreement for the Authority to grant the SEA funds in the amount of approximately \$4.2 million from the 2017 Parking System Bond Trust Indenture's General Fund that belongs to the Authority. The funds are to support SEA operating and capital expenses. As of December 31, 2023, no grant funds were drawn from the Stadium Authority.

20. American Rescue Plan Act Funding

On January 1, 2022, the Authority was awarded \$20,000,000 of American Rescue Plan Act funding through the County. The entire grant was spent in 2022 to cover operating costs at the Convention Center.

21. Commitments and Contingencies

Litigation

The Authority is involved in claims and legal actions arising from construction and in the normal course of operations. There are multiple claims resulting from the operation of Authority facilities, including the Convention Center, Acrisure Stadium, PNC Park, and PPG Paints Arena, and parking garages for which, in some cases, the respective tenants or management companies have indemnified the Authority. The range of potential loss and the outcomes of these cases cannot be determined. However, in the opinion of management, the ultimate disposition of these matters, considering indemnification agreements, insurance and Authority defenses, will not have a material adverse effect on the Authority's financial position.

**Sports & Exhibition Authority of
Pittsburgh and Allegheny County**

Independent Auditor's Report in Accordance
with *Government Auditing Standards*

Year Ended December 31, 2023

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Directors

Sports & Exhibition Authority of Pittsburgh and Allegheny County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 29, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters

Report on Compliance and Other Matters

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

Purpose of this Report

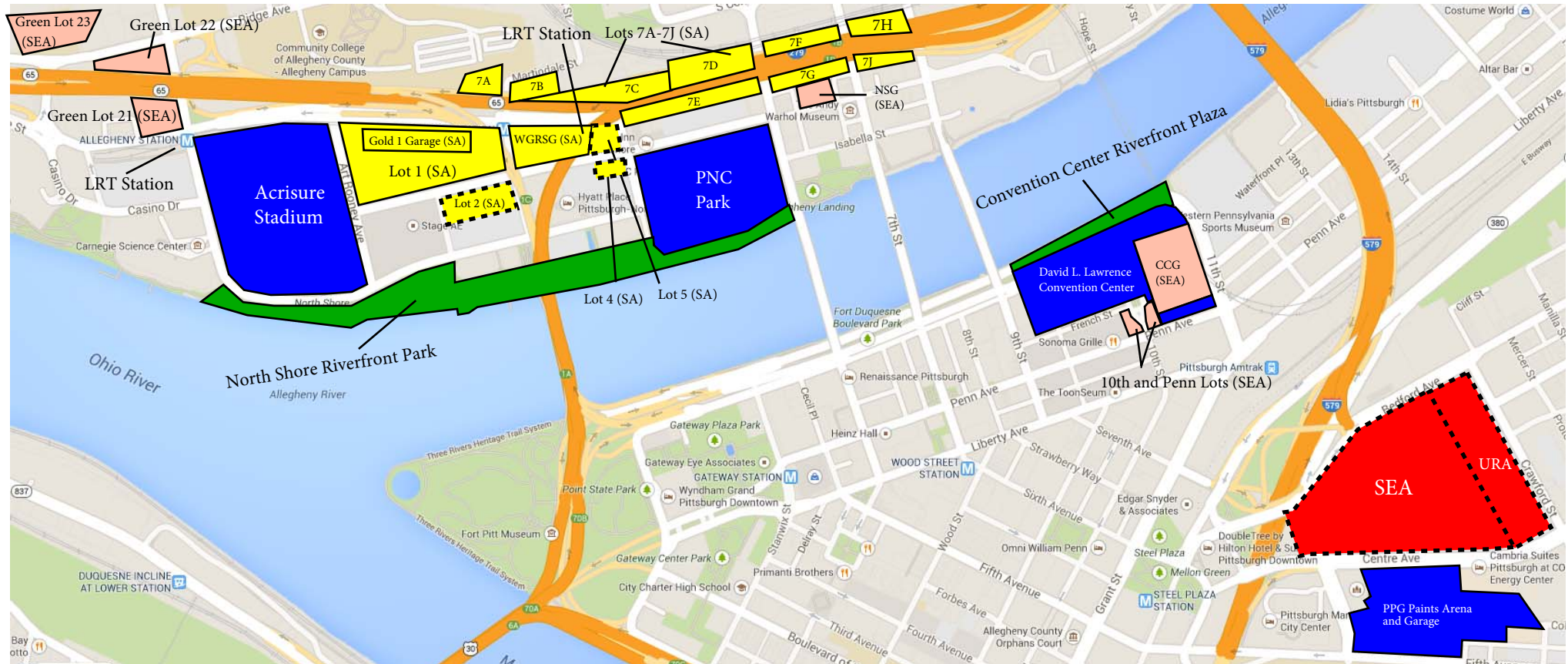
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

Mahe Duessel

Pittsburgh, Pennsylvania
May 29, 2024

OTHER INFORMATION

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(URA); 2 acres owned by Developer; Penguins hold development option; SEA coordinated with City and PennDOT on the completion of the I-579 Cap Project; 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; first development in portion of Lot 4 (Champions Garage) completed September 2021; second development (multi-family building and entertainment plaza) in development.