

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH
Pittsburgh, Pennsylvania

Financial Statements and Supplementary Information

For the Year Ended December 31, 2019

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Table of Contents

December 31, 2019

	<u>Page</u>
Independent Auditor's Report	ii-iii
Management's Discussion and Analysis	iv – xii
Financial Statements:	
Statements of Net Position	1 – 2
Statements of Revenues, Expenses and Changes in Net Position	3
Statements of Cash Flows	4 – 5
Notes to the Financial Statements	6 – 18
Property Overview Map – unaudited	19



CAMERON
Professional Services Group

Certified Public Accountants
One Hope Square
1901 Centre Avenue, Suite 202
Pittsburgh, PA 15219-4378
(412) 251-0607
www.cameronpsg.com

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Stadium Authority of the City of Pittsburgh's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stadium Authority of the City of Pittsburgh as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cameron Professional Services Group, LLC
Pittsburgh, Pennsylvania

March 20, 2020

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Management's Discussion and Analysis

December 31, 2019

As management of the Stadium Authority of the City of Pittsburgh (**Authority**), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the twelve month periods ended December 31, 2019 and 2018. This Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- Net position as of December 31, 2019 is greater than the prior year by \$3.7 million. Net investment in capital asset increased \$4.26 million that was partially offset by a \$465,000 decline in the Authority's unrestricted net position. Restricted for capital activity and debt service also decreased \$62,000. The Authority's total cash and cash equivalents balance (Note 3) at the close of the 2019 fiscal year was \$10.3 million, representing a \$232,000 decrease over the prior year-end. The liabilities of the Authority decreased \$1.1 million due primarily to the payment of debt on the long term note due to the SEA.
- The Authority recognized \$11 million in operating revenues for the calendar year 2019, an increase of \$482,000 over 2018. This is generated mostly from parking revenues from the Authority's garages.
- As shown on the Statements of Revenues, Expenses, and Changes in Net Position, total Authority operating revenues (\$11 million), net of operating expenses (\$6.7 million),

resulted in a \$4.3 million operating surplus. All of the Authority operating revenue is restricted to the 2017 Parking System Revenue Bonds. The surplus includes depreciation and amortization expenses of \$1.5 million.

Overview of the Financial Statements

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

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

In 2003 the Authority entered into an agreement with the North Shore Developers, L.P., a joint venture of the Steelers and Pirates, for the development of the Option Area which agreement has been amended over time (as amended, the **Option Agreement**). The Authority oversees this development according to the terms of the Option Agreement. The Option Area contained 12

development parcels of various sizes. The North Shore Developers, L.P. have developed seven parcels: the Equitable Resources building, the Del Monte building (2 parcels), the Hyatt Place Hotel, North Shore Place I, North Shore Place II, the SAP building, and five development parcels remain. On October 31, 2019 the Authority and the North Shore Developers entered into the 2019 Amendment Agreement (**the 2019 Amendment Agreement**) which requires the next parcel to be taken down for development by August 31, 2020.

As part of the Option Area development, the Authority built the West General Robinson Street (**WGRS**) garage which opened in 2006, and the Gold 1 Garage which opened in 2017 to provide parking for the stadium and ballpark and to replace parking that was or will be eliminated with the development. The Authority also sold land for the development of Stage AE pursuant to the Steelers lease. The remaining development parcels will continue to be used as surface parking lots until developed.

Pursuant to the team leases for Heinz Field and PNC Park and the Option Agreement, the teams were to earn certain surface parking lot revenue related to Heinz Field and PNC Park events. The teams were to receive certain of the event parking revenues annually (**Permanent Space Revenue**) and certain of the event parking revenues were placed in development funds and paid to the teams as development of the Option Area occurs.

Per the 2019 Amendment Agreement, the Development Funds have been closed and the fund balances and future deposits as well as future as Permanent Space Revenue are deposited in the Heinz Field or PNC Park capital reserve account, as applicable and used by the SEA for certain capital projects at the Heinz Field or PNC Park as provided for in the team leases. Accordingly development fund assets and liabilities decreased as of December 31, 2019.

The Authority leases certain land from the Commonwealth of Pennsylvania that is also used for surface parking. The WGRS and Gold 1 garages and all surface lots are managed by or leased to

ALCO Parking Corporation (**ALCO**). The lease and management agreements with respect to the parking lots run through 2050. The management agreements for the garages run through December 31, 2026. The SEA provides staffing and administrative services for the Authority.

Financial Statements

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

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

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

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

Notes to Financial Statements

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

Financial Analysis

Below is a summary of the net position of the Authority as of December 31, 2019.

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

	2019	2018
Current assets	\$19,570	\$15,007
Capital assets	43,683	44,595
Other assets	2,853	3,520
Construction in Progress	-	385
Total Assets	<u>66,106</u>	<u>63,507</u>
Current liabilities	1,527	1,595
Other long-term liabilities	24,282	25,353
Grants from the City of Pittsburgh	22,775	22,775
Total Liabilities	<u>48,584</u>	<u>49,723</u>
Net investment in capital assets	29,803	25,538
Restricted for capital activity/debt service	7,202	7,264
Unrestricted	(19,483)	(19,018)
Total Net Position	<u>17,522</u>	<u>\$13,784</u>

Current assets include cash, investments, and receivables from parking operations. Current assets increased \$4.6 million over 2018. This is primarily earnings held in the Trust Indenture securing the SEA Parking Revenue Bonds Series of 2017 (**Parking Bonds**). Other assets include \$584,000 held in an Authority development fund to support costs of development and debt service related to financing of parking garages on the North Shore. Other assets also include \$2.3 million being the Authority's share of the debt service reserve account for the Parking Bonds. Liabilities decreased \$1.1 million in 2019. Current liabilities include accounts payables on capital projects for the WGRS and Gold 1 garages. In November 2017 the SEA issued the

Parking Bonds in order to provide long term, stable financing for parking facilities of the SEA and the Authority. The Authority's portion of the Parking Bonds debt is reflected on the Statement of Net Position as a long-term loan/note payable to the SEA. Other long-term liabilities include continued principal payments for the IDP loan as described hereafter. Net Position increased from \$13.8 million in 2018 to \$17.5 million in 2019. The Net Position reports the amount of discretionary assets that an organization has to meet its obligations and is composed of Net Investment in Capital Assets, Restricted for Capital Activity and Debt Service and Unrestricted (discretionary revenues).

- Net investment in capital assets (\$30 million) reflects the Authority's capital assets net of related debt.
- Restricted for capital activity/debt service (\$7.2 million) has decreased \$62,000 over last year and includes pledged parking revenues and debt service reserve for loans and Authority development fund as of December 31, 2019.
- The unrestricted portion of net position has a deficit of \$19.5 million. This is a direct result of recording almost \$23 million in grants payable to the City related to operations of Three Rivers Stadium from 1965 to 1994 for operation of Three Rivers Stadium. The City does not include this \$23 million as a receivable on its financial statements, due to the unlikelihood of collection (See Note 9).

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

	2019	2018
Operating Revenue	\$10,956	\$10,474
Operating Expenses		
Operating and Maintenance	4,092	3,807
General and Administrative	189	174
Depreciation	1,511	1,451
Interest	875	940
Total Operating Expenses	6,667	6,372
Operating Income/(Loss)	4,289	4,102
Non-operating Revenues/(Expenses)		
Capital Transferred to the SEA	(293)	(367)
Development Fund Expense	(259)	(117)
Total Non-operating Revenues/(Expenses)	(552)	(484)
Increase/Decrease in Net Assets	3,737	3,618

The Authority's operating revenues are derived from parking revenues from the WGRS and Gold 1 garages and various Authority parking lots. Revenues were \$482,000 greater in 2019 than in 2018.

All Authority net parking revenues are restricted for purposes of repaying the Parking Bonds (Note 8). Operating and administration expenses are primarily related to the parking operations, reimbursement to the SEA for administration expenses, insurance, consulting expenses relating to the take down of the Option Area parcels, depreciation and interest expense on the Authority's garage financings. Operating expenses are \$295,000 more than last year mainly due to maintenance projects at the garages and lots and depreciation expense. Other non-operating revenues (expenses) are primarily money transferred to/from the SEA in accordance with the various loan agreements and transfers to the SEA for deposit to the Heinz Field and PNC Park

capital reserve funds in accordance with the 2019 Amendment Agreement, net of related liabilities. The Authority's operating surplus was \$3.7 million for the 12-month period ending December 31, 2019 (before debt service principal payment).

Debt Administration

In November 2017 the SEA issued its Parking System Revenue Bonds in the amount of \$41,670,000 to refinance the Authority and SEA short term parking facility bank loans with long-term, fixed rate, investment grade debt. The bonds are secured by a joint pledge of net parking revenues by the Authority and the SEA. Per a Cooperation Agreement between the SEA and the Authority, of the total \$41,670,000 principal of the Parking Bonds, \$22,055,000 was a liability of the Authority payable to the SEA. As of December 31, 2019 the Authority's outstanding principal balance due is \$20,680,000. This is shown as the Parking Agreement Note payable on the statements of Net Position.

When construction of the WGRS garage began in 2005, the Authority received a \$1,250,000 Infrastructure Development Program (**IDP**) loan, with an interest rate of 2%, from the Commonwealth of Pennsylvania, Department of Community and Economic Development (**DCED**) to be repaid over 20 years. \$83,378 of principal and interest was paid on the IDP loan in the year ending December 31, 2019.

Economic Factors

Certain factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2020. North Shore Developers, L.P completed construction on the SAP (Parcel 14) office building in 2019, creating additional parking demand on the North Shore, and is currently scheduled to take down the next development parcel in 2020. It is expected that the

North Shore Light Rail Transit (**LRT**) System will continue to have a positive impact on North Shore parking for both garages and all parking lots.

Future Events that will Financially Impact the Authority

As stated previously, per the Option Agreement there were initially 12 parcels of property to be developed on the North Shore. There are now five remaining parcels to be developed (parcels located in parking Lot 4, a portion of Lot 5, and a portion of Lot 2). By the terms of the Option Agreement, as amended in 2019, the Board approved an extension for the take down of the Second Follow-On Parcel to no later than August 31, 2020. Thereafter, the remaining parcels may be taken down for development no later than May 31, 2021. A further extension is provided for the Lot 2 parcel only if certain conditions are met, but no later than December 31, 2024. With each take down of property, the amount of surface parking will decrease and the development that occurs with the takedown may increase demand for daily parking at the remaining Authority lots/garages, which may have impacts on the amount of Authority parking revenues.

WGRS Garage is in its 14th year of operations (opened June 2006) and Gold 1 Garage is in its third year (opened May 2017). ALCO has provided a 10-year capital budget identifying capital projects for the Authority's lots and garages over that time period. The Authority continues to plan for the funding of future capital projects as the lots and garages age.

Contacting the Authority's Financial Management

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

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statements of Net Position

December 31, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,747,855	\$ 3,214,640
Restricted – cash and cash equivalents	7,541,998	7,307,681
Receivables:		
Bond Trustee funds	8,570,443	3,983,617
ALCO Parking	525,578	(40,413)
Other receivable	136,165	493,344
Interest receivable	12,554	15,415
Prepaid insurance	35,041	32,900
	<hr/>	<hr/>
Total current assets	19,569,634	15,007,184
	<hr/>	<hr/>
Noncurrent Assets		
Bond debt service reserve	2,269,500	2,269,500
Development fund	584,195	1,249,791
Capital assets, net	43,682,657	44,595,342
Construction in progress	-	385,430
	<hr/>	<hr/>
Total noncurrent assets	46,536,352	48,500,063
	<hr/>	<hr/>
Total assets	\$ 66,105,986	\$ 63,507,247

See the accompanying notes to the financial statements.

Liabilities & Net Position

	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 641,944	\$ 741,188
Accrued interest payable	1,134	1,248
Current portion of parking agreement payable	63,690	63,690
Current portion of long-term debt	819,767	788,399
	<hr/>	<hr/>
Total current liabilities	1,526,535	1,594,525
Noncurrent liabilities:		
Long-term loans/notes payable	23,900,065	24,907,326
Long-term parking agreement payable	382,141	445, 832
	<hr/>	<hr/>
Total noncurrent liabilities	24,282,206	25,353,158
Three Rivers Stadium Grant – City of Pittsburgh	22,775,168	22,775,168
	<hr/>	<hr/>
Total liabilities	48,583,909	49,722,851
Net position:		
Net investment in capital assets	29,802,768	25,538,165
Restricted for capital activity and debt service	7,202,059	7,264,338
Unrestricted	(19,482,750)	(19,018,107)
	<hr/>	<hr/>
Total net position	17,522,077	13,784,396
	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 66,105,986</u>	<u>\$ 63,507,247</u>

See the accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Operating revenues - restricted:		
West General Robinson Street garage	\$ 5,613,965	\$ 5,349,306
Gold 1 garage	3,452,843	3,205,097
Parking lots	1,652,329	1,770,594
Interest	237,309	149,295
Total operating revenues	<u>10,956,446</u>	<u>10,474,292</u>
Operating expenses:		
Salary reimbursement	47,566	47,566
Administrative	73,919	61,682
West General Robinson Street garage	2,459,986	2,335,940
Gold 1 garage	1,561,933	1,401,090
Parking lots	70,080	70,080
Insurance	67,941	64,813
Interest	874,920	940,380
Amortization and depreciation	1,510,792	1,450,807
Total operating expenses	<u>6,667,137</u>	<u>6,372,358</u>
Operating surplus (loss)	<u>4,289,309</u>	<u>4,101,934</u>
Non-operating revenues (expenses):		
Capital transferred (to)/from the SEA	(293,000)	(366,890)
Development fund expenses	(258,628)	(116,533)
Total non-operating revenues, net	<u>(551,628)</u>	<u>(483,423)</u>
Change in Net Position	3,737,681	3,618,511
Net Position beginning of year	<u>13,784,396</u>	<u>10,165,886</u>
Net Position end of year	<u>\$ 17,522,077</u>	<u>\$ 13,784,396</u>

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows

For the Years Ended December 31, 2019

	2019	2018
Cash flows from operating activities:		
Parking	\$ 10,153,146	\$ 10,456,991
Other	(4,229,647)	(4,054,349)
Interest	<u>240,170</u>	<u>139,582</u>
Total net receipts	6,163,669	6,542,224
Salaries	(47,566)	(47,566)
Administrative	(73,920)	(61,682)
Operations and development	(4,191,243)	(3,555,671)
Insurance	<u>(70,082)</u>	<u>(64,813)</u>
Total operating expenses	<u>(4,382,811)</u>	<u>(3,729,732)</u>
Total cash provided by operating activities	<u>1,780,858</u>	<u>2,812,492</u>
Cash flows from capital and related financing activities:		
Principal payments of long-term debt and note payable	(1,039,584)	(973,243)
Payments to SEA	(293,000)	(366,890)
Interest paid on long-term debt	<u>(875,034)</u>	<u>(940,238)</u>
Net cash provided in capital & related financing activities	(2,207,618)	(2,280,371)
Cash flows from investment activities:		
Gain on sale of land	-	(2,164,510)
Deposits to (withdrawals from) development funds	665,596	(93,614)
Purchase of construction in progress	(212,676)	(381,930)
Other	<u>(258,628)</u>	<u>(116,533)</u>
Net Cash used in investment activities	194,292	(2,756,587)
Net increase in cash and cash equivalents	<u>(232,468)</u>	<u>(2,224,466)</u>
Cash and cash equivalents at beginning of year	<u>10,522,321</u>	<u>12,746,787</u>
Cash and cash equivalents at end of year	<u>\$10,289,853</u>	<u>\$ 10,522,321</u>
Total cash and cash equivalents consist of:		
Unrestricted cash and cash equivalents	\$ 2,747,855	\$ 3,214,640
Restricted cash and cash equivalents	<u>7,541,998</u>	<u>7,307,681</u>
Total cash and cash equivalent	<u>\$ 10,289,853</u>	<u>\$10,522,321</u>

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows

For the Years Ended December 31, 2019

Cash flow from operating activities:	2019	2018
Operating profit (loss)	\$ 4,289,310	\$ 4,101,934
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization/depreciation	1,510,792	1,450,807
Interest on debt	874,920	940,380
Changes in operating assets and liabilities:		
Bond Trustee fund receivable	(4,586,826)	(3,983,617)
ALCO Parking receivable	(565,991)	131,994
Other Receivable	357,179	(70,732)
Interest receivable	2,860	(9,713)
Prepaid Insurance	(2,141)	(987)
Accounts payable, accrued expenses and other	<u>(99,245)</u>	<u>252,426</u>
Total cash provided by operating activities	<u>\$1,780,858</u>	<u>\$2,812,492</u>

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

(1) **Organization**

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

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

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

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

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

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

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

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

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

Classification of Net Position

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

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

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

(b) **Management Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) **Revenues**

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

(d) **Cash and Cash Equivalents**

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

(e) **Restricted Assets**

Restricted assets include the portion of parking revenues generated by events which is to be transferred to the SEA for deposit to the Heinz Field and PNC Park capital reserve funds in accordance with the 2019 Amendment Agreement.

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

(f) **Pending Pronouncements**

GASB Statement No. 87, "Leases," which is effective for fiscal years beginning after December 31, 2019, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

(f) **Pending Pronouncements, continued**

GASB Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period” is effective for reporting periods beginning after December 15, 2019 and requires interest cost incurred before the end of a construction period to be recognized as an expense during the period incurred rather than included in the historical cost of a capitalized asset.

GASB Statement No. 91, “Conduit Debt Obligations”, which is effective for reporting periods beginning after December 15, 2020, primarily clarifies the definition of a conduit debt obligation and modifies certain related disclosures.

(g) **Reclassification**

Certain prior year amounts were reclassified to conform to the current year presentation.

(3) **Cash and Cash Equivalents**

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

The following is a summary of the Authority’s cash and cash equivalents and investments at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Unrestricted cash and cash equivalents:		
Cash	\$ 235, 885	\$ 616,926
Government funds	2,511,970	1,883,163
Certificate of deposit	-	<u>714,551</u>
Total	<u>2,747,855</u>	3,214,640
Restricted cash and cash equivalents:		
Cash	1,485,424	1,094,396
Money market funds	-	282,805
Government funds	<u>6,056,574</u>	<u>5,930,480</u>
Total	\$7,541,998	\$7,307,681

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

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

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

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one institution. Currently the Authority maintains its cash and cash equivalent balances at three financial institutions: two are FDIC insured banks and the third is at PA Invest (a Commonwealth program that provides highly rated investment pools designed specifically for local government and nonprofit groups). At FDIC insured banks, accounts are fully insured up to \$250,000 per institution which constitutes federally insured funds. The excess funds are secured with a pledge of collateral from the bank. Therefore at December 31, 2019 all of the Authority's cash and cash equivalent deposits were either insured under federal insurance programs or collateralized.

(4) **Land**

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

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

(5) **Development Funds**

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

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

(5) **Development Funds, continued**

In October 2019, the 2019 Amendment Agreement was executed between the Authority and the North Shore Developers. Effective October 31, 2019 the development funds for the teams were closed, all money currently in the accounts and all the money that would have been deposited effective July 7, 2019 were moved to the respective SEA team capital reserve accounts. In the future all revenue that would have been deposited to the team development funds will instead be deposited to the respective SEA team capital reserve accounts.

(6) **Building**

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

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

Depreciation expense for the years ended December 31, 2019 and December 31, 2018 was \$1,510,792 and \$1,450,807 respectively. Changes in capital assets, net of accumulated depreciation were as follows:

Fixed Assets	12/31/2018	Additions/Depreciation	12/31/2019
Building	\$53,192,258	\$ 598,106	\$53,790,364
Infrastructure	2,241,369	0	2,241,369
Machinery/Equipment	43,588	0	43,588
Less: accumulated depreciation.	<u>(10,881,873)</u>	<u>(1,510,792)</u>	<u>(12,392,665)</u>
Net fixed assets	\$44,595,342	\$ (912,686)	\$43,682,656

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

(6) **Building, continued**

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

(7) **Construction in Progress**

There was no construction in progress as of December 31, 2019.

(8) **Debt**

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

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

SEA Note Payable (Net)

	2019	2018
Note Payable	(\$20,680,000)	(\$21,400,000)
Original Issue Discount	(3,359,283)	(3,546,778)
Bond Reserve Funds receivable	<u>2,269,500</u>	<u>2,269,500</u>
Total	(\$21,769,783)	(\$22,677,778)

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

(8) **Debt, continued**

The Trust Indenture for the Parking Bonds includes a rate covenant pursuant to which the Authority and the SEA each covenant to maintain rates and charges for use of the pledged parking facilities sufficient to pay operating expenses and produce net revenues equal to at least 150% of the debt service requirements for each fiscal year period. This covenant was met in 2019.

Balances and terms of Authority notes payable at December 31, 2019 are as follows:

	December 31, 2018	Principal Reductions	December 31, 2019
Infrastructure Development Program (IDP) (original WGRS financing) was received as a lump sum \$1,250,000 loan from PA DCED on August 22, 2005. It has a term of 20 years with a 2% interest rate. Interest payments are made semi-annually on June 1 and December 1. The last payment is due December 1, 2028.	\$748,947	(\$68,399)	\$680,548
Note payable to the SEA for the Parking System Revenue Bonds, Series of 2017 of \$41,670,000 due in annual installments ranging from \$1,240,000 to \$3,175,000 through December 2037, interest payable semi-annually on June 15 and December 15 at rates ranging from 3% to 5%, issued in November 2017 to refund Authority Bank Notes. Funding Source: Net Revenues of the Parking System.	<u>\$21,400,000</u>	<u>(\$720,000)</u>	<u>\$20,680,000</u>
Total loans/notes payable	\$22,148,947	(\$788,399)	\$21,360,548
Original Issue Premium	<u>\$3,546,778</u>	<u>(\$187,495)</u>	<u>\$3,359,283</u>
Long term loans/notes payable	\$25,695,725	(\$975,894)	\$24,719,831

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

(8) **Debt, continued**

The aggregate amount of annual principal payments required on the Authority's debt for the IDP loan for the years ending 2020 through 2028 is as follows:

	Total Principal	Interest	Total
2020	\$ 69,767	\$13,611	\$ 83,378
2021	71,162	12,216	83,378
2022	72,585	10,792	83,377
2023	74,037	9,341	83,378
2024	75,518	7,860	83,378
2025-2028	<u>317,479</u>	<u>16,031</u>	<u>333,510</u>
	\$680,548	\$69,851	\$750,399

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

	Total Principal	Interest	Total
2020	\$ 750,000	\$ 1,018,750	\$ 1,768,750
2021	775,000	988,750	1,763,750
2022	810,000	957,750	1,767,750
2023	850,000	917,250	1,767,250
2024	895,000	874,750	1,769,750
2025-2029	5,185,000	3,656,500	8,841,500
2030-2034	6,610,000	2,225,250	8,835,250
2035-2039	<u>4,805,000</u>	<u>488,250</u>	<u>5,293,250</u>
	\$20,680,000	\$11,127,250	\$31,807,250

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

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

(10) **Parking Operations**

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

Stadium Authority Parking

Facility	Location	Date Opened	Number of Spaces (as of 12/31/19)	Management or Lease agreement; date of expiration
<u>Garage</u>				
West General Robinson Street (WGRS)	North Shore	2006	1,324 (1,256 structured and 68 surface)	Management; 12/31/2026
Gold 1	North Shore	2017	998	Management; 12/31/2026
<u>Surface Parking</u>				
Lots 1, 2, 4 and 5*	North Shore	-	1,473	Lease; 3/31/2050; Management (portions of Lot 1 and 2), 3/30/2050
Lots 7A-7J	North Shore	-	1,111	Lease; 3/31/2050
Total			4,906	

*Lot 4 is not part of the Parking System. Without lot 4's 341 spaces the Parking System spaces total 4,565.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

Management Agreement for the Garages

The Authority has contracted with ALCO to operate its WGRS garage and Gold 1 garage. Each arrangement is structured as a management contract. The Authority's management contracts for the garages expire December 31, 2026. ALCO is paid a set fee per year to manage the garages. In 2019 ALCO was paid \$50,430 for WGRS garage and \$44,126 for Gold 1 garage. The management fee is increased annually by 2.5%.

Lease Agreement for the Lots

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

The Lease covers the majority of Lots 1, 2, 4, and 5 (the remaining portion of Lot 1 holds spaces operated under a management agreement as described herein), Lots 7A through 7J, which the Authority leases from the Commonwealth (Note 11) and SEA Lots Green 22 and 23. ALCO pays to the Authority an amount equal to the greater of (i) 50% of the Parking Residual Rent or (ii) 50% of the Residual Base Period Rent, each as defined in the Lease. For calendar year 2019, Parking Residual Rent was greater and therefore was the basis of the payment.

As part of the Lease, the parties agreed that in the event the Authority and/or the SEA permanently appropriate parking spaces covered by the Lease, either substitute spaces must be provided, or a stipulated buyout price is to be paid.

When Parcel 14 (with adjacent land) was taken down in 2017 (Note 4), the number of Lease spaces permanently appropriated was 140. The Authority committed to pay Alco the buyout price for the spaces, at a cost per space of \$8,416.21, totaling \$1.2 million. On August 2, 2017 an agreement was entered into whereby Alco was paid 50% of the amount (\$589,135) at the Parcel 14 closing and 50% in 111 monthly installments of \$5,307.52 each. At December 31, 2019 the balance due to Alco is \$445,832.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

Management Agreement for the Lots

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

(11) **PennDOT Lease**

On March 23, 1989, the Authority entered into an agreement with the Commonwealth's Department of Transportation (**PennDOT**) for the lease of certain property near Heinz Field and PNC Park (Lots 7A to 7J) to be used for public parking. The term of the lease was 21 years with options to extend. At the end of the first term (March 31, 2010) the Authority exercised its option to extend the lease for four (4) ten year terms, extending the term of the lease to March 31, 2050. The Authority expensed the \$70,080 lease payment made for the 12 month period ended December 31, 2019. \$70,080 has been the annual rent since August 2010. PennDOT has the ability to adjust the rate every two years on the basis of a fair market rental appraisal. No notification of a rate increase has been received.

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

2020	\$ 70,080
2021	70,080
2022	70,080
2023	70,080
2024	70,080
2025-2030	420,480
	<hr/>
	770,880

(12) **Conditional Receivable**

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

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

For the Years Ended December 31, 2019 and 2018

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

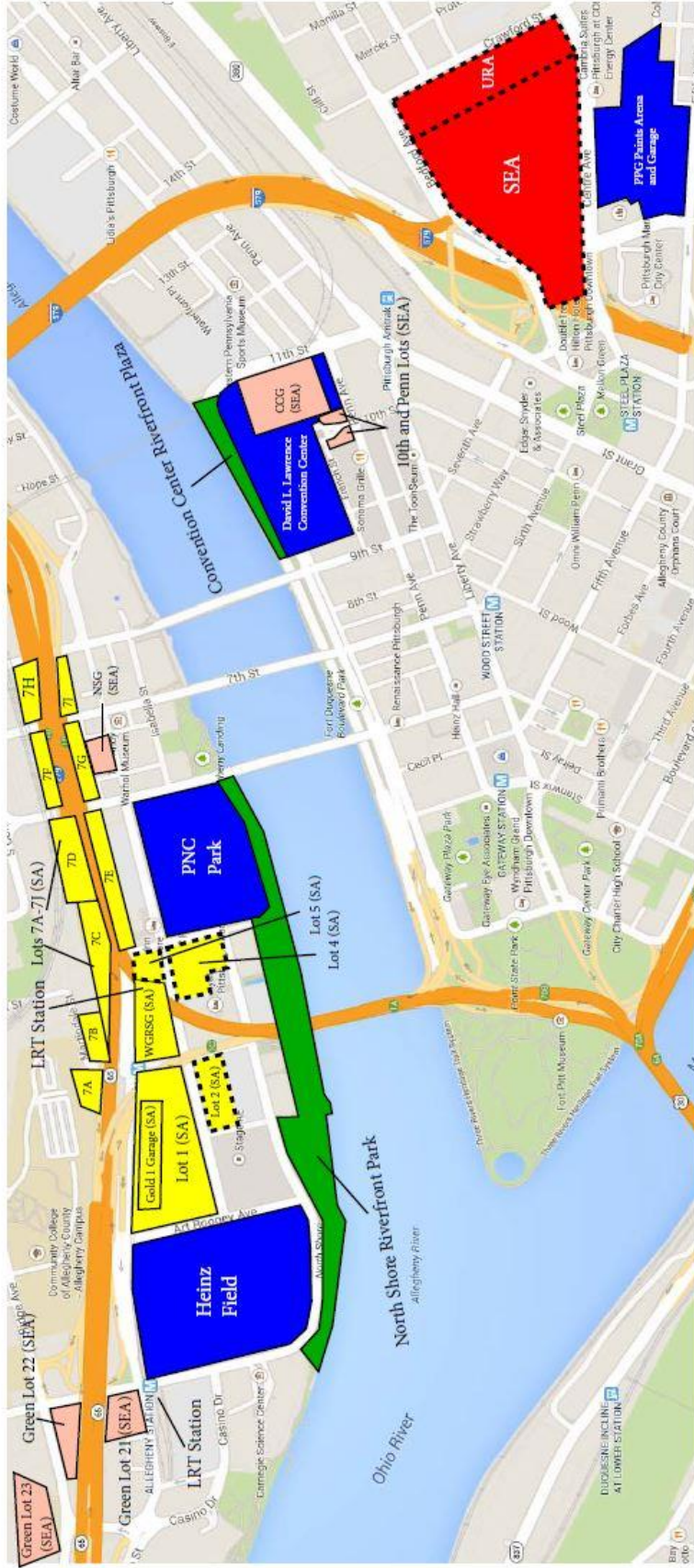
Total net assets include an amount for investment in capital assets, net of related debt. The calculation for the year ending December 31, 2019 is as follows:

	<u>2019</u>	<u>2018</u>
Capital assets, net	\$43,682,657	\$44,595,342
Note debt service reserve	2,269,500	2,269,500
Bond Trustee fund receivable	8,570,443	3,983,617
Less: loans/notes payable related to capital assets	(24,719,832)	(25,695,724)
Construction in progress	<u>-</u>	<u>385,430</u>
Net investment in capital assets	<u>\$29,802,768</u>	<u>\$25,538,165</u>

(14) **Subsequent Event**

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

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



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