



Coronavirus’ impact on SEA debt

Summary: The Sports & Exhibition Authority (SEA), a joint authority of the City of Pittsburgh and Allegheny County that owns the stadiums, arena and convention center, has nine outstanding bonds. How has the coronavirus affected the debt service payments on the bonds?

“The extent of the impact of the coronavirus on our operational and financial performance is currently uncertain and cannot be predicted. As a result of these events it is expected that bond rating agencies will reevaluate their debt ratings including the ratings of the Authority’s bonds.”

-SEA 2019 Audit, April 2020

According to the audit, at the end of 2019 the principal outstanding on SEA bonds was \$584.6 million. Total debt service on the bonds in 2020 is \$53.8 million.

SEA Bonds: Purpose, Principal Outstanding and 2020 Debt Service

Bonds	Purpose	Principal Outstanding	2020 Debt Service
Commonwealth Lease Revenue Bonds, Series A of 2007	PPG Paints Arena	\$186,740,000	\$14,591,948
Commonwealth Lease Revenue Bonds, Taxable Series B of 2007	PPG Paints Arena	\$50,835,000	\$4,230,546
Commonwealth Lease Revenue Bonds, Taxable Series of 2010	PPG Paints Arena	\$14,555,000	\$1,354,696
Regional Asset District Sales Tax Bonds, Refunding Series of 2010	PNC Park, Heinz Field, RDFP	\$119,655,000	\$13,202,336
Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010	Convention Center	\$100,760,000	\$11,694,125
Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012	Convention Center	\$43,250,000	\$1,917,224
Taxable Ticket Surcharge Revenue Bonds, Series 2000	Heinz Field	\$11,630,000	\$1,421,458
Guaranteed Revenue Bonds, Taxable Series of 2014	Heinz Field	\$18,080,000	\$2,082,308
Parking System Revenue Bonds, Series of 2017	Parking Facilities	\$39,070,000	\$3,339,700
		\$584,575,000	\$53,834,341

Debt service revenues come from a variety of sources, all of which have been affected. Sales tax revenues from the Regional Asset District (RAD) tax declined year-over-year for sales activity in March, April and May. News articles chronicled the declines in hotel stays and parking, which would affect the county hotel tax and parking revenues at facilities the SEA owns. Casinos were closed, the start of baseball was delayed, hockey took a hiatus and there were no pre-season football games.

A response from the SEA to an open records request shows that there are 18 separate debt service payments for the bonds throughout 2020. Of these, 13 payments were due on dates that have passed as of Sept. 1 with a few before the full impact of the shutdown. The SEA stated that all those payments were made. Voluntary disclosures for parking, sales tax and hotel tax bonds published on May 7 stated that the SEA expected to have “sufficient revenues to pay debt service due on the bonds” that were due in June and August.

SEA Bonds: 2020 Debt Service Payment Dates and Amounts
(Italicized payments have been made)

Bonds	Funding Source(s)	Payment Date	Payment Amount	Payment Date	Payment Amount
Commonwealth Lease Revenue Bonds, Series A of 2007	PA GEDTF, Rivers Casino	May 1st	\$3,753,474	Nov 1st	\$10,838,474
Commonwealth Lease Revenue Bonds, Taxable Series B of 2007	Penguins rent	May 1st	\$1,356,023	Nov 1st	\$2,874,523
Commonwealth Lease Revenue Bonds, Taxable Series of 2010	Penguins rent	May 1st	\$494,848	Nov 1st	\$859,848
Regional Asset District Sales Tax Bonds, Refunding Series of 2010	RAD Sales Tax	Feb 1st	\$10,501,293	Aug 1st	\$2,701,043
Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010	County Hotel Tax	Feb 1st	\$9,345,000	Aug 1st	\$2,349,125
Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012	County Hotel Tax	Feb 1st	\$976,462	Aug 1st	\$940,762
Taxable Ticket Surcharge Revenue Bonds, Series 2000	Steelers tickets	Jan 1st	\$410,729	July 1st	\$1,010,729
Guaranteed Revenue Bonds, Taxable Series of 2014	Steelers rent	June 15th	\$1,728,654	Dec 15th	\$353,654
Parking System Revenue Bonds, Series of 2017	Net Parking Revenue	June 15th	\$962,350	Dec 15th	\$2,377,350

The five payments due in November and December involve gaming dollars, which we documented took a significant hit (see *Policy Brief Vol. 20, No. 27*): The Penguins stopped play in March and then resumed games in Canada. The Steelers are to play this month without fans in the stands. Parking facilities on the North Shore likely had reduced usage. According to the open records response, the SEA assumes “all bond payments will be made as designed.”

Nonetheless, lack of fan attendance at these facilities will have continuing impact on taxes collected by the city—including parking, amusement and facilities usage fee—and the county, including alcoholic beverage and hotel room rental.

A lease/sublease arrangement between the SEA and the state on PPG Paints Arena obligates the state “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,” according to the audit. A 2014 news article described this arrangement as a “little-known provision” in the arena deal and done for a better interest rate. The state paid an additional \$695,393 in 2019.

RAD guarantees payment on the 2014 bonds for Heinz Field “should 2014 Rent be insufficient or not received,” according to the audit. This also was done in order to secure a better interest rate, according to a 2014 news article.

Other SEA bonds have favorable status. RAD’s executive director noted in a news article that the \$13.2 million for the Regional Destination Financing Plan (PNC Park, Heinz Field) debt service payment is intercepted by the state and that he did not “foresee a situation where we’re not able to make our bond payment.”

The SEA received \$1.116 million for debt service per month January through May. In June a 20 percent reduction in operating grant allocations due to falling RAD sales tax revenues went into effect. This lowered the budget from \$109.2 million to \$86.8 million and all but five grants were reduced. The SEA debt allocation was one of those not reduced and the same \$1.116 million was awarded in June and July. So, while parks, libraries, the zoo, the aviary and numerous other organizations took cuts, the SEA debt allocation was unchanged.

The county's fiscal plan points out that convention center debt is first in line of statutory distributions from the hotel tax proceeds.

That means with very little or no business or economic activity the debt related to these facilities is still being paid and will be paid.

What will this mean for other entities that receive money from these revenues? RAD's 2021 budget is due to be presented this month. It will be known if the June reductions will carry over to next year or if allocations will be restored. It should also become clear how many of 2020's grantees will still be operating in 2021.

It is unclear how other entities that receive funding from the hotel tax (including VisitPittsburgh, Monroeville and Allegheny County) will be affected if there is only enough money for debt service on the convention center due to reduced hotel nights. If the portion of the tax used for the center's operating deficit falls short (after statutory distributions are made), the city and county are responsible based on a cooperation agreement.

While the SEA appears to be in a stable position regarding bond payments, it is seeking grants from federal (\$6.2 million), state (up to \$13 million) and Allegheny County (amount not specified) government for aid to the facilities it owns. If those grants are approved, that could be even more frustrating to other recipients who may have to take reductions. It might also be frustrating to private-sector employees who have been furloughed or laid off while many large governments in the area have not taken such action.

All in all, if reduced economic activity continues, that will again highlight the perils of government-directed development, especially when done on behalf of private entities.

Eric Montarti, Research Director

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Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)