Allegations of securities law violations could have far-reaching effects for Pittsburgh

A recently unsealed affidavit filed by the DA's office alleged former Mayor Ed Gainey's administration misrepresented the state of city finances

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Accusations of bid-rigging and misrepresenting the city's finances leveled against former Pittsburgh Mayor Ed Gainey in a recently unsealed affidavit could open the door for a federal investigation into possible securities-related crimes, experts say.

The affidavit for a search warrant, which was filed by Allegheny County District Attorney Stephen A. Zappala Jr. earlier this year and released publicly Monday — made sweeping claims about the Gainey administration's management of the budget, including allegations that officials rigged the bidding process to give public money to political allies and then hid the true state of the city's finances.

The DA's affidavit and the current mayoral administration under Corey O'Connor assert that the Gainey administration was overestimating revenue projections and underestimating expenses.

Those projections were then presented to potential investors when the city issued bonds, a process regulated by the Securities and Exchange Commission, the affidavit alleges.

Federal law mandates that governments be truthful about their finances so investors can make informed decisions.

"Allegations or conduct involving corruption can impact the accuracy of the financials," former U.S. Securities and Exchange Commission enforcement attorney David Chase said. "That's how the SEC has a hook into it."

If the affidavit's allegations are true, "then [Pittsburgh] very well may have an SEC problem," Chase said.

Gainey did not respond to attempts to reach him for comment.

Officials point to the so-called "jock tax" as one example of Gainey's alleged mismanagement.

For years, Pittsburgh charged a 3% tax on the income of out-of-state athletes and performers who used Acrisure Stadium, PNC Park or PPG Paints Arena. In September 2025, after years of lawsuits, the Pennsylvania Supreme Court upheld a lower court ruling and declared it unconstitutional.

But throughout the legal process, city officials under Gainey continued to estimate that Pittsburgh would bring in $6 million in revenue from the tax — figures they included in financial projections.

"They should not have been using this revenue source in their calculations," former Pittsburgh City Council solicitor Dan Friedson told an assistant district attorney, according to the affidavit.

For SEC investigators, the dollar amount would have to be meaningful enough to either impact the city's operations or its ability to balance the budget, said Chase, who is now a defense attorney practicing securities law in Fort Lauderdale, Fla.

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During his time as a federal investigator, Chase worked on a similar case in Miami, where a cease-and-desist order was issued against the city for hiding financial deficits. The Miami budget director was later charged by the SEC for continuing to misrepresent the city's finances and violating the cease-and-desist order.

Although SEC investigations tend to take years, the cash-strapped city of Pittsburgh or any individuals found at fault could be on the hook for paying any fines. In some cases, the SEC conducts parallel investigations with the U.S. Department of Justice that result in prison sentences.

For the city itself, the consequences could extend beyond individual charges.

Each year, the city takes out a bond to finance capital projects, such as bridge repairs, facility maintenance, demolitions and paving.

Under the Gainey administration, the city also took out a controversial bond to the tune of $50 million to pay for affordable housing initiatives, one of five separate bonds issued while Gainey was in office.

"If you have gotten bonds under false pretenses, heads roll," said Ann Dugan, who was a member of the Intergovernmental Cooperation

Authority, an oversight agency created to monitor the city's budget while it was under state receivership. "People have been indicted or gone to jail."

Zappala has not indicated whether he intends to charge anyone in relation to his investigation into Gainey's administration. Members of O'Connor's administration said earlier this month in an interview with the Post-Gazette that none of them had been contacted by the SEC.

In the meantime, the O'Connor administration is eyeing yet another bond issuance. Through the city's Urban Redevelopment Authority, Pittsburgh officials are looking to borrow $50 million to redevelop the Golden Triangle with a focus on transit improvements.

If the allegations made in the affidavit turn out to be true, it will make it significantly more difficult for the city to issue a new bond — and could potentially raise the cost of borrowing if investors are skeptical about the city's financial state, Dugan said.

"Issuing new bonds is going to be very expensive," she said. "[The city] can't afford it."

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