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It’s Bobby Bonilla Day, When The Retired Mets Star Gets Paid $1,193,248.20

Every July 1, the former Major League slugger gets paid — a ‘landmark deal’ spanning 25 years

By Joseph Pisani Follow *and Charles Forelle* Follow

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It is July 1, and one thing is sure: Bobby Bonilla will be paid $1,193,248.20.

The former baseball player will get the money from the New York Mets, a baseball team Mr. Bonilla hasn’t played for in more than 20 years. It is part of a deal that, depending on whom you ask, is either the most brilliant or dumbest deal in sports history.

Back in 2000, the Mets wanted to release Mr. Bonilla, who still had a final year of his contract. Instead of paying the $5.9 million, the Mets agreed to pay him nearly $1.2 million every year for 25 years starting on July 1, 2011.

The deal has become a meme, ridiculed by fans of other teams who think it is funny that a team that hasn’t won a World Series in 36 years is paying someone who doesn’t touch a bat until 2035. July 1 has become known as Bobby Bonilla Day.

But to those who follow money, it has become an admired agreement that keeps an athlete paid without having to pick up a ball.

“It’s a landmark deal,” said Robert Raiola of accounting and advisory firm PKF O’Connor Davies, whose clients include professional athletes. “It worked out well for Bonilla.”

Dennis Gilbert, who was Mr. Bonilla’s agent and came up with the deal, said he was always a fan of deferred payments for sports stars. He saw young professional athletes retire with no money. He didn’t want that for Mr. Bonilla.

“He can spend all his money today and knows that next July 1st he’s going to get another check for over $1 million,” said Mr. Gilbert. “Wouldn’t you be happy?”

A six-time Major League All Star, Mr. Bonilla was a career .279 hitter and had 287 home runs and 1,173 runs batted in over his 16 years in the big leagues.

A feared slugger during the early 1990s, he played for eight teams, including the Pittsburgh Pirates, Baltimore Orioles and two stints with the Mets. In 1997, he won a World Series with the Miami Marlins.

The Mets reacquired Mr. Bonilla in November 1998. After a subpar season in 1999, the Mets released the former All Star while still owing him $5.9 million. That is where the deal comes in.

Mr. Bonilla agreed not to accept the money. In effect, he lent the Mets $5.9 million. The Mets are paying him back, with interest, over 35 years—similar to an amortizing loan like a mortgage. The interest and principal payments on the loan were zero for the first 10 years, and are $1.193 million for each of the next 25. That works out to an interest rate of 8%.

An 8% rate might sound high now—even after jumping substantially in the past year, a 30-year mortgage is still below 6%—but in early 2000 it wasn’t especially generous. At the time, the Fed’s overnight interest rate was 5.5%; the prime rate, a basis for a range of loans, was 8.5%.

Neither side would have known this at the time, but with hindsight Mr. Bonilla made a good trade (and the Mets a bad one). In the two decades since Mr. Bonilla last wore a Mets uniform, interest rates of all stripes—including yields on loans—have mostly sat near historic lows. That makes it very good to be the owner of a loan that pays you 8% a year.

Another thing that worked in the slugger’s favor: By accepting no interest and no principal payments for the first 10 years, Mr. Bonilla made the later years’ payments bigger—he was accruing interest that stacked up over the years the Mets didn’t pay him. In a declining-rate environment, taking the bulk of cash closer to the end of a loan is extra valuable, a concept known to bond investors as duration.

At the end of the deal, when he is 72 years old, he will have been paid out about $29.8 million.

The Mets didn’t respond to a request for comment; neither did Mr. Bonilla.

Last year, Mr. Bonilla played up the agreement. He starred in an ad for Mint Mobile, hawking a Bobby Bonilla type deal: wireless service for $100 a year for 25 years. He also appeared in a video for Airbnb and the Mets, which was renting a room at Citi Field, the team’s ballpark.

This year, Steven Cohen, the current owner of the Mets, recognized the deal on Twitter. “I hope everybody is enjoying my favorite day of the year, Bobby Bonilla Day,” Mr. Cohen tweeted Friday.

Matt DeSiena, a lifelong Mets fan, used to think the deal was a dud: “The Olsen twins will be 49 by the time we’re done paying Bobby Bonilla,” he said, referring to the former child actors who were toddlers on the 1990s TV series “Full House.”

But Mr. DeSiena, who is 39 and works at an advertising agency, now sees it as smart, especially for Mr. Bonilla, who he watched hit home runs as a child. Mr. DeSiena has a new appreciation for Mr. Bonilla, even recently started a website, BobbyBonilla.day, about the deal.

“It’s less of a pariah,” Mr. DeSiena said.

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