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Pittsburgh Sports Authority Bond Rating Slashed by S&P.

The municipal authority that owns Pittsburgh's pro football, baseball and hockey stadiums had its ratings cut down two notches, from A-plus to A-minus, by S&P Ratings to reflect "a steep drop in pledged hotel tax revenue, a direct result of the severe toll of the pandemic," the agency stated in its [ratings note](#).

The Pittsburgh & Allegheny Sports & Exhibition Authority owns the Steelers' Heinz Field, the Pirates' PNC Park and the Penguins' PPG Paints Arena, as well as the city's convention center and some infrastructure, such as parking garages and roads near sports facilities. As part of building and maintaining those properties, the sports authority has \$585 million in municipal bond debt outstanding. The A rating is the bottom of three "strong" credit ratings S&P Ratings maintains. The A rating, like most other S&P scores, can be further rated a "plus," "minus" or standalone. "We anticipate either cash on hand or debt service reserve may need to be tapped to meet debt service due in February 2021, unless there is further revenue growth in the coming months," the agency wrote.

Pledged revenues supporting the sports authority's bonds were down 59% year to date through September, to about \$11.3 million, according to S&P. Based on earlier disclosures by the authority, revenue was on par with prior years in the first quarter of the year, then plunged starting in April. The bonds are initially backed by two hotel taxes of 5% and 2% on room transactions. With annual debt service of \$54 million on the sports authority bonds, Pittsburgh will fall well short of what's needed.

Yet according to a September report from the Allegheny Institute for Public Policy, while the sports stadiums are technically revenue-backed bonds that would default if tax revenue continues to drop, a series of side agreements with Pennsylvania means the pro teams' home arenas will continue to have their debt paid on time. For PPG Paints Arena, the state signed a 2014 deal to pay the rink's debt service if other revenues fall short. Similarly, any unmet balance in the football and baseball stadium payments gets covered by the state annually through another side deal. The net effect is that while other tax revenue-supported facilities in Pittsburgh have had budget cuts due to lower revenue, the sports facilities haven't. "So, while parks, libraries, the zoo, the aviary and numerous other organizations took cuts, the [sports] debt allocation was unchanged," economist Eric Montarti wrote in the Allegheny Institute analysis.

The bond rating's downgrade doesn't have an immediate effect on the Pittsburgh sports authority itself. A drop in the credit rating means those people owning the existing bonds will experience a drop in value. The sports authority would likely be affected by higher borrowing costs in the future, however. A 2017 study found that every notch of ratings downgrade cost issuers an average of six basis points (100 basis points equals one percentage point). A 12-basis-point shift would mean Pittsburgh paying \$120,000 more in interest on a \$100 million A-minus bond than it would pay on one rated A-plus.

Yahoo Sports

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