SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

INTER-OFFICE COMMUNICATION

TO: Board of Directors **Date:** June 5, 2025

FROM: Chief Financial Officer

SUBJECT: Moody's Investors Service (Moody's) General Obligation Bond Rating Downgrade

On June 5, 2025, Moody's downgraded the rating on BART's general obligation bonds from a rating of Aaa with a negative outlook to a rating of Aa1 with a stable outlook. The downgrade of BART's general obligation bonds comes after nearly two years of being on negative outlook without a downgrade.[1]

The reasons cited for downgrading BART's general obligation bonds focus primarily on "*ongoing suppressed ridership, resulting in continued reliance on one-time emergency assistance and large projected out-year budget deficits absent a new, sustainable revenue source or significant expenditure reductions*." Positively, Moody's recognized BART's *"...healthy reserves and cash, both in excess of 100% of revenue.*" and "*...a capable management team with a history of prudent fiscal management and conservative budgetary practices."*

Below please see a table of how Moody's rates the general obligation credits of the counties that BART operates in, Bay Area transportation entities, and other large transportation credits across the country. Understanding these comparisons helps illustrate BART's relative credit standing and potential impacts on borrowing costs.

Issuer/Credit	Moody's Rating
Alameda County General Obligation Bonds	Aaa / Stable
Contra Costa County General Obligation Bonds	Aa1 / Stable
City & County of San Francisco General Obligation Bonds	Aa1 / Stable
San Mateo County General Obligation Bonds	Aaa / Stable
Santa Clara County General Obligation Bonds	Aa1 / Stable
Santa Clara Valley Transportation Authority Measure A Sales Tax Bonds	Aa2 / Stable
Bay Area Toll Authority Senior Revenue Bonds	Aa3 / Stable
San Francisco Municipal Transportation Agency Revenue Bonds	Aa3 / Stable
Alameda-Contra Costa Transit District Certificates of Participation	A1 / Stable
NYC Metropolitan Transportation Authority Transportation Revenue Bonds	A3 / Positive
Chicago Transit Authority Senior Lien Sales Tax Receipts Revenue Bonds	A1 / Negative
Central Puget Sound Transit Authority Sales Tax and Motor Vehicle Excise	Aaa / Stable

Moody's has downgraded several notable issuers recently. On May 16, 2025, Moody's downgraded the United States long-term issuer and senior unsecured ratings to Aa1 from Aaa and changed the outlook from stable to negative. Of particular relevance to BART, Moody's downgraded the City and County of San Francisco's general obligation bonds from Aaa with a negative outlook to Aa1 with a stable outlook in October 2024. In addition to CCSF's downgrade, other rating agencies have also recently revised the outlook to negative for the following: Chicago Transit Authority, the Maryland Transportation Authority, and WMATA (Washington Metro).

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1. On July 24, 2023, Moody's revised BART's outlook from stable to negative and affirmed a Aaa rating on BART's general obligation bonds.

We expect that the rating change will have a minimal impact on BART's borrowing costs for future debt issuances. Staff will continue to monitor and evaluate potential impacts. Despite this downgrade, BART maintains a very strong Aa1 credit rating from Moody's (and a AAA from Fitch Ratings), reflecting our prudent fiscal management practices and robust reserves. We remain committed to enhancing financial stability through proactive management.

Please feel free to contact me with additional questions at 510-817-5660.

Joseph F. Beach

Joseph F. Beach
Chief Financial Officer

cc: General Manager
Deputy General Manager
Board Appointed Officers
Executive Staff
Finance Staff

MOODY'S
RATINGS

Rating Action: Moody's Ratings downgrades San Francisco Bay Area Rapid Transit District, CA's GOULT ratings to Aa1; outlook revised to stable

05 Jun 2025

New York, June 05, 2025 -- Moody's Ratings (Moody's) has downgraded San Francisco Bay Area Rapid Transit District, CA's (BART or the District) general obligation unlimited tax (GOULT) rating to Aa1 from Aaa and revised the outlook to stable from negative. BART has $3.1 billion in total debt outstanding, approximately $2.3 billion of which is general obligation debt.

The downgrade is driven by ongoing suppressed ridership, resulting in continued reliance on one-time emergency assistance and large projected out-year budget deficits absent a new, sustainable revenue source or significant expenditure reductions.

RATINGS RATIONALE

The downgrade of BART's GOULT rating to Aa1 reflects lagging ridership recovery contributing to large projected outyear budget shortfalls that will require new revenue or significant expenditure reductions. BART's credit profile remains very strong and the Aa1 GOULT rating is underpinned by an exceptionally large, growing tax base and wealthy service area. BART's financial profile continues to exhibit healthy reserves and cash, both in excess of 100% of operating revenue. However, current operations remain supported by one-time federal, state and regional funding in place of suppressed farebox revenue as ridership remains near 45% of pre-pandemic levels. We view the ongoing suppressed ridership conditions as a social factor driving the rating action.

Despite these trends, the credit profile is strengthened by a capable management team with a history of prudent fiscal management and conservative budgetary practices, moderate capital needs that will be funded through voter-approved GO authorization, and moderate pension and OPEB burdens. The rating further incorporates the above average legal strength of the general obligation bonds, including a statutory lien and "lock box".

RATING OUTLOOK

The revision of the outlook to stable reflects our expectation that BART's financial position will remain strong and balanced through at least the end of fiscal year 2026 and that BART will make progress toward closing projected outyear budget shortfalls beginning in fiscal year 2027.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Meaningful reduction in out-year deficits and a return to structurally balanced operations, supported by a long-term recurring revenue stream

- Improved and sustained ridership levels

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to reduce outyear deficits resulting in a significant deterioration in the district's financial position

- Loss of public and political support to support transit operations, as evidenced by failed future voter measures

PROFILE

The San Francisco Bay Area Rapid Transit District was created in 1957 to provide rapid transit service to the San Francisco Bay Area and is governed by an elected nine member board of directors. The District is composed of Alameda County, Contra Costa County and the City and County of San Francisco. The system has 131 miles of dual mainline track, 50 stations and more than 48,100 parking spaces. System ridership totaled over 49.6 million passengers in fiscal 2024.

METHODOLOGY

The principal methodology used in this rating was US Special Purpose District General Obligation Debt published in February 2025 and available at https://ratings.moodys.com/rmc-documents/437940. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Madeline Atkins