CREDIT OPINION
9 June 2025

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San Francisco Bay Area Rapid Transit Dist, CA

Update following downgrade to Aa1 from Aaa

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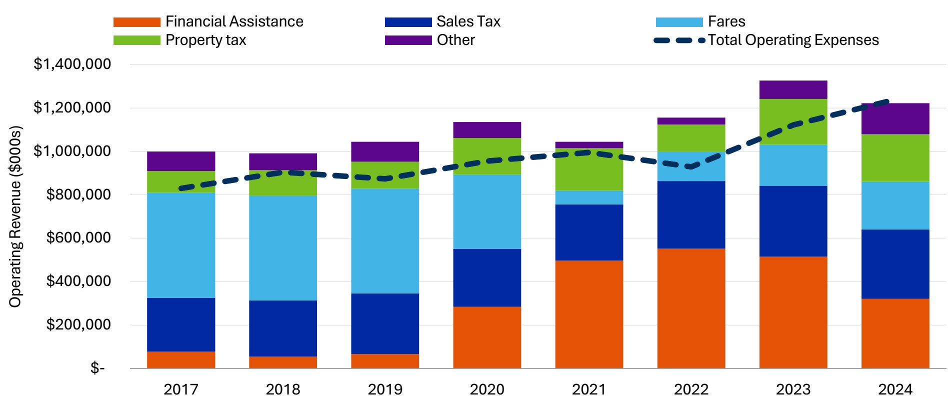
Summary

San Francisco Bay Area Rapid Transit District, CA's (Aa1 stable GOULT) strong credit profile is supported by an exceptionally large, growing tax base that supports above-average resident income. The district continues to experience lagging ridership recovery post-pandemic, contributing to large projected outyear budget shortfalls that will require new revenue or significant expenditure reductions. 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. The credit profile is further strengthened by a capable management team with a history of prudent fiscal management and conservative budgetary practices. The district's moderate capital needs, pension and OPEB burdens are also factored into its credit profile.

Exhibit 1

One-time state emergency assistance continues to support BART's operations in the place of reduced farebox revenue



Source: BART's financials statements and Moody's Ratings

Credit strengths

» Highly essential transportation system in the Bay Area

» Exceptionally large, wealthy and diverse tax base is poised for continued growth

» Healthy financial profile supported by a fiscally conservative management team

Credit challenges

» Ridership remains well below pre-pandemic levels, resulting in depressed farebox revenue recovery

» Reliance on one-time federal, state and regional funding to balance current budget

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 2026 and that BART will make progress toward closing projected outyear budget shortfalls beginning in fiscal 2027.

Factors that could lead to an upgrade

» 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

» 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

Key indicators

Exhibit 2

San Francisco Bay Area Rapid Transit District

San Francisco Bay Area Rapid Transit Dist	2020	2021	2022	2023	2024
Economy/Tax Base					
Total Full Value ($000)	$804,668,122	$856,520,759	$889,781,583	$964,909,825	$1,009,828,986
Population	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Full Value Per Capita	$211,755	$225,400	$234,153	$253,924	$265,744
Median Family Income (% of US Median)	150.4%	150.4%	150.4%	150.4%	150.4%
Finances					
Operating Revenue ($000)	$1,135,002	$1,044,029	$1,155,179	$1,326,609	$1,222,010
Fund Balance ($000)	$838,092	$794,792	$854,883	$1,460,577	$1,343,801
Cash Balance ($000)	$1,187,305	$703,899	$1,979,246	$1,686,379	$1,523,292
Fund Balance as a % of Revenues	73.8%	76.1%	74.0%	110.1%	110.0%
Cash Balance as a % of Revenues	104.6%	67.4%	171.3%	127.1%	124.7%
Debt/Pensions					
Net Direct Debt ($000)	$1,995,195	$2,558,185	$3,248,791	$3,183,119	$3,115,631
3-Year Average of Moody's ANPL ($000)	$2,091,904	$2,398,910	$2,599,503	$2,548,314	$2,237,834
Net Direct Debt / Full Value (%)	0.2%	0.3%	0.4%	0.3%	0.3%
Net Direct Debt / Operating Revenues (x)	1.8x	2.5x	2.8x	2.4x	2.5x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.3%	0.3%	0.3%	0.3%	0.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.8x	2.3x	2.3x	1.9x	1.8x

Source: BART's audited financial statements, Moody's Ratings and US Census Bureau

Profile

The San Francisco Bay Area Rapid Transit District (BART or the District) was created in 1957 to provide rapid transit service to the San Francisco Bay Area and is governed by a publically 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.

Detailed credit considerations

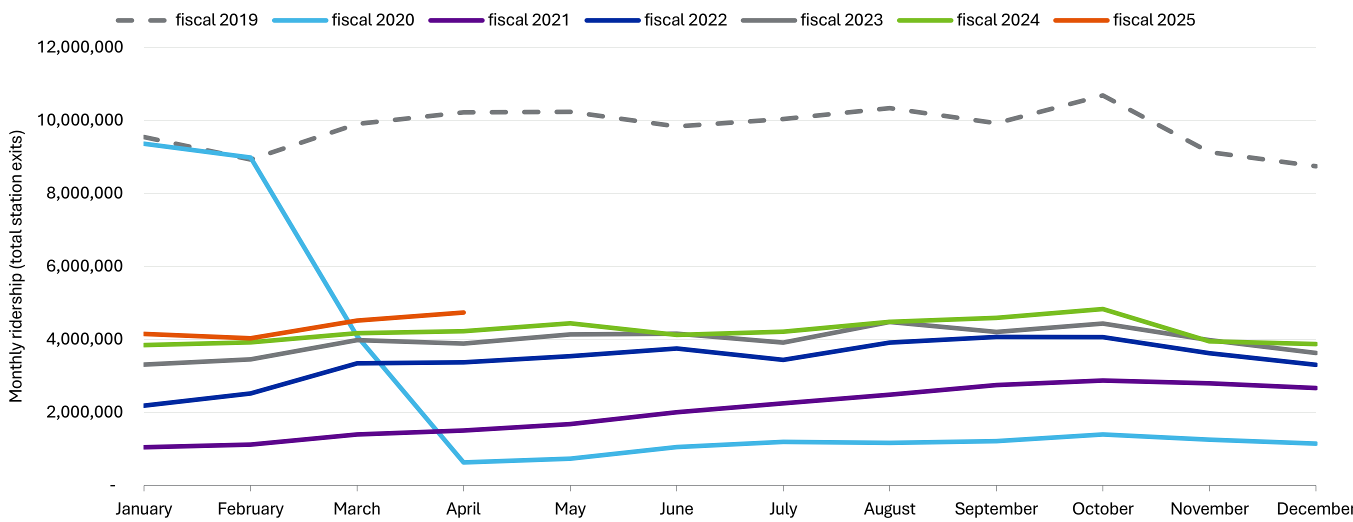
Economy: exceptionally large, diverse tax base drives above-average resident income; ridership remains significantly suppressed

BART comprises one of the largest property tax base areas in the state at over $1 trillion in assessed value (AV), which will continue to benefit from solid growth largely because of housing turnover and ongoing residential and commercial development. The five-year average annual increase in AV is strong at 5.7%. and the top ten largest taxpayers comprise an exceptionally low 1.9% of AV.

Residents benefit from access to a robust regional employment base that includes leading operations in technology, education and healthcare. The median family income for each of the counties is favorable when compared to the US average at 160% (Alameda), 150% (Contra Costa), and 170% (San Francisco).

Exhibit 3

While ridership continues to incrementally improve through April 2025, it remains well below 2019 levels



Source: BART and Moody's Ratings

Despite strong income and employment metrics, office employment has seen a significant shift due to the post-pandemic hybrid work model and reduced commuting within the Bay Area with riders taking fewer weekly trips. BART ridership remains well below pre-pandemic levels given this change in commuting habits within the service area. BART ridership continues to incrementally improve through April 2025, up 12% compared to April 2024, however it remains well below pre-pandemic levels at to roughly 46% of 2019 volume. Weekend ridership has been quicker to recover, driven by demand for special events and increased road congestion, while weekday ridership lags given continued remote work opportunities in the Bay Area.

Financial operations: well positioned to manage through fiscal 2026; out-year budgets remain critically challenged without sustainable revenue stream and improved ridership

The district's financial position will remain stable and balanced through fiscal 2026 and supported by remaining one-time state funding to offset projected operating shortfalls driven by lower ridership. Projected outyear deficits beginning in fiscal 2027 will significantly pressure operations absent the receipt of significant state support, additional revenue measures, and/or improved ridership trends.

District operations have historically been heavily reliant on fare revenue, accounting for roughly 50% of operating revenue prior to fiscal 2020 compared to 18% of operating revenue at the end of fiscal 2024. The district's receipt of over $1.9 billion in one-time federal, state and regional funding since the onset of the pandemic has provided an offset for declined fare revenue, allowing BART to maintain balanced operations without disruptions to service in light of lower ridership levels.

The district's current projections assume ridership will continue to see incremental improvements in the next two years and that full service schedules are maintained. Under this scenario the district will utilize its remaining emergency assistance to balance projected revenue shortfalls through fiscal 2026. The district is currently projecting a deficit of $375.6 million by the end of fiscal 2027, once all one-time state and regional funding is exhausted.

BART, in collaboration with other regional transit agencies, is supporting state legislation (Senate Bill 63) to allow a sales tax measure to be placed on the November 2026 ballot that could provide up to $350 million in annual revenue to the district. If the measure were to succeed, BART will close the projected fiscal 2027 deficit with up to 6-months of measure proceeds and will use approximately $122 million of reserves, however future cuts may still be needed in fiscal 2028 and beyond. If the measure were to fail, management has provided preliminary plans to the district's board to consider implementing significant cuts to operating and capital expenses, including a 70% cut in train dispatches, closure of 10 stations, end of evening service, among other deep cuts.

Positively, operations will remain balanced in fiscal 2025 and 2026 and BART's current financial position is very strong and well positioned to manage near-team budget challenges. At the end of fiscal 2024 reserves were $1.3 billion, or 110% of operating revenue.

Liquidity

BART's strong liquidity positions the district well to manage current fiscal challenges. As of fiscal 2024 the District's liquidity is strong at $1.5 billion, or 449 days cash on hand.

Leverage: debt burden remains low; moderate pension and OPEB burdens

The district's general obligation debt burden remains very low relative to its total tax base, with 0.29% direct debt relative to AV. BART has $1.44 billion in authorized unissued debt under Measure RR, a portion of which is estimated to be issued within the next 12 months. We do not anticipate future debt issuance to significantly alter the district's direct debt burden given ongoing tax base growth on the already very large tax base.

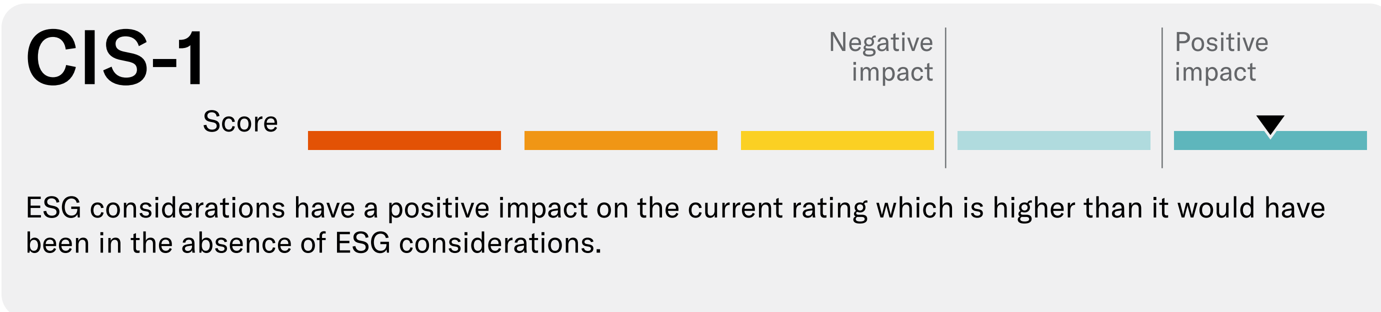
Pensions and OPEB

BART is a member of CalPERS. Its adjusted net pension liability, based on a 4.92% discount rate, was $1.9 billion in fiscal 2024. In comparison, BART reported a GASB net pension liability of $1.02 billion, based on a 6.90% discount rate. While pension costs will continue to increase and remain a budgetary pressure, the District is well positioned to address this long-term challenge given its strong financial position. In addition, management recently established a Section 115 trust to help offset rising pension costs. The board approved a $10 million contribution to the Section 115 trust each year over the next 10 years, although the board could vote to withhold the contribution to provide budgetary relief as has been done in fiscal 2023. Management created an OPEB trust in 2004 to fund its retiree health benefits program and held assets with a fair market value of approximately $644.5 million as of March 31, 2025.

ESG considerations

San Francisco Bay Area Rapid Transit Dist, CA's ESG credit impact score is CIS-1

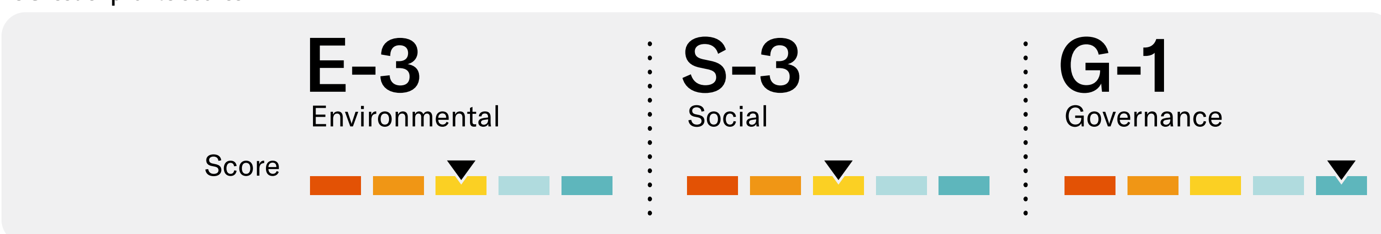
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

BART's ESG Credit Impact Score is positive (**CIS-1**), reflecting very strong governance and elevated exposure to environmental and social risks.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

BART's overall environmental issuer profile score of **E-3** reflects elevated exposure to long-term risks associated with physical climate risk, in particular water stress and wildfire stress. However, water stress exposure is largely offset by strong regional planning and conversation efforts and BART's strong liquidity and extremely large tax base help mitigate wildfire risk. BART has low environmental risks in other categories, including carbon transition, natural capital, and waste and pollution.

Social

BART's moderately elevated **S-3** social issuer profile score incorporates the demographic and societal trends of its service area, which has above average income inequality. BART will likely continue to see significant ridership loss driven by changing commuting patterns following the coronavirus pandemic. Nonetheless, permanent ridership decline and the potential for social resistance to fare increases are somewhat balanced by the area's strong wealth that make tax subsidies more affordable. Lastly, all of the three counties that BART serves have demonstrated the ability to raise discretionary revenue for social programs, as evident from voter authorization of specific tax and bond measures to fund homeless programs and affordable housing.

Governance

BART's positive **G-1** issuer profile score reflects its record of prudent fiscal management with conservative budgetary practices, long term financial and capital planning, and formal policies for financial stability, debt, capital improvements and investment. In addition, BART has very strong organization structure as evident by a voter-approved property tax that funds capital projects and sales tax that supports both general operations and capital improvements.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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