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Research Update:

San Francisco Bay Area Rapid Transit District, CA GO Bond 'AA-' Rating Affirmed; Outlook Is Negative

July 2, 2025

Overview

- S&P Global Ratings affirmed its long-term 'AA-' rating on the San Francisco Bay Area Rapid Transit District (BART or the district), Calif.'s general obligation (GO) bonds.
- The outlook is negative.

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Rationale

Security

Securing the GO bonds is a pledge of BART's unlimited ad valorem property tax levied on taxable property within Alameda County, Contra Costa County, and the City and County of San Francisco (combined net assessed value of more than $1 trillion), which together comprise the three-county BART district. The Alameda, Contra Costa, and San Francisco counties' boards of supervisors have the power and obligation to levy these taxes at the district's request for the bonds' repayment, with these tax revenues restricted to debt service on BART's GO bonds.

Under a trust agreement, tax proceeds collected by the counties are to be automatically transferred to the bond trustee upon receipt and in advance of debt payment dates. BART's board has covenanted to levy ad valorem taxes necessary to meet debt service without limitation as to the rate or amount. Under the California Public Utilities Code, BART could borrow up to 3.75% of the assessed value in the district, or approximately $37.5 billion.

S&P Global Ratings' approach to rating BART's GO bonds--which we equate to its issuer credit rating (ICR)--is based on an evaluation of the district's credit fundamentals, with operating risk and tax support incorporated into the analysis holistically. Our view combines all enterprise risks as well as the benefits and support of both property and sales tax revenue. We believe all district revenue, regardless of source and statutory lien protections, is at risk of interruption or stay if the district is materially stressed or in bankruptcy, and we incorporate that opinion in our current view of credit quality.

BART has approximately $3.1 billion in debt outstanding, including $2.4 billion in GO bonds, with $1.4 billion in remaining GO authorization under Measure RR, and $515.6 million (as of July 2, 2025) in senior-lien sales tax revenue bonds (AA+/Negative) used primarily to finance a portion of the district's capital program. The sales tax revenue bonds are special obligations backed by transaction and use tax revenues (75% of one-half of one percent [0.5%]) levied within the district. The negative outlook on the district's sales tax revenue bonds reflects the linkage between our view of the district's priority-lien sales tax obligations and our ICR on BART (see our analysis, July 2, 2025, on RatingsDirect).

In addition, in October 2024, BART signed a $544.6 million loan agreement with the U.S. Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) program to reimburse itself for costs associated with rail car replacements. The district completed the replacement of its legacy rail car fleet in late 2024 and has initiated an expansion program to increase the fleet to 1,329 new rail cars by early 2026. BART drew down $150 million in January 2025 and can draw another nearly $395 million by November 2025. TIFIA loan payments are junior to the current senior-lien sales tax debt service (and legally subordinate to a second sales-tax lien that currently has no debt outstanding), with loan interest beginning in calendar 2029 and full principal and interest beginning calendar 2034, with a final maturity in calendar 2059. S&P Global Ratings does not maintain a public rating on the TIFIA loan.

Credit highlights

The rating reflects BART’s role as a key mass transit provider in five Bay Area counties that receives significant tax support and is experiencing ongoing operational and fiscal challenges. Specifically, BART faces significantly depressed ridership and fare revenue relative to historical levels, combined with forecasts of sizable operating fund deficits (currently estimated at $357 million-$376 million) beginning in fiscal 2027 (starting July 1, 2026), when existing federal and state assistance runs out. Without a reoccurring source of nonoperating revenue, BART will be required to significantly reduce its operations or raise fares to levels likely unpalatable to riders and key stakeholders. On June 27, 2025, Governor Newsom signed the California 2026 budget, which includes provisions that would lend up to $750 million to San Francisco Bay Area transit operators including BART, with more details and specifics forthcoming in the coming weeks. While such a loan, if executed, would increase BART’s debt levels, we view this likely infusion of revenues to support operations as a positive development to provide temporary relief. However, absent a return to sustainable funding model--a tax ballot measure to support BART’s operations is planned for November 2026--we believe continuing weak financial performance and structural operating fund imbalances will likely result in lower general creditworthiness.

Key credit strengths, in our view, are BART's:

- Significant tax support, with sales and property tax revenues that are not sensitive to changes in ridership, providing good revenue diversity;
- Important role as a key mass transit provider and backbone of the congested, five-county Bay Area region where it provides service;
- Favorable service area economic fundamentals, which include very high GDP per capita and a large service area population, with unemployment rates projected to remain in line with the U.S. level; and
- Management’s track record of reporting transparency while navigating a realignment of the district's business and operating model and large capital program.

Offsetting weaknesses include:

- Ridership that remains materially lower than pre-pandemic levels, resulting in depressed fare revenue and a structural operating fund imbalance excluding assistance that is estimated to be depleted in fiscal 2027;
- Coverage of fixed obligations (S&P Global Ratings-calculated, on a net revenue basis, excluding federal and state operating assistance) that we expect will not improve to BART's historically strong levels, absent a replacement of fare revenues; and
- Large ongoing capital requirements associated with the district's fiscal 2026-2027 capital investment plan.

BART’s ICR reflects the substantial financial benefits of nonoperating tax revenue that reduce volatility and reliance on activity-based revenues like fares. For issuers and obligors like BART, our view of their overall creditworthiness or ICR is linked to any separately secured priority-lien debt ratings (e.g., sales tax revenue bonds). Since transit agencies, in our view, lack extraordinary expenditure flexibility to reduce operating expenditures, BART’s ‘AA+’ sales tax revenue bond rating cannot be greater than two notches above its ‘AA-‘ ICR. As a result, a lowering of BART’s ICR would also result in a lowering of its sales tax revenue bond rating.

For more information, see “U.S. Not-For-Profit Transportation Issuers Strengthen On Tax Revenue Growth And Support; Priority Lien Ratings Unchanged,” Nov. 22, 2024, and “Criteria: Priority-Lien Tax Revenue Debt,” Oct. 22, 2018.

Environmental, social, and governance

The workforce management policies of regional employers that allow for fully remote and hybrid work schedules--combined with BART's profile serving commuters and the high cost of housing in the Bay Area--have weakened ridership and fare revenue and negatively affected BART's general creditworthiness. We also consider BART to be exposed to elevated seismic risks, due to the multiple fault lines within its service territory, although we view this exposure has having been actively managed through risk assessments and infrastructure retrofits to bring rail lines and tunnels into compliance with state codes. In addition, BART's geographically broad service area has a variety of other longer-term physical risks associated with coastal flooding in the City and County of San Francisco, as well as extreme heat, by 2050. We consider BART's governance risks as neutral in our analysis.

Outlook

The negative outlook reflects our belief that there is at least a one-in-three likelihood we could lower the GO rating by one or more notches over the next two-years absent sustainable, reoccurring revenues, along with other actions taken to support the district's largely fixed cost structure and ongoing capital requirements. We will be monitoring progress toward a November 2026 ballot initiative and steps taken by management to provide operational support as well as to gauge any election outcome on BART’s financial and overall credit profile.

Downside scenario

We could lower the rating by one or more notches if the district board and management are unable to pass and implement a credible plan to address the operating structural deficit toward improving BART's financial overall performance metrics to levels comparable with historical results and those of similarly rated transportation enterprises.

Upside scenario

We could revise the outlook to stable with passage and implementation of a longer-term funding plan that restores fiscal balance, along with strong financial performance we view as sustainable.

Credit Opinion

Enterprise Risk Profile: Very Strong

BART's enterprise risk profile incorporates the very strong fundamentals of the three-county district, which is the heart of the large and prosperous San Francisco Bay Area economy, as well as BART's market position as an enterprise and our assessment of the district's management and governance.

The district covers a three-county service area: San Francisco, Contra Costa, and Alameda counties, with a combined population of approximately 3.7 million, as well as northern San Mateo County and a portion of Santa Clara County, although sales tax revenues are only levied in its three primary counties. The broader metropolitan statistical area has a population of 4.5 million. According to the Home Value Index, the housing market in the BART district remains strong, with values above state and national averages.

BART's enterprise profile also incorporates our view of its market position. BART provides an important service to the San Francisco Bay Area but has been negatively affected by the evolution of hybrid and remote work contributing to its significantly reduced ridership. The high cost of housing and longer commutes, combined with a higher concentration of technology and financial workers and perceived safety concerns, have also affected ridership. A core transit component of the regional public transit network, BART operates five lines of heavy rail service with stations in Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara counties, while also serving both international airports in San Francisco and Oakland. Although much of the other service can be complementary, BART does directly compete with other providers on some routes.

Ridership forecast of 3.7% growth in each of fiscal years 2026 and 2027 is achievable

Overall system ridership recapture rate is improving but remains weak, at about 45% of 2019 levels. Outyear ridership growth rate assumptions for fiscal years 2026 and 2027 of 3.7% have been reduced somewhat (down from 4%), and calendar year 2025 thus far has seen some impressive gains in both weekday (April up 11% year over year) and weekend volumes. Overall, ridership is up 16% from 2023 and while it’s difficult to point to any one factor, BART has made significant gains in ridership satisfaction attributable to improved safety, cleanliness, and new fare gates. BART returned to full-service levels in August 2021 and implemented a new service schedule in September 2023, with all lines operating on a base schedule of 20-minute headways in response to new commute patterns while focusing on ridership growth with increased train service during evenings and weekends. In January 2025, minor changes were introduced to further improve connections and meet demand peaks, and in March BART lengthened trains on select route to address crowding during peaks – a good sign. Still, management and the board have importantly acknowledged BART’s new passenger baseline and with a focus on providing capacity to meet demand with available resources.

Management insights: New CFO viewed positively

In December 2024, BART board hired the first chief financial officer in its history, with the board approving an organizational change in the previous year and eliminating the controller and treasurer positions. We view this action favorably, given the considerable resource allocation decisions forthcoming and the critical need to identify and communicate viable alternatives to financial and political uncertainties ahead. Without additional resources to fund operations, BART's service levels would likely be reduced along with the consideration of other measures previously explored by the board, including additional BART-generated revenue sources, business process improvements, capital deferrals or cuts, land sales, and the restructuring of retiree medical and/or debt service liabilities--all of which the new CFO can provide important strategic leadership to navigate. While this seems less likely in light of a state loan approved in June 2025, a unified approach to financial management with purview over the entire enterprise is a positive step given BART’s evolved operational and financial reality.

BART’s management and board continue to work with regional policymakers and stakeholders to seek both short- and long-term funding solutions, with the objective of achieving operating fund structural balance while preserving service levels. A legislative proposal to provide assistance to state transit agencies was signed into law by the governor on June 27, 2025, and, if executed, will likely allow BART to maintain service levels through fiscal 2027, pending a longer-term funding strategy.

Senate Bill 63 (SB63), now in the California legislature, is the longer-term funding strategy. It would create a new special district on top of the existing BART district (comprising Alameda, Contra Costa, and San Francisco counties) and provide San Mateo and Santa Clara counties the ability to opt in. Once established, the new special district would--either directly or via a qualified voter initiative--place a measure authorizing a half-cent sales tax for up to 15 years to support transit providers in the district on the November 2026 ballot.

In our view, BART has historically received strong political support, both regionally and from federal regulators and policy makers. Over the next several months, BART management will be prudently developing strategies to balance fiscal 2027 operations under scenarios where voters either support or reject a sales tax increase. We will be monitoring progress made to detail the plan to achieve structural balance and return to historically strong financial performance measures.

Financial Risk Profile: Adequate

Our view of BART's financial risk profile assessment is adequate and based on our expectation that S&P Global Ratings-calculated key financial metrics--particularly coverage and debt-to-net revenues--will be weaker than historical levels. Our calculated financial metrics do not include federal and state operating assistance given their nonrecurring nature; however, our financial risk profile assessment does consider these funds as well as the district's currently strong liquidity levels.

Stable sales tax revenue mitigates cost pressures; emergency assistance balances operating fund

BART's anticipated financial performance for fiscal 2025 is characterized by higher passenger revenue, reflecting ridership growth and the Jan. 1, 2025, fare increase of 5.5% offset by slightly softening sales tax, projected to decline by 2.6% to $312 million. Based on preliminary fiscal 2025 data (ending June 30) and reflecting S&P Global Ratings' adjustments, fare and other operating revenues total $280 million and other revenues total $684 million, including estimated property and sales taxes receipts. To achieve operating fund balance in 2025, BART is relying on a drawdown of $311 million in federal and state emergency assistance, approximately $17 million less than budgeted.

Financial performance, as measured by S&P Global Ratings-calculated coverage, is negative, reflecting our exclusion of nonrecurring revenues. Similarly, debt-to-net revenue as per our calculations is negative, reflecting insufficient passenger revenues, sales taxes, and other committed recurring revenue sources after payment of operating expenses. If federal and state emergency aid were included, coverage is near 1.0x, debt-to-net revenues is generally near or below 15x, and liquidity-to-debt ranges between 18% and 30%. Positively, BART's liquidity and financial flexibility is in the strong range, although likely to decline in nominal terms through 2026.

Long-term capital requirements remain very high, with additional GO debt planned

BART's longer-term capital program (2025-2034) identified critical capital needs of $13 billion and a funding gap of $3.3 billion beyond known-but-unrealized sources, including state, federal, and the district's Measure RR GO bond program, as well as BART's own cash flow. BART also develops a two-year capital budget, which is approximately $1.1 billion for 2026 and $800 million for 2027, with 98% of planned investments in system reinvestment as well as service and capacity enhancement. The district plans to continue to leverage BART's Measure RR GO bonds and other local and regional sources (65%) while maximizing federal and state funding (35%). BART will likely issue additional GO debt in 2025.

Significant tax support

BART benefits from significant tax support, providing good revenue diversity and enhanced financial stability. Our analysis of this holistic support measures revenues from all tax sources relative to total revenues, regardless of any legal restrictions associated with its use (i.e., debt service). For example, in fiscal 2024, the district received sales taxes ($320 million) and property taxes ($218 million) totaling $539 million, or approximately 40% of total operating plus nonoperating revenue sources of $642 million (excluding $320 million in operating assistance).

BART's total property taxes consist of a portion of the general 1% ad valorem tax levied by the three counties in the district that is available to support its operations, as well as property taxes levied by the system under its unlimited ad valorem tax levying power that flow directly from the three counties that collect the tax revenue to the bond trustee for BART's GO bonds. Of the sales tax levy, which does not sunset, BART retains 75% of the tax revenue after CDTFA fees, while the remaining 25% is allocated by the Metropolitan Transportation Commission to the San Francisco Municipal Transportation Agency and the Alameda-Contra Costa Transit District.

San Francisco Bay Area Rapid Transit District, California--Financial and operating data

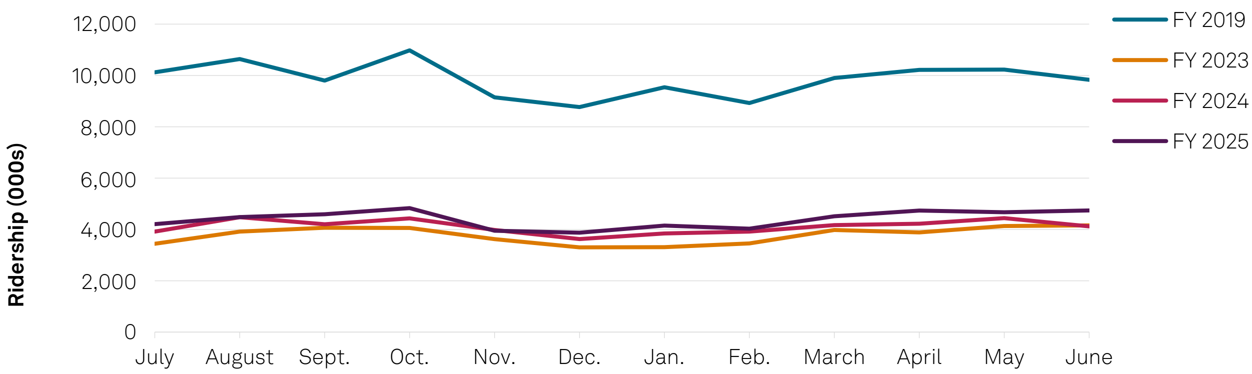
	--Fiscal year ended June 30--			Audited					
	2027 proposed	2026 proposed	2025 estimated	2024	2023	2022	2021	2020	2019
Financial performance									
Total operating revenue ($000s)	320,827	303,695	280,882	258,624	221,680	166,094	90,509	394,934	554,684
Plus: interest income ($000s)	5,000	21,400	33,200	74,565	51,653	1,064	1,523	19,653	19,337
Plus: other committed recurring revenue sources ($000s)	705,080	699,920	653,504	689,896	645,508	542,733	547,522	515,489	469,427
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	1,086,900	1,044,900	1,033,900	1,009,997	895,545	793,395	751,561	785,189	758,116
Numerator for S&P Global Ratings' coverage calculation ($000s)	(55,993)	(19,885)	(66,314)	42,524	23,296	(83,486)	(112,007)	144,887	285,332
Denominator for S&P Global Ratings' coverage calculation ($000s)	248,410	248,370	213,360	210,367	172,704	164,753	131,662	122,921	81,967
S&P Global Ratings-calculated coverage (x)	-0.23	-0.08	-0.31	0.2	0.13	-0.51	-0.85	1.18	3.48
S&P Global Ratings-calculated coverage, including COVID federal and state aid (x)*	-0.23	1.19	1.15	1.01	2.5	2.18	2.21	2.69	3.48

San Francisco Bay Area Rapid Transit District, California--Financial and operating data

	--Fiscal year ended June 30--			Audited					
	2027 proposed	2026 proposed	2025 estimated	2024	2023	2022	2021	2020	2019
Financial performance									
Debt and liabilities									
Debt ($000s)	3,751,711	3,729,636	3,124,961	3,115,631	3,183,119	3,248,791	2,558,185	1,995,195	1,315,795
S&P Global Ratings-calculated net revenue ($000s)	(55,993)	(19,885)	(66,314)	42,524	23,296	(83,486)	(112,007)	144,887	285,332
Debt to net revenue (x)	-67	-187.56	-47.12	73.3	136.6	-38.9	-22.8	13.8	4.6
Debt to net revenue, including COVID federal and state aid (x)*	-67	12.7	12.8	14.7	7.4	9.3	8.8	6	4.6
Liquidity and financial flexibility									
Unrestricted cash and investments ($000s)	388,000	510,000	975,000	964,292	910,693	942,021	663,362	541,684	707,724
Unrestricted days' cash on hand	130.3	178.2	344.2	348.5	371.2	433.4	322.2	251.8	340.7
Available liquidity to debt (%)	10.3	13.7	31	31	28.6	29	25.9	27.1	53.8
Tax revenues									
Property tax ($)	257,380	256,220	220,100	218,718	211,132	124,658	195,951	170,582	123,677
Sales tax ($)	323,000	314,100	311,904	320,133	327,128	310,706	258,522	266,895	280,385
Other operating financial assistance**	124,700	129,600	121,500	151,045	107,248	109,496	95,128	96,938	65,693
Total tax revenues ($)	705,080	699,920	653,504	689,896	645,508	544,860	549,601	534,415	469,755
Sales tax plus property tax to total revenue (%)	56	56	55	53	59	61	71	47	39
Tax revenues to total revenue (%)	68	68	68	67	70	77	86	57	45
Operating metrics--mass transit									
Total passengers (000s)	57,057	55,021	53,057	49,610	45,864	34,550	16,132	83,678	118,102
Ridership recapture rate (% of pre-pandemic levels)	48	47	45	42	39	29	14	71	100
Fare revenues (000s)	277,561	259,755	240,386	218,988	188,311	135,818	62,528	341,587	482,644
Farebox recovery ratio (%)	25.5	24.9	23.3	21.7	20.9	17	8.3	43.5	63.7

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. MADS--Maximum annual debt service. S&P Global Ratings-calculated net revenue = (total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. (See "Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions" criteria for more S&P Global Ratings definitions and calculations.) *Federal and state COVID aid--BART recognized as revenue (or anticipates recognizing as revenue) the following amounts of COVID federal and state aid in fiscals 2020-2026, respectively: $185.5M, $402.4M, $443.1M, $407.8M, $169.5M, $58.2M, and $293.8M. BART used or intends to use this funding to pay for operations in the following amounts in fiscals 2020-2026, respectively: $120.3M, $298.1M, $286.7M, $315.9M, $313.5M, $310.9M, and $315.0M. **Other operating financial assistance includes VTA financial assistance, state transit assistance, low carbon funding programs, and local & other assistance.

BART monthly ridership trends 2019 vs. 2023-2025 YTD



Source: BART, S&P Global Ratings.

Ratings List	
Ratings Affirmed	
Transportation	
Bay Area Rapid Transit, CA Unlimited Tax General Obligation	AA-/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.