San Francisco Bay Area Rapid Transit District, California

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This report does not constitute a rating action.

Credit Highlights

- S&P Global Ratings' long-term rating on the San Francisco Bay Area Rapid Transit District (BART), Calif.'s sales tax revenue bonds is 'AA+'.
- The outlook is negative.
- The rating and outlook reflect the linkage between BART's sales tax bond rating, its general creditworthiness, and related enterprise operating risks.

Rationale

Security

The bonds are secured by BART's sales tax revenue, consisting of 75% of revenue from a 0.5-cent sales tax collected within the district net of CDTFA fees (the remaining 25% is distributed to the Metropolitan Transportation Commission). The tax has no sunset date.

As of July 1, 2025, BART had about $515.5 million in senior sales tax revenue bonds outstanding. Maximum annual debt service (MADS) for all fixed-rate senior-lien bonds outstanding is approximately $59 million through fiscal 2029 before declining to approximately $40 million prior to beginning debt service on any subordinate or junior-lien obligations.

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 final maturity in calendar 2059. S&P Global Ratings does not maintain a public rating on the TIFIA loan.

Credit overview

BART's pledged sales tax revenues continue to perform relatively well, growing by 20% from pandemic lows in fiscal 2021 to $327 million in fiscal 2023 and to $320 million in fiscal 2024, and with a modest 3.1% decline to $311.9 million estimated for fiscal 2025 (ending June 30). In its preliminary budget, district management assumes sales taxes will remain relatively flat in fiscal 2026, at $319 million, before growing by 2.5% to $328 million in fiscal 2027, reflecting some softening in spending attributable to rising consumer debt and diminishing personal savings in the near term. Since 2019, sales taxes have increased at an average of 2.1% annually.

Overall, the rating reflects what we view as:

- The very strong economic fundamentals of BART's three-county district, which is in the heart of the large and prosperous San Francisco Bay Area economy;
- The historically low volatility of nationwide sales tax revenue, a view that extends to our opinion of BART's pledged sales tax revenue;
- MADS coverage that is consistently very strong, at over 5x for the senior lien, and that we expect will remain so given no near-term expected additional debt needs, despite a senior-lien additional bonds test (ABT) that allows for MADS coverage of just 1.5x, which we consider somewhat low; and
- Operating risks associated with BART's enterprise that have increased due to depressed ridership revenue producing significant ongoing structural operating fund imbalances that are currently reliant on federal and state assistance, expected to run out in June 2026. Because of our linkage to the district’s priority-lien sales tax bonds, this financial pressure could negatively affect the credit quality if sustained.

BART's priority-lien credit profile benefits from the large, prosperous, and diverse economy of its three-county district covering the City and County of San Francisco as well as Alameda and Contra Costa counties. An economic hub of national and international importance, the local economy thrives as a major center for technology and financial services firms, among many other industries. The strength of the district's economy continues to support a pledged revenue stream with low volatility, consistently producing very strong debt service coverage.

Nevertheless, credit pressure persists, given our view of the linkage of this sales tax rating to the district's general creditworthiness. (For more information, see our BART analysis, July 2, 2025, on RatingsDirect). The sales tax rating is currently constrained at two notches above BART's general creditworthiness (AA-/Negative). Consequently, if BART's general creditworthiness were to deteriorate further and the ICR rating was lowered, it would result in a corresponding downgrade on these sales tax bonds.

Environmental, social, and governance

Workforce management policies of regional employers that allow for fully remote and hybrid work schedules--combined with BART's profile as 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 given its current financial profile. Also, we consider BART exposed to elevated seismic risks, due to the multiple fault lines within its service territory. These physical exposures have been actively managed through risk assessments and infrastructure retrofits to bring rail lines and tunnels into compliance with evolving state codes. BART's geographically broad service area has a variety of other longer-term physical risks from coastal flooding in the City and County of San Francisco, as well as extreme heat, by 2050. We consider BART's governance risks to be neutral in our analysis.

Outlook

The negative outlook indicates that we believe there is at least a one-in-three likelihood we could lower the rating if BART's underlying credit fundamentals weaken, given the current sales tax rating is constrained at two notches above BART's general creditworthiness.

Downside scenario

We could lower the rating if our view of the district's underlying creditworthiness deteriorates further due to sustained, long-term structural imbalance. Although unlikely, MADS coverage decreasing to a level we no longer consider very strong could also lead to a downgrade.

Upside scenario

We could revise the outlook to stable if our view of BART's general creditworthiness improves due to an enhanced financial outlook spurred by expenditure alignment with revenues or identification of new recurring nonoperating revenues, or if operating revenue rebounds to levels we believe are sustainable.

Credit Opinion

Economic fundamentals: Very strong

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 well above state and national averages. The local economy for the district remains very strong going into fiscal 2026, as evidenced by sustained income and wealth at extremely strong levels that reflect a steady recovery since the onset of the pandemic in fiscal 2020. The region benefits from a continued presence as a major national and international hub, particularly for the technology and financial services industries, along with various heavy industries.

Revenue volatility: Low

BART's source of pledged revenue consists of 75% of revenue from a 0.5-cent sales tax collected within the district (the remaining 25% is distributed to the Metropolitan Transportation Commission). We assess the volatility of pledged revenue to evaluate the likely availability of revenue across different economic cycles.

We assess the volatility of BART's pledged revenue as low, as pledged revenue has exhibited great resilience through different economic cycles. While BART's pledged revenue has historically been influenced by recessionary pressures, it has rebounded relatively quickly, as evidenced by its three-year recovery from the almost 18% cumulative decline during the Great

Recession. BART's sales tax revenues have performed well, increasing at a strong rate over an extended period, and grew by an annual average of 3.4% in fiscal years 2014-2025 and at 2.1% in fiscal years 2019-2025. Pledged revenue has decreased on only six occasions since 2008; the greatest was a 9.4% decline in fiscal 2009 and the least was a 2.1% decline in fiscal 2024.

The BART sales tax revenue does not sunset. The taxable transactions within the three counties span several categories and are not heavily concentrated within a single category. Motor vehicle and parts dealers, clothing and clothing accessories stores, food and beverage stores, food services and drinking places, and gasoline stations typically represent the largest categories, each at less than 15% of total taxable transactions. In 2024 (January to June), Alameda County generated 49% of the total taxable transactions of $38.8 billion, while Contra Costa County generated 28% and San Francisco generated 23%.

Coverage and liquidity: Very strong

Based on fiscal 2024 collections, the district's pledged revenue of $320.1 million provides 5.4x MADS coverage, which we consider very strong, with similar coverage anticipated for fiscal 2025. This is well above what we consider to be very strong coverage. Notably, annual senior-lien sales tax debt service drops by $20 million in fiscal 2029 to about $40 million annually through fiscal 2034, assuming no additional issuances.

Despite a somewhat weaker ABT, several factors inform our view that coverage will likely remain very strong. After the trustee funds annual debt service requirements from pledged revenue, it releases the remainder to BART to support operating and capital needs. In fiscal 2024, 30% of total revenue is derived from sales taxes and BART's reliance on this source to cover a significant portion of its expenses, after debt service, reduces the incentive to issue debt down to the level of the ABT.

BART's sales tax bonds do not benefit from the additional security offered by debt service reserve funds. However, given the very strong coverage and a low revenue volatility assessment, there is no downward adjustment to the very strong coverage score that would indicate potential liquidity pressures.

Obligor linkage: Mitigated relationship

The California Department of Tax and Fee Administration (CDTFA) administers the collection and disbursement of the pledged sales tax revenue. Per the indenture, the CDTFA collects the pledged revenue and remits it directly to the trustee, after deducting its administrative fee. Each month, the trustee deposits one-sixth of semiannual interest requirements into an interest fund, and one-12th of annual principal requirements into a principal fund, before remitting surplus pledged revenue to BART.

At the outset of the pandemic, BART demonstrated a willingness and ability to adjust operating expenses with continued good performance of pledged sales tax revenues. However, BART continues to experience weaker ridership and farebox revenue and, like other transit agencies, has a high percentage of fixed costs. BART has received higher and sometimes offsetting levels of nonoperating revenue and other financial assistance from governments, as well as federal operating support. In addition, BART may elect to participate in a state loan program as approved in the fiscal 2026 state budget. Nonetheless, in our view, BART does not demonstrate an extraordinary ability to reduce expenditures as outlined in our criteria, especially during periods of stress. This has been reflected in our evolved view of the linkage between BART’s obligor creditworthiness (OC) and its priority-lien sales tax revenue rating to a mitigated relationship (two-notch linkage) from limited relationship (three-notch linkage).

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.

Rating linkage to BART's general creditworthiness

We assess BART's general creditworthiness using our criteria "Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions," Nov. 2, 2020.

In our analysis of the district as an operating entity, we consider its creditworthiness as pressured due to materially depressed ridership activity and fare revenues, resulting in a structural imbalance when excluding nonrecurring federal and state aid, which is currently expected to run out in June 2026. Year-to-date, systemwide ridership has recovered to only about 42%-46% of 2019 levels. Before the pandemic, BART was heavily reliant on fares to fund a significant portion of operations (farebox recovery ratio of 64% in fiscal 2019). In our view, these operational and financial pressures have eroded BART's general creditworthiness, which will likely be further negatively affected absent action taken to address the mismatch in resources and fixed costs.

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 overall general creditworthiness.

San Francisco Bay Area Rapid Transit District, California-- Key credit metrics

	Metric
Economic data	
Economy	Very strong
EBI level per capita % of U.S.	159
Population (obligor)	3,671,969
Broad and diverse MSA	Yes
Population (MSA)	4,579,599
Financial data	
Revenue volatility	Low
Coverage and liquidity	Very strong
Baseline coverage assessment	MADS
MADS coverage (x)	5.4
MADS fiscal year	2024
Annual debt service coverage (x)	5.4
3-year pledged revenue change (%)	0.4
Bond provisions	
ABT (x)	1.50
ABT type	MADS
ABT period	Historical

San Francisco Bay Area Rapid Transit District, California-- Key credit metrics

DSRF type	None
Obligor relationship	
Obligor linkage	Mitigated
PL rating limit (number of notches above OC)	2

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS-Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List	
Current Ratings	
Transportation	
Bay Area Rapid Transit, CA Sales Tax	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.