MOODY'S RATINGS

CREDIT OPINION
6 April 2026

Update

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RATINGS

South Coast British Columbia Transport. Auth

Domicile	Vancouver, British Columbia, Canada
Long Term Rating	Aa2
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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South Coast British Columbia Transport. Auth (Canada)

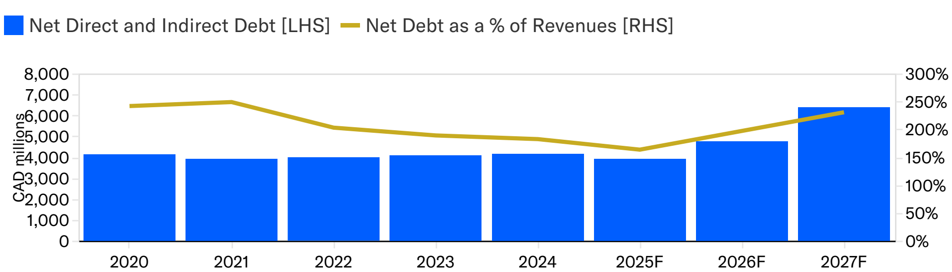
Update following rating action

Summary

The credit profile of the South Coast British Columbia Transportation Authority (TransLink, Aa2 negative) reflects its strategic importance as the main provider of transportation services in the Greater Vancouver region. TransLink's governance and institutional characteristics are very strong and also benefits from its status as a taxing authority. Key credit challenges remain from systemic operating shortfalls due to inflationary cost pressures, declining fuel tax revenues and limited historic fare increases, which have been partly mitigated through expense controls and one time provincial operating funding. TransLink plans to restore long-term financial stability through new sustainable revenue sources to replace declining fuel tax revenues, including fare, parking sales tax and property tax increases. The rating incorporates a high level of extraordinary support from the Province of British Columbia (Aa2 negative).

Exhibit 1

Significant debt funding of capital projects will reverse multiple years of declining debt burden



Year ended December 31
Sources: TransLink and Moody's Ratings

Credit strengths

» Strategic importance as the main transportation provider for Greater Vancouver

» Strong governance and institutional characteristics

» Diversified revenue sources from transit fares and taxes help mitigate operating challenges

Credit challenges

» Debt levels will rise significantly over the next few years to fund capital projects

» Systemic operating shortfalls mitigated by new provincial funding, tax and levy increases and projected cost savings

Rating outlook

The negative outlook reflects the risk that, in the absence of either new sustainable revenue sources to replace declining fuel tax revenues or cost cutting measures to address rising expenses, TransLink would be unable to successfully address its structural deficits. The negative outlook also reflects the negative outlook on the rating of the Province of British of Columbia (Aa2 negative) given the linkages between TransLink and the province.

Factors that could lead to an upgrade

Given the negative outlook on TransLink's ratings, an upgrade is unlikely in the near term. The outlook could be stabilized if TransLink were able to secure new significant and sustainable revenue sources to address its long-term operating funding gap, without a corresponding material rise in the debt burden. A stabilization of the outlook of the province at its current rating level could lead to a stabilization of the outlook of TransLink.

Factors that could lead to a downgrade

A downgrade of the Province of British of Columbia's ratings would exert downward pressure on TransLink's ratings. The rating could also be downgraded if the debt burden increased significantly above our projected levels, or if the authority were unable to address its long-term funding challenges, leading to service cuts in critical areas. A long-term reversal in travel demand would also result in downward pressure on the rating.

Key indicators

Exhibit 2
TransLink

(Calendar Year ending Dec 31)	2021	2022	2023	2024	2025E	2026F
Service Area Population (millions)	2.8	2.8	2.9	3.1	3.1	3.1
Annual Ridership (millions) [1]	130.9	193.6	233.2	240.9	237.6	238.2
Farebox Recovery Ratio (%) [2]	28.6	36.4	39.2	38.7	38.2	34.1
Net Direct and Indirect debt as % of Operating revenue	248.8	202.9	188.9	182.3	163.4	197.0
Interest Payments as % of operating revenue	12.0	9.6	8.4	8.5	7.0	7.2
Days Cash on Hand	187.5	206.0	143.0	134.6	182.8	162.5

[1] Number of unconnected passenger trips (passenger journeys)
[2] Transit revenue as a percentage of operating expenses
2025E and 2026F are Moody's forecasts
Sources: TransLink and Moody's Ratings

Profile

The South Coast British Columbia Transportation Authority, operating as TransLink, was established in 1998 and is the main provider of transportation services in the Greater Vancouver region and serves a large population of 3.1 million. It operates an extensive bus and rail network, including the SkyTrain rapid light-rail transit system, passenger ferries, an express commuter rail, and accessible transit service. Oversight for TransLink is through the Mayors' Council, consisting of 23 members, primarily includes the mayors (or their representatives) from the 21 municipalities in Metro Vancouver and the Tsawwassen First Nation.

Detailed rating considerations

On 26 March we affirmed TransLink's a1 baseline credit assessment (BCA) and Aa2 debt ratings with a negative outlook. The rating action follows the downgrade in the Province of British Columbia's rating to Aa2 from Aa1, with a negative outlook, on 19 March 2026.

The credit profile of TransLink, as expressed by its Aa2 negative rating, combines a baseline credit assessment (BCA) of a1 and our assumption of a high likelihood of extraordinary support coming from the province in the event that the authority faced acute liquidity stress.

Baseline credit assessment

Strategic importance as the main transportation provider for Greater Vancouver

TransLink's services are essential to the efficient functioning of the Greater Vancouver economy. It is the main provider of transportation services in the Greater Vancouver region and serves a large population of 3.1 million. It operates an extensive bus and rail network, including the SkyTrain rapid light-rail transit system, passenger ferries, an express commuter rail, and accessible transit service. TransLink is responsible for around 90% of the region's transit and therefore does not have viable competitors, which supports expectations of ridership growth over the next two years. Its growth has been strongly correlated with long-term demand for public transit from a growing regional population.

Transit usage in TransLink's service area continues to be strong, with over 3% annual growth in usage in 2024 following a substantial, but not full, recovery from the pandemic's impact. We project a slight decline in annual ridership in 2025 followed by a flattening in 2026, as ridership levels have entered a steady-state, with growth now aligned with other factors including population trends.

TransLink's responsibilities also extend beyond the delivery of public transit services. TransLink was created by the Province of British Columbia and is responsible for the Greater Vancouver regional transportation system. It is responsible for (1) planning, constructing, funding, operating and maintaining a regional transport system, (2) constructing and maintaining a major road network (rapid transit and bus routes, bike lanes) that crosses the boundaries of several area municipalities, as well as (3) managing transportation demand-management strategies and programs. Key capital projects currently include the SkyTrain lines and fleet expansion and bus fleet replacement and electrification.

Strong governance and institutional characteristics

We characterize TransLink's governance and management practices as strong. The authority uses multi-stage long-term investment plans that allow for a phased approach to future infrastructure investments, closely linking expenses to anticipated funding sources. Forecasting is done through a 30-year long-term regional transportation strategy (updated every 5 years) and 10-year fully funded investment plans (updated at least every 3 years). Management uses extensive scenario analysis to identify and manage pressures early on, including multi-scenario revenue, expense and debt forecasts. In addition, the authority initiated significant cost reduction efforts during the pandemic, including a hiring freeze and deferring planned service expansions.

Oversight is provided by the Mayors' Council which reviews and approves TransLink's long-term transportation plans and provides certain oversight responsibilities for fares, executive compensation and customer surveys and complaints. The Mayors' Council, consisting of 23 members, primarily includes the mayors (or their representatives) from the 21 municipalities in Metro Vancouver. The Council also appoints 7 of TransLink's 11 directors and both the Chair and the Vice Chair of the Mayors' Council also serve on Translink's Board. The Province of British Columbia has the right to appoint another 2 board members, providing a level of provincial oversight as well. Despite the provincial government's role in creating it, TransLink operates fairly independently from the provincial government with autonomy in setting its budgets.

Debt accumulation is subject to a legislated debt ceiling, which is currently CAD10.7 billion of gross debt, as well as an internal policy limit of 300% of net debt to operating revenues (debt coverage) and 20% of gross interest costs to operating revenues (interest coverage). Increases in TransLink's borrowing limit are subject to approval by the board of directors and Mayors' Council. TransLink’s board approves annual fare and property tax increases, within limits set by the Mayors’ Council and the board in the investment plans.

Diversified revenue sources from transit fares and taxes help mitigate operating challenges

TransLink is primarily a transit authority responsible for regional transportation plans, and relies on farebox revenues from the region for a significant portion of its operating needs. Its credit profile also reflects its status as a taxing authority, unique across most mass transit providers and government-related issuers, which provides significant financial flexibility to increase revenue sources, as needed. Although TransLink does not rely on contractual operating grants from governments, it has benefitted from significant provincial and federal transfers in recent years.

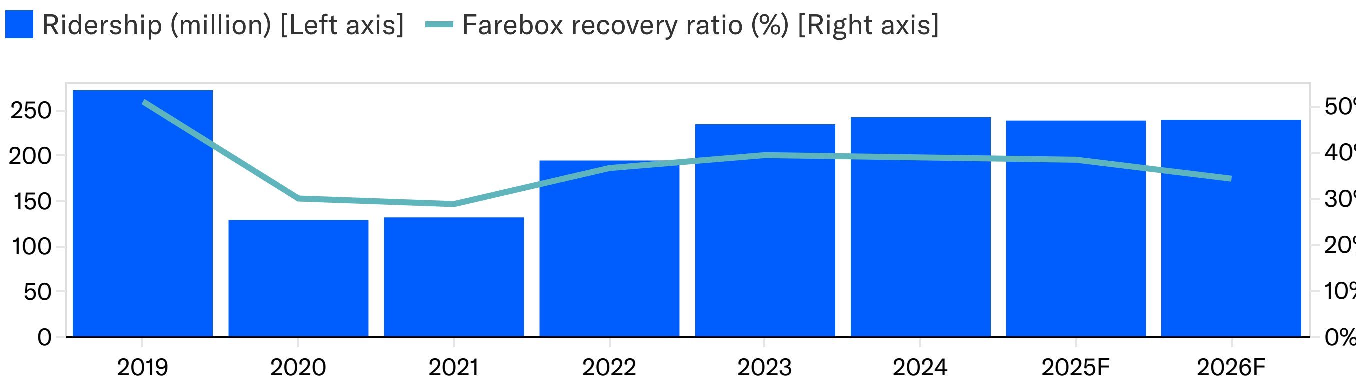
TransLink's governing legislation allows it to raise property taxes or access any legislated revenue source not included in its strategic plan at the discretion of its board of directors in order to meet its debt obligations. TransLink's taxation powers also allow it to have diverse revenue sources, including predictable property taxes which could be used to compensate for lost passenger revenues. Property taxes – which make up 25-30% of total revenues - tend not to fluctuate with economic shocks, insulating it from macroeconomic pressures. TransLink also receives revenue from fuel tax and parking rights, although these sources are sensitive to changes in driving patterns and have declined in recent years.

The farebox recovery ratio (transit revenues relative to operating expenses) was 38.7% in 2024 and 38.2% in 2025, strong levels compared to peers. We forecast a modest decline to 34.1% in 2026 as solid transit revenues will be balanced by rising expenses.

Exhibit 3

Steady-state ridership levels help mitigate the farebox recovery ratio against significant declines

Farebox recovery ratio (transit revenues as a % of operating expenses)



Year ended March 31

Sources: TransLink and Moody's Ratings

Debt levels will rise significantly over the next few years to fund capital projects

TransLink's debt burden exceeds those of the majority of its peers, as it issues debt to fund a significant portion of a large capital plan which covers the capital needs of the entire region it services. TransLink's recent borrowing needs have averaged CAD300 million annually through green bonds, which support green infrastructure projects. Over the following five years starting 2026 we expect faster debt growth, reflecting both green and non-green debt issues.

Following several years of declining debt burden to an estimated 163.4% in 2025 (from 248.8% in 2021), we expect a reversal starting this year. We project that the debt burden will reach 197% by year-end 2026 and could reach 230% by year-end 2027 if TransLink is able to fully execute its capital plan objectives. The increase reverses a multi-year period of a declining debt burden, which was significantly facilitated by the province's 2022 decision to provide upfront cash payment of CAD2 billion to TransLink to compensate for foregone future toll revenues associated with the Golden Ears Bridge. TransLink indicated that it will use CAD1 billion of the payment to fund non-green capital projects which will help reduce future debt issuances and could mitigate the rise in the debt burden. Another CAD1 billion is used to establish a long-term restricted endowment fund whose annual investment income would be used to support operations, with principal held until at least 2050.

TransLink also has weaker debt affordability than most peers, however the 3-year average interest expense improved to 8.8% of revenues in 2024, down from an average of approximately 11% in the previous two years. We expect that interest burden will remain near current levels in 2026 and 2027 before gradually increasing, given that rising debt levels will be balanced by lower interest rates and rising revenues.

Offsetting some of these pressures are exceptional federal funding commitments, including CAD663 million for transit projects starting in 2026 and a further CAD1.53 billion committed for capital projects to be included in a future Investment Plan. In addition, TransLink's revenue diversity and status as a taxing authority allow it to sustain a higher debt burden than other public mass transit enterprises at the same rating level.

TransLink also has access to a CAD500 million commercial paper program for short-term borrowing (current usage is nil) which is backstopped by a CAD500 million credit line. In addition, TransLink maintains approximately CAD1.1 billion in sinking funds and debt reserve funds which provide significant support to bondholders and represent about 26% of gross debt.

Systemic operating shortfalls mitigated by new provincial funding, tax and levy increases and projected cost savings

Given its high dependence on transit fares, in addition to fuel and parking taxes which depend on commuting trends across the region, TransLink's operating revenues are sensitive to changes in ridership and mobility preferences. At the same time, we view expenses related to core operations and wages as sticky, as expense reduction in core areas would jeopardize service delivery and could result in service cuts.

These revenue and expense pressures – including limited historic fare increases, declining fuel tax revenue, and general expense growth – have created a structural deficit which TransLink estimates at an aggregate CAD5.3 billion between 2026 and 2033.

TransLink has historically mitigated its operating shortfalls through expense controls. It also benefitted from significant provincial and federal operating support during the pandemic, as well as post-pandemic funding including CAD479 million operating support from the province for 2024 and 2025 to allow TransLink to balance its operations. In April 2025, the province announced an additional aggregate CAD312 million operating funding to protect services through 2025-2027.

TransLink aims to return to financial sustainability through long-term revenue measures which replace one-time provincial funding, including increases in transit fares (a 5% fare increase takes effect July 1, 2026), parking sales taxes and property taxes. These measures build on its 2024 optimization strategy which identified CAD90 million in annual financial improvements through revenue increases, cost optimization and cost reductions - including reduced fare evasions, eliminating certain vacant positions, reducing spending on third party contractors, and lowering debt service costs through a revised debt management strategy.

Extraordinary support considerations

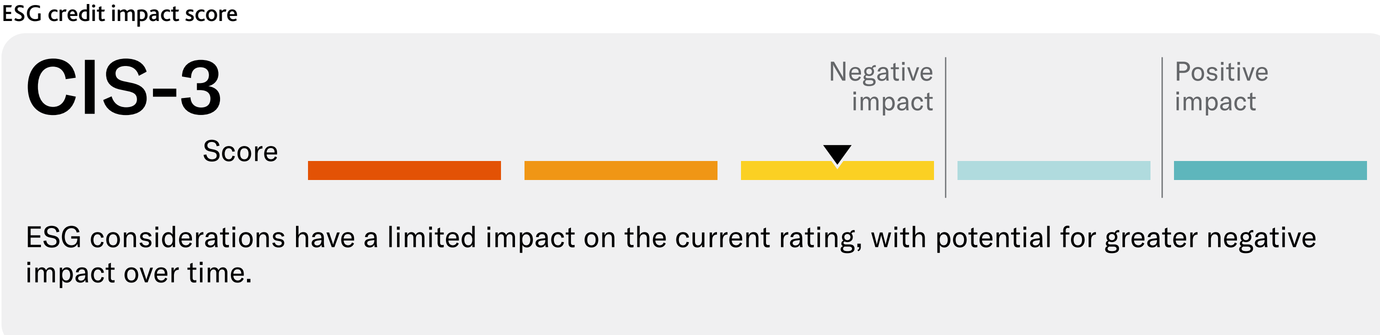
Moody's assigns a high likelihood of extraordinary support from the Province of British Columbia to prevent a default by TransLink despite the province's fiscal challenges, reflecting the major public policy role played by TransLink in providing mass transit services as well as key roads and bridges to the largest metropolitan area in Western Canada. The high likelihood of support also reflects the province's strong regulatory oversight over TransLink. A default by TransLink would likely lead to a sharp increase in borrowing costs for public sector entities in British Columbia, thereby providing incentive to the province to act to prevent a default by the authority.

ESG considerations

South Coast British Columbia Transport. Auth's ESG credit impact score is CIS-3

Exhibit 4

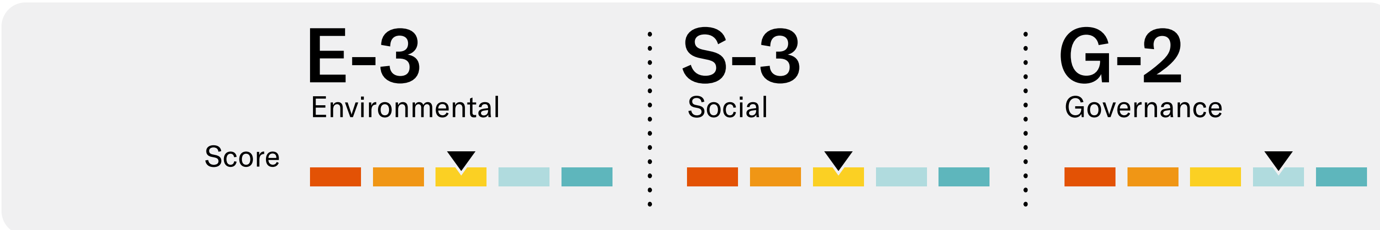
ESG credit impact score



Source: Moody's Ratings

The **CIS-3** Credit Impact Score reflects that ESG considerations have a limited impact on the current rating, with a potential for greater negative impact over time.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-3** issuer profile score (IPS) reflects elevated exposure to physical climate risks as TransLink's routes in the Greater Vancouver Area can be impacted by significant weather events including extreme heat and drought. In addition, TransLink maintains a large fleet of gas and diesel powered vehicles which exposes the agency to carbon transition risk. However, TransLink incorporates meaningful environmental sustainability and green initiatives into its strategic plans. These plans include reducing its carbon emissions through converting its fleet to zero emissions vehicles through electrification, and achieving net-zero GHG emissions of its fleet by 2050 with an interim reduction target of 45% from 2010 levels by 2030. Further, increased capital spending to reduce emissions and increase electrification will be partially balanced by increased ridership as both TransLink's and governmental policies, as well as public preference, shift from carbon inefficient travel to energy-efficient modes of transportation.

Social

The **S-3** IPS reflects long-term changes in passenger demand following the pandemic, leading to a protracted recovery timeline in ridership levels. At the same time, introducing significant fare increases could be subject to social and political resistance. This is partly mitigated by increasing population levels – supported by immigration - and predictable demographic trends in the Greater Vancouver region serviced by TransLink which boosts ridership. Given its large workforce and strong collective bargaining units, TransLink is exposed to some human capital risks given less flexibility to control cost growth.

Governance

The **G-2** IPS reflects robust planning and financial management through a 30-year long term regional transportation strategy and rolling 10-year capital investment plans. Although successfully addressing its multi-year operating gap remains a challenge, however TransLink's governance is structured so that it provides consensus from all area mayors, and facilitates long-term investment plan and successful implementation.

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.

Rating methodology

The assigned BCA of a1 is one notch below the scorecard-indicated BCA of aa3. For details about our rating approach, please refer to the Mass Transit Enterprises Methodology and Government-Related Issuers Methodology.

Exhibit 6

TransLink

Fiscal year ended December 31, 2024

Factor 1 : Size (15%)	Measure	Score
a) Issuer Size - Annual Ridership (Million)	241	Aa
b) Market Size - Service Area Population (Million)	3.1	Aa
Factor 2 : Market Position (35%)		
a) Operating Environment	Aa	Aa
b) Service Area Characteristics	Aaa	Aaa
c) Market Share - Utilization (%)	78.5	Aa
Factor 3 : Financial Flexibility (20%)		
a) Level of Self-Support - Farebox Recovery Ratio (%)	38.7%	A
b) Budget Flexibility (3 Year Avg Fixed Costs as % of Oper. Exp.)	12.9%	Aa
Factor 4 : Debt & Financial Metrics (30%)		
a) Leverage - Net Debt/Revenues	1.82	Baa
b) Budget Balance -Interest as a % of Operating Revenues (3 Year Avg)	8.8%	Baa
c) Budget Balance - Net Margin (3 Year Avg)	20.7%	Aaa
d) Liquidity - Days Cash on Hand	134.6	A
Baseline Credit Assessment (BCA):		
Adjustments / Notching Factors		
Factor 3: Budget flexibility		
2) Independent taxing authority	0.5	
Baseline Credit Assessment (BCA)		
a) Indicated Rating from Grid After Notching Adjustment		aa3
b) BCA assigned		a1

Source: Moody's Ratings

Ratings

Exhibit 7

Category	Moody's Rating
SOUTH COAST BRITISH COLUMBIA TRANSPORT. AUTH	
Outlook	Negative
Baseline Credit Assessment	a1
Issuer Rating -Dom Curr	Aa2
Senior Unsecured -Dom Curr	Aa2

Source: Moody's Ratings

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