

# MOODY'S

## INVESTORS SERVICE

### Rating Action: **Moody's affirms WMATA's A2 rating and revises outlook to positive**

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01 Aug 2018

New York, August 01, 2018 -- Moody's Investors Service has affirmed the A2 rating on gross transit revenue bonds of the Washington Metropolitan Area Transit Authority, DC (WMATA). Concurrently, Moody's has revised the outlook to positive from stable. WMATA has approximately \$758 million of long-term gross transit revenue bonds outstanding. The A2 rating applies to approximately \$64 million (Series 2009A and 2009B).

#### RATINGS RATIONALE

The A2 incorporates WMATA's position as a provider of transit services to the vibrant and growing Washington, DC metropolitan area, the strong role that WMATA's state and local partners play in funding transit operations, and the challenges posed by weak ridership and utilization trends. The rating also incorporates recent weaknesses in internal operating liquidity and a high pension burden, balanced by a low bonded debt burden that mitigates the challenges associated with very high capital needs. Lastly, the A2 recognizes recent commitments from the District of Columbia (Aaa stable) and the states of Maryland (Aaa stable) and Virginia (Aaa stable) to increase capital funding for the authority, which will support crucial infrastructure investments.

#### RATING OUTLOOK

The positive outlook reflects our expectation that stabilized or improved liquidity and ridership could support improvement in WMATA's rating within the next one to two years.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Stabilization or improvement in ridership that increases predictability of passenger fare revenue and enhances WMATA's operating flexibility
- Continued trend of improved internal liquidity

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Budgetary imbalance that intensifies downward pressure on available liquidity
- Continued downward trend in ridership
- Waning support from state and local partners to fund operations and capital investments

#### LEGAL SECURITY

WMATA's gross transit revenue bonds are secured by gross revenues of the enterprise, which largely consists of passenger fares and operating subsidies from participating state and local jurisdictions.

#### USE OF PROCEEDS

Not applicable.

#### PROFILE

WMATA operates the second largest heavy rail system and sixth largest bus system in the US. It serves the Washington DC metropolitan area, which is home to 6.2 million people.

#### METHODOLOGY

The principal methodology used in these ratings was Mass Transit Enterprises Methodology published in December 2017. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this

methodology.

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