



January 8, 2016

Dear Sir/Madam:

The Washington Metropolitan Area Transit Authority (“WMATA” or the “Authority”) is soliciting proposals from interested investment banking firms to serve as underwriter on \$220 million of Gross Revenue Transit Bonds, Series 2016. The Authority has retained Public Financial Management, Inc. as its Independent Registered Municipal Advisor (“IRMA”). Proposers may review WMATA’s IRMA letter at [http://www.wmata.com/about\\_metro/docs/2015-16\\_IRMA\\_Letter.pdf](http://www.wmata.com/about_metro/docs/2015-16_IRMA_Letter.pdf).

If your firm is interested in providing these services, please provide your response pursuant to the requirements on the attached Request for Proposal (“RFP”).

**Please e-mail your proposal by 4:00 p.m. EST on Monday, February 1, 2016 to the contacts below. Electronic copy responses will only be accepted. Hard copy responses will not be accepted. You should expect to receive acknowledgement of your submission within 24 hours.**

Mr. Allen Hoppe  
Treasurer  
Washington Metropolitan Area Transit Authority  
600 Fifth Street, NW  
Washington, DC 20001  
Tel: 202 962-2882  
E-mail: [aehoppe@wmata.com](mailto:aehoppe@wmata.com)

Mr. Scott Trommer  
Managing Director  
Public Financial Management, Inc.  
40 Wall Street  
49<sup>th</sup> Floor  
New York, NY 10005  
Tel: 212 809-4212  
E-mail: [trommers@pfm.com](mailto:trommers@pfm.com)

The Authority reserves the right to reject any and all proposals, to rebid or to negotiate directly with one or more of the respondents and to select a firm on a basis other than cost. If you have any questions about the request, please contact Mr. Hoppe and Mr. Trommer at the e-mail addresses above by no later than January 15, 2016, 5:00 PM EST. Thank you for your interest in assisting the Authority.



**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**  
**Gross Revenue Transit Bonds**  
**Request for Proposals for Investment Banks (or Underwriters)**

January 8, 2016

**A. WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WMATA is responsible for the development, financing, and operation of mass transit facilities (the “Transit System”), consisting of a rapid rail system (“Metrorail”), a bus transit system (“Metrobus”) and an ADA paratransit service (“MetroAccess”), each providing transit services to those portions of the Washington metropolitan area consisting of the District of Columbia, the cities of Alexandria, Falls Church, and Fairfax, Virginia and the counties of Arlington and Fairfax in Virginia and the counties of Montgomery and Prince George’s in Maryland.

Metrorail is the second largest rail rapid transit system in the nation and Metrobus is the sixth largest bus operation. The Authority serves a population of approximately 5 million within a 1,500-square-mile area.

**B. PLAN OF FINANCE**

The Authority is planning to issue up to \$220 million fixed rate Gross Revenue Transit Bonds, Series 2016 in order to (i) meet the near term cash flow needs for the capital program, and (ii) pay costs of issuance (including bond insurance premium, as applicable). This financing is expected to subsequently result in a reduction of WMATA’s utilization of its lines of credit. The term of the Series 2016 Bonds will be no longer than five years.

**SECURITY FOR THE BONDS**

The Series 2016 Bonds will be secured by the Authority’s Gross Revenues consisting of (i) Revenues exclusive of Lease Related Revenues, (ii) the Stable and Reliable Funding Sources (as defined below) and (iii) all other revenues, receipts, grants, contributions, subsidies and funds received by the Authority in respect of the Transit System which can be lawfully pledged under the Gross Revenue Bond Resolution (“Resolution”), provided that the Capital Contributions are excluded from Gross Revenues.

The Series 2016 Bonds will be parity obligations pursuant to the Resolution with \$264.1 million in Gross Revenue Transit Bonds Series 2009. A subordinate pledge of Gross Transit Revenues secures up to \$302.5 million in lines of credit with Bank of America, U.S. Bank and Wells Fargo, of which \$218.8 million is drawn as of December 31, 2015. The amount withdrawn is subject to change without notice.

“Capital Contributions” include any capital contributions or grants paid to the Authority by the Federal government or a Participating Jurisdiction.

**Gross Revenues**

“Gross Revenues” consist of (i) all fares, rates, fees, charges, rents, revenues and other income received by the Authority from the operation of the Transit System and amounts paid to the Authority by the Federal government or any Participating Jurisdiction on account of fares, service and improvements rendered by the Authority, (ii) proceeds of any business interruption insurance relating to the Transit System, and (iii) interest received on any moneys or securities, other than the Capital Contributions, of the Authority;

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provided, until the same is paid to the Authority for services of the Transit System. Revenues shall not include amounts collected by the Authority in respect of fare media that the owners thereof can apply to pay to Persons other than the Authority for goods or services.

### Stable and Reliable Funding Sources

As a condition of receiving certain Federal assistance, a 1980 federal law (the “Stark-Harris Act”) required that each Participating Jurisdiction identify a stable and reliable ongoing source of revenue (collectively, the “Stable and Reliable Funding Sources”) to finance its contributions to the Authority in the amounts needed to fund its share of that portion of operating and maintaining the Transit System that is in excess of (i) revenues received by the Authority from the operation of the Transit System and (ii) any amount of Federal subsidy for the Transit System. Each Participating Jurisdiction adopted legislation, described below, that identified certain local revenue sources that would be used by the Participating Jurisdictions to meet their capital, debt service and operating subsidy payment obligation to the Authority. The funds generated by the Participating Jurisdictions from their respective Stable and Reliable Funding Sources are not specifically pledged to the payment of the Bonds. A Participating Jurisdiction is not limited to the identified revenue sources to provide funds to make its capital, debt service and operating subsidy payments; the payments can be made from all available funds of the Participating Jurisdiction. Any funds received by the Authority as payment from the Participating Jurisdictions for obligations to be paid from the Stable and Reliable Funding Sources or other sources that are not Capital Contributions are Gross Revenues and therefore part of the Trust Estate.

The Authority has covenanted in the Resolution to use its best efforts to cause the Participating Jurisdictions to make payments from their respective Stable and Reliable Funding Sources, together with other funds, if necessary, so as to provide the amounts required to make the deposits to the Debt Service Fund required by the Resolution. To that end, the Authority has covenanted to take all appropriate and governmental action including, without limitation, action to obtain assistance and support for its efforts from any and all governmental entities with an interest therein.

The obligation of the Participating Jurisdictions to make payment of funds to the Authority is subject to appropriation. Pursuant to the Washington Metropolitan Transit Authority Compact, however, the Participating Jurisdictions (with the Washington Suburban Transit District acting on behalf of the Maryland jurisdictions) are obligated, subject to the limitations described herein, to include in their respective budgets and to appropriate or otherwise provide their share of amounts included in the Authority’s capital budget and operating budget to be paid by the Participating Jurisdictions.

#### District of Columbia

In order to comply with the Stark-Harris Act, the District adopted D.C. Law 4-103, the Stable and Reliable Funding Source for WMATA Act of 1982, as amended (“Law 4-103”). Law 4-103 provides for designated revenues to be deposited in the District’s General Fund for allocation to a Metrorail/Metrobus Account. As part of the District’s annual budget, revenues from the identified sources under Law 4-103 may not be appropriated or expended for any purpose until after funds have been provided from such sources to the Authority in an amount sufficient to satisfy the District’s obligation to the Authority to pay the District’s share of the Authority’s operating and Capital Costs and debt service. However, if those revenue sources are insufficient to make the required payments to the Authority, the District is still required to find other available sources of funds to satisfy its obligation to the Authority. In addition, pursuant to the District of Columbia Financial Responsibility and Management Assistance Act of 1995, Public Law 104-8, as amended (the “Control Board Act”), the District of Columbia Financial Responsibility and Management Assistance Authority (the “Control Board”) was established. The Control Board Act granted the Control

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Board substantial powers over the financial activities and management operations of the District government during any “Control Period” as defined in the Control Board Act. Under the provisions of the Control Board Act, a new Control Period will be initiated if, among other things, the District fails to make payments to any entity under an interstate compact, including the Compact, to which the District is a signatory. If a new Control Period were to be initiated under the existing Control Board Act, the Control Board would be reconstituted and resume its full statutory powers.

#### State of Maryland

In order to comply with the Stark-Harris Act, the Maryland General Assembly enacted Section 10-205 of the Annotated Transportation Code of Maryland to provide for its Stable and Reliable Funding Source to pay the share of Authority’s operating and Capital Costs and debt service attributable to the Participating Jurisdictions located in the State. The payment is made from the Transportation Trust Fund (the “Trust Fund”) established under Section 3-216, as amended, of the Annotated Transportation Code of Maryland to the Washington Suburban Transit District (“WSTD”), which then makes payment to the Authority. The act creating the Trust Fund provides that there shall be credited to the Trust Fund for the Account of the Maryland Department of Transportation (the “Department”) all taxes, fees, charges and revenues collected or received by or paid, appropriated, or credited to the account of the Department or any of its units in the exercise of its rights, powers, duties or obligations. Payments from the Trust Fund to the WSTD for this purpose are made only after payments are made to meet the debt service requirements of the Department on its own outstanding debt. However, if the identified Stable and Reliable Funding Source is insufficient to make the required payments to the Authority, the State is still required to find other available sources of funds to satisfy its obligation to the Authority.

#### Commonwealth of Virginia

In order to comply with the Stark-Harris Act, the Virginia General Assembly enacted Section 58.1-1720 of the Code of Virginia, as amended, which levied, in addition to all other taxes imposed on fuels subject to tax, in every county or city which is a member of any transportation district in which a rapid heavy rail commuter mass transportation system operating on an exclusive right-of-way, and a bus commuter mass transportation system, are owned, operated or controlled, a sales tax of two percent (2%) on the retail price of such fuels sold within such county or city. The Participating Jurisdictions located in the Commonwealth are all members of the Northern Virginia Transportation Commission. The tax imposed is paid to the NVTC and is then sent to the Authority to be applied to fund its share of the Authority’s operating and Capital Costs and debt service.

Section 15.2-948 of the Code of Virginia, as amended, provides that a Participating Jurisdiction located within the Commonwealth may, within the limits permitted by the Virginia Constitution, designate any of its continuing sources of revenue, or a portion thereof, as its Stable and Reliable Funding Source to pay its mass transit operating and debt service expenses to the extent that such designation is required pursuant to Stark-Harris. However, under the Virginia Constitution, a county, including Fairfax County and Arlington County, cannot obligate itself to pay for a fixed proportion of a future deficit of the Authority if it cannot be paid out of current revenues or there has not been a referendum authorizing the obligation. Based upon the foregoing, Fairfax County and Arlington County have concluded that while they cannot either by legislation or contract commit themselves to pay their obligations to the Authority beyond a current year in which revenues are available, they can, by ordinance, designate the Stable and Reliable Funding Sources from which appropriations for the Authority may be derived. Accordingly, each of the Participating Jurisdictions in the Commonwealth has adopted an ordinance designating its general revenues as the source of funds to provide payments to the Authority on an annual basis (and Alexandria, Falls Church and Fairfax cities have agreed to by written contract with the Authority), and has directed its chief administrative officer

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to continue close coordination with the Authority to ensure that the Participating Jurisdiction’s contribution be included in the annual budget submissions.

Exhibit 1 presents Gross Revenues on an actual basis for FY2010-FY2015 and on a budgeted basis for FY2016

**EXHIBIT 1: HISTORICAL AND PROJECTED GROSS REVENUES**

(\$ in thousands)							
	<b>Audited</b>						<b>Budget</b>
	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
Passenger Revenues	660,319	763,900	777,528	817,615	811,628	854,392	810,011
Non-Passenger Revenues	103,412	57,116	59,263	56,332	59,769	65,291	127,989
Operating Subsidies	<u>682,545</u>	<u>679,880</u>	<u>680,385</u>	<u>711,103</u>	<u>743,875</u>	<u>826,096</u>	<u>845,328</u>
Total Gross Revenues	<u>1,446,276</u>	<u>1,500,896</u>	<u>1,517,176</u>	<u>1,585,050</u>	<u>1,615,272</u>	<u>1,745,779</u>	<u>1,783,328</u>

**C. FTA Funds**

As a result of the findings from the FTA’s Financial Management Oversight (“FMO”) review in March 2014, WMATA’s requests for grant reimbursements have been subject to an enhanced review by FTA and have been processed manually. This resulted in a cash flow mismatch between the timing of expenses incurred and the availability of grant reimbursements. To address this cash flow issue, WMATA secured interim financing by expanding the capacity of, and drawing on, its lines of credit in an amount of up to \$302.5 million with Wells Fargo, Bank of America and U.S. Bank and entered into a one year grant anticipation note (“GAN”) with Bank of America for \$200 million which was fully paid upon maturity in October 2015.

WMATA has been working with FTA to address the FMO review findings through the development and implementation of a corrective action plan. In addition, FTA’s time to review and process WMATA grant requests has improved, providing some cash flow relief. As of June 30, 2015 all FMO Corrective Action Plan items have been submitted and accepted by the FTA.

Primarily, as a result of the FMO review and introduction of a new external audit team, WMATA’s audited financial statements for fiscal year 2014 were delayed. The basic statement was released on August 6, 2015. In addition, WMATA’s audited financial statements for fiscal year 2015 were also slightly delayed. The basic statement was released on December 17, 2015. Proposers may review the Authority’s fiscal year 2014 and 2015 basic statements at:

[http://www.wmata.com/about\\_metro/docs/WMATA\\_14%20FS\\_Final.pdf](http://www.wmata.com/about_metro/docs/WMATA_14%20FS_Final.pdf)

[http://www.wmata.com/about\\_metro/docs/WMATA-6-30-15-Final.pdf](http://www.wmata.com/about_metro/docs/WMATA-6-30-15-Final.pdf)

The FTA has taken over direct safety oversight of WMATA and, as WMATA’s grant providing agency, may direct the use of some or all of those funds for specific capital expenditures. WMATA does not expect that any such actions will have any impact on current or potential bondholders.

**D. PURPOSE**

The Authority is seeking proposals from qualified firms, registered with FINRA and/or SEC, to serve as Underwriter in connection with the Series 2016 Bonds. Underwriters may submit proposals to be considered as senior manager and/or co-manager. The Authority has designated Public Financial Management, Inc. as its financial advisor, to solicit proposals from Underwriters.

**D. SCHEDULE**

Provided below is the schedule for milestones in this RFP process, listed in order of occurrence. The Authority reserves the right to change any or all of these dates as it deems necessary or convenient in its discretion. In the event of such a date change, all parties that have been furnished with this RFP will be duly notified.

Issuance of RFP	Friday, January 8, 2016
Deadline for Questions	Friday, January 15, 2016 by 5:00 PM, EST
Responses to Questions E-Mailed	Monday, January 22, 2016 by 5:00 PM, EST
Proposal Due by	Monday, February 1, 2016 by 4:00 PM, EST
Anticipated Selection	Wednesday, February 10, 2016

Your proposals must be e-mailed to the contacts identified on the cover letter of this RFP. Hard copies, faxed copies of your proposal and late responses will not be accepted. All material submitted in accordance with this solicitation becomes the property of the Authority and will not be returned. All costs incurred in the preparation of the proposal will be the sole responsibility of the respondent.

**E. SCOPE OF SERVICES**

Investment bank selected as senior manager will be expected to provide the following services to the Authority:

- 1) Work with Authority Staff, Financial Advisor, and Bond Counsel to finalize a definitive financial plan, including the final structuring and terms and conditions of the debt offering.
  - 2) Assist the Authority in obtaining a rating from the selected rating agency or agencies. The Authority and its Financial Advisor will lead the rating agency effort. The senior manager will be asked to support the development of the credit strategy and rating agency materials.
  - 3) Underwriting firms should propose underwriter's counsel for the transaction. The Authority reserves the right to accept or reject the Underwriter's proposed firm and identify another firm to serve as underwriter's counsel. WMATA's disclosure/bond counsel, Hawkins Delafield & Wood, will lead the drafting of the preliminary official statement and official statement. Underwriters counsel will review and comment on the preliminary and final official statements and such other documentation as may be required to issue, market and sell the Series 2016 Bonds, as appropriate.
  - 4) Assume primary responsibility for all activities associated with marketing the Series 2016 Bonds, including the development of a marketing plan for the Bonds.
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- 5) Participate as required in all necessary informational meetings for prospective investors prior to the issuance of the Series 2016 Bonds.
- 6) Complete the sale of bonds on a fixed rate basis.

**F. PROPOSAL FORMAT**

Proposals should be appropriately concise and clearly address the questions and provide the information requested herein. Proposals should be no more than 20 pages in length prepared on 8 ½" x 11" electronically formatted pages with a font size of no less than 10 points. The page limit does not apply to the cover letter or to the proposal appendix which includes the tables requested in items 4 and 5 below as well as supporting materials describing the proposer's approach for structuring and pricing the Series 2016 Bonds. Only electronically delivered proposals will be accepted, paper proposals will be rejected.

The Authority will evaluate proposers based on three broad factors in the following order of priority: (1) Investment Bank Financial Condition, (2) Investment Bank Experience and Approach to Execute the Financing and (3) Fees. Any proposals submitted, whether joint or separate, must clearly specify any arrangements between the firms regarding the provision of services and the allocation of fees.

Proposals should include the following information in order to be considered responsive.

1. Please provide your firm's public finance experience, experience serving issuers in the Washington, DC metropolitan area, transportation experience and experience with WMATA, if applicable.
  2. For the most recently completed fiscal year and current fiscal year to date, provide a tabular presentation of the following information:
    - i. Total Firm Capital
    - ii. Uncommitted Excess Net Capital
    - iii. Limitation on Tax-Exempt Underwriting Liability (Per Transaction)
    - iv. Average Daily Position - All Fixed Income Securities
    - v. Average Daily Position - Municipal Fixed Income Securities
    - vi. Average Daily Position - Municipal Variable Rate Securities
    - vii. Average Daily Uncommitted Capital
  3. Please provide the names of staff who will be involved in this transaction and also include the name of the proposed underwriter counsel. Indicate your proposed staff's position within your organization and their experience with tax exempt capital markets debt; District of Columbia, State of Maryland and Commonwealth of Virginia debt; and transportation debt.
  4. Describe in tabular and/or textual form your firm's experience since January 2012 with managing and structuring municipal tax-exempt issues in the District of Columbia, State of Maryland and Commonwealth of Virginia as Senior and/or Co-Managing Underwriter. Please specify for each transaction your firm's role (Senior or Co-Manager), date, par amount and purpose. Provide three
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issuer references from this list including name, title, agency name, address, phone number and e-mail address. Tabular exhibits may be included in your proposal appendix and will not count towards the 20 electronic page limit.

5. Describe in tabular and/or textual form your firm's experience since January 2012 with managing and structuring debt for transit agencies or organizations as Senior and/or Co-Managing Underwriter. Please specify for each transaction your firm's role (Senior, Co-Manager or Credit Provider), date, par amount and purpose. Indicate if the issue was rated, insured or secured by a letter of credit. Provide three issuer references from this list including name, title, agency name, address, phone number and e-mail address. Tabular exhibits may be included in your proposal appendix and will not count towards the 20 page limit.
  6. Indicate your firm's commitment to the municipal bond industry and comment on any recent significant changes in your organization.
  7. Please indicate whether or not your firm has any knowledge of any active investigations or criminal proceedings by the SEC or any other state or federal agency with regard to your public finance department and municipal trading department members or practices.
  8. Discuss your firm's marketing plan and distribution capability. Who will buy the securities? What specific investors will your firm target? What type of investor relations program would your firm recommend? Please describe your retail sales presence in the District of Columbia, State of Maryland and Commonwealth of Virginia. What specific marketing approaches would your firm recommend that the Issuers implement to achieve the most cost effective financing and boost the profile of each of the financing entities mentioned above? Provide a case study of a similar issuer for whom your firm implemented a similar approach.
  9. Please provide a detailed discussion of your recommendations for structuring Series 2016 Bonds. The Bonds will have a maximum term of five years. The Authority is currently rated A1 Negative by Moody's and AA- Stable by Standard and Poor's, respectively. The 2016 Bonds will be on parity with the 2009 Bonds. Ratings on the Bonds will be pursued by WMATA. For purposes of this analysis, please assume market rates as of January 12, 2016. Please provide, on a maturity-by-maturity basis, the expected spread to an identified MMD scale for each scenario presented. Please discuss the use of/preference for premium and discount bonds as well as use of par bonds. Underwriters are encouraged to propose and evaluate the impacts of alternative structuring options including level debt service and principal deferral options. In addition, please provide your thoughts on structures that are non-callable, have a one year call, two year call and a three year call. The Authority may receive grant funds on accelerated schedule and may want to retain the option to call the bonds earlier than the state maturity. Proposed debt structuring must include assumptions for Underwriter's Discount, Underwriter's counsel fee and, for modeling purposes only, an assumed cost of issuance of \$300,000.
  10. Please provide two examples of credits comparable to WMATA that you priced within the last 18 months. How did this transaction price relative to MMD on the day of pricing? What were the strategies that your investment bank took to ensure the most cost effective financing? What challenges did your investment bank experience on the day of pricing and how did you mitigate them? How would the proposed WMATA five year debt structure have priced on the days your firm priced these comparable transactions?
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11. At the discretion of the Authority more than one underwriter may be selected. Please provide a statement of your firm's willingness to be co-manager on any or all transactions.
  12. Please estimate the fees for the following components of the gross spread.
    - i. Takedowns by year
    - ii. Expenses (include a detailed itemized list of expenses and estimated costs including underwriter's counsel)
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